ELEMENTIS

27 February 2018

ELEMENTIS plc

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

A year of significant strategic and financial progress

Portfolio transformation delivering a more focused, higher quality business

SummitReheis integration complete creating a Personal Care business of scale

Reignite Growth strategy delivering results

- Revenue from continuing operations up 27% to $782.7m. Total revenue up 26% to $830.3m[◊] with strong organic revenue growth of 11%*.

- Operating profit increased 7% from $85.1m to $91.4m, excluding impact from discontinued operations and adjusting items.

- Adjusted operating profit[Δ] up 32% to $128.1m[◊] - growth across Specialties, Chromium and Surfactants. Profit after tax up 73% to $117.6m.

- Continued strong cash generation. Adjusted operating cash flow[Δ] up 12% to $107.1m[◊].

- Portfolio transformation progressing to plan and creating a more focused, higher quality business:
    - US Colourants disposal complete, site sale on track.
    - Surfactants sale to complete before end Q1 18.
    - SummitReheis integration complete, synergy expectation increased from $3m to $5m.

- Personal Care is now the largest profit contributor of the Group. New reporting structure to improve performance transparency of Personal Care, Coatings, Chromium and Energy.

- Ordinary dividend up 4% to 8.80c. New dividend policy – progressive, with cover of at least two times adjusted earnings and additional returns considered if leverage structurally below 1x.

- 2018 outlook promising – expect continued strategic momentum and further progress.

FINANCIAL SUMMARY

	2017	2016	%Change
Revenue	**$782.7m**	$616.6m	+27%
Profit for the year	**$117.6m**	$68.1m	+73%
Basic earnings per share[◊]	**25.4c**	14.7c	+73%
Total revenue[◊Δ]	**$830.3m**	$659.5m	+26%
Adjusted operating profit[◊Δ]	**$128.1m**	$97.0m[†]	+32%
Adjusted profit before tax[◊Δ]	**$115.2m**	$92.5m[†]	+25%
Adjusted diluted earnings per share[◊Δ]	**19.5c**	17.4c[†]	+12%
Adjusted operating cash flow[Δ]	**$107.1m**	$96.0m	+12%
Net (debt)/cash	**$(291.1)m**	$77.5m	n/s
Dividend per share	**8.80c**	8.45c	+4%

[*] Constant currency sales reflect prior year results translated at current year exchange rates
[◊] Total operations (both continuing and discontinued)
[†] Restated – see note 9
[Δ] After adjusting items – see note 5 (finance report for operating cash flow)

Business segment highlights

- Strong sales growth in Specialty Products, up 33%* to $611.0m.
  - Personal Care sector sales up 186%* to $179.3m on existing business growth and SummitReheis contribution. Existing business sales up 23%* on continued geographic expansion and increased product penetration of unique hectorite based products.
  - Coatings sector sales up 4%** to $372.9m with steady growth across all regions.
  - Energy sector sales up 65%* to $58.8m on demand led recovery.
- Specialty Products operating profit up 28%[†]* to $109.0m driven by organic growth and integration of the SummitReheis business.
- Chromium resilient. Operating profit up 11% to $30.1m driven by strong sales growth with pricing actions to mitigate raw material increases.

US taxation

The change in US tax laws result in a 2017 tax credit of $51m (adjusting item) and should enable the group tax rate in the medium term to remain around 20%.

Paul Waterman, Chief Executive Officer of Elementis, said:

"In 2017 Elementis has delivered significant strategic and financial progress. Operating profit rose across all of our three business segments, with particularly strong performance in Personal Care where we continue to see high demand for our unique hectorite based products. Strong cash flow generation is a hallmark of Elementis and 2017 saw adjusted operating cash flow rise 12% to $107.1m[◊].

In the first year of our Reignite Growth strategy we have strengthened the foundations of the organisation. The acquisition of SummitReheis, a leading supplier of specialty additives for the anti-perspirant market has created a Personal Care business that is now the biggest profit contributor at Elementis. Our portfolio transformation has advanced with the sale of our strategically disadvantaged US Colourants business and the recently announced sale of our Surfactants business. This generates cash, simplifies our supply chain and enables us to reallocate capital to higher margin growth opportunities.

There however remains a lot to do. In 2018 we will continue to reallocate resources to our best growth and productivity opportunities while further improving our cash flow profile. We have started the year positively and are focused on making further progress in 2018."

Further information

A presentation for investors and analysts will be held at 1030 GMT on 27 February 2018. The presentation will be webcast on http://www.elementisplc.com/. Conference call dial in details:

UK: 020 3936 2999 Other locations: +44 20 3936 2999 Participant Access Code**:** 53 76 11

Notes:

* Constant currency sales reflect prior year results translated at current year exchange rates
** Constant currency sales excluding US Colourants disposal
[†] Restated – see note 9
[◊] Total operations (both continuing and discontinued)

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Chairman's statement

As I reflect on the first year following the launch of the new strategy to Reignite Growth at Elementis, I am pleased to report a year of strong strategic progress, solid earnings growth and good cash flow generation.

The acquisition of SummitReheis, disposal of the Surfactants business and far reaching supply chain initiatives are a few examples of the significant change taking place at Elementis.

I continue to be impressed by the commitment and hard work of all our employees. They are focused on enhancing our customers' product performance through the application of expertise and innovation. On behalf of the Board, I would like to thank the entire team at Elementis.

Financial Results

In 2017, revenue from continuing operations rose 27% to $782.7m and revenue from total operations, including the discontinued Surfactants business, increased 26% from $659.5m[◊] to $830.3m[◊]. Operating profit for the year increased by 7% from $85.1m to $91.4m, however this excludes the impact from discontinued operations and adjusting items. Adjusted operating profit for the year grew 32% to $128.1m[◊] compared to $97.0m[◊†] in 2016, and profit after tax grew 73% from $68.1m in 2016 to $117.6m in 2017, reflecting the contribution from the newly acquired SummitReheis business and underlying growth across all of our 3 business segments. Group adjusted diluted earnings per share rose 12% from 17.4 cents[†◊] in 2016 to 19.5 cents[◊].

Balance Sheet

Following the acquisition in March 2017 of SummitReheis for $362m, Elementis has moved from a net cash position of $77.5m at the end of 2016 to a net debt position of $291.1m at the end of 2017. One of the Group's core strengths is its cash flow generation and 2017 was no different, with adjusted operating cash flow of $107.1m[◊], up 12% on prior year.

The IAS 19 deficit, on the Group's post retirement benefit plans, declined from $30.1m at the end of 2016 to $10.5m at the end of 2017. This was driven by the UK pension plan, which moved further into surplus. The scheme accounts for the majority of the Group's pension obligations.

Dividend policy

Under the dividend policy introduced in 2012, the Board undertook to pay approximately one third of earnings, after adjusting items, each year in a combination of interim and final dividends. In addition, a special dividend was paid each year of up to 50% of the net cash balance at the end of the year, provided there were no immediate investment plans for that cash.

Following the acquisition of SummitReheis in 2017, and the movement from a net cash to a net debt position, the Board has revised its dividend policy to reflect our view of the long term earnings and cash flow potential of the Group. Going forward:

- It is our intention to pay progressive ordinary dividends, normally with a dividend cover of at least two times adjusted earnings.
- The interim dividend paid each year will normally be one third of the prior full year dividend.
- We look to maintain balance sheet flexibility and strength in the context of the Company's investment plans. Taking that into account, when net debt is structurally below one times earnings (EBITDA) we will seek to make additional returns to shareholders.

This year the Board is recommending a total ordinary dividend of 8.80 cents per share (2016: 8.45 cents per share), reflecting its confidence in the Group's business model and ability to generate cash, the medium term prospects and the levels of investment required over the short to medium term to deliver the Reignite Growth strategy.

- The final dividend will be paid on 1 June 2018 in pounds sterling at an exchange rate of £1.00:$1.4035 (equivalent to a sterling amount of 4.3463 pence per share) to shareholders on the register at 4 May 2018.
- The Board declared an interim dividend at the time of the Interim Results announcement of 2.70 cents per share (2016: 2.70 cents).

Governance

In February 2017 and March 2017, the Board appointed Sandra Boss and Dorothee Deuring respectively as Non-Executive Directors. Their appointments have contributed strongly to the quality of Board discussions and, reflecting their areas of expertise, brought new insights and a diversity of perspective to the strategic conversations taking place. Andrew Christie resigned from the Board at the AGM in May 2017, having served for 9 years. I would like to thank Andrew for his contribution both as a Non-Executive Director and as Chairman of the Remuneration Committee. Steve Good has succeeded Andrew as the Remuneration Committee Chairman.

The interactions and communication flows between executives and Non-Executive Directors have been strong and as a result the new Board is well placed to challenge, guide and support the executives in the delivery of our Reignite Growth strategy.

The Board considers that it has applied fully all of the principles and provisions of the UK Corporate Governance Code during 2017. More information is provided in the Corporate Governance report.

In January 2018, we welcomed our new Company Secretary, Laura Higgins, replacing Wai Wong who has stepped down after 10 years service. Laura brings significant company secretarial experience to us gained from roles in UK and internationally quoted companies. I would personally like to thank Wai for his contribution and commitment over many years.

People
Ensuring that we have the right people and talent for the future needs of our business is critical to our continuing success. As a Board we spend considerable time on succession planning, and talent development across our business. Led by Paul Waterman, there have been extensive changes in the structure and composition of the Executive Leadership team and we now have a strong executive team in place to take the Reignite Growth strategy forward.

Outlook
The positive results and significant progress made by the Group in 2017, combined with a strong financial position, are strong evidence that the Group is adopting the right strategy and strengthening the foundations to Reignite Growth at Elementis.

Our priorities in 2018, the second year of the strategy, are to maintain this momentum. We have seen encouraging signs in 2017 and are confident of delivering continued progress in 2018.

Andrew Duff
Chairman
27 February 2018

† Restated – see note 9
◊ Total operations (both continuing and discontinued)

Chief Executive Officer's overview

In 2017, we have delivered profit growth across all 3 business segments and strong cash flow generation. In the first year of our Reignite Growth strategy implementation we have made material progress. There is still however a lot to do. We as a management team are convinced of Elementis' growth potential and look forward to maintaining the momentum in 2018.

Results

Looking back on 2017, I will start with the Group's financial performance. Revenue from continuing operations rose by 27% on the prior year from $616.6m to $782.7m, with strong organic growth and a first contribution from the recently acquired SummitReheis. Operating profit for the year increased by 7% from $85.1m to $91.4m, however this excludes the impact from discontinued operations and adjusting items. Group adjusted operating profit rose from $97.0m[◊†] to $128.1m[◊] and profit after tax increased 73% to $117.6m. Group adjusted EPS increased from 17.4 cents[†] in 2016 to 19.5 cents[◊].

A hallmark of Elementis is its strong cash generation and in 2017 we delivered adjusted operating cash flow of $107.1m. Following the acquisition of SummitReheis in March 2017 for $362m, Elementis moved from a net cash position of $77.5m in 2016 to a net debt position of $291.1m. The strong underlying cash generation of the Group combined with portfolio changes will enhance our future free cash flow and continue to strengthen our balance sheet.

Health and Safety

Safety remains our top priority and we take our responsibilities to our employees, customers, suppliers and visitors very seriously. While we continue to deliver safety performance that is amongst the industry leaders, we will not be satisfied until we achieve our goal of no one getting hurt while working at Elementis.

In 2017, we made several improvements to our health and safety programme. We established and communicated our 10 Life Saving Rules, upgraded our online health and safety training programme and implemented a safety recognition programme for recognising manufacturing locations that achieve significant milestones in safety performance. All these changes reflect our desire to reinforce safety as a value and to reduce or eliminate our workforce's exposure to occupational hazards.

Compliance and ethics

During 2017 we refreshed and relaunched our Code of Conduct (the Code). This reflects the spirt of the 5 key principles at Elementis.

- Behaving with honesty and integrity
- Following the letter and spirit of the law
- Treating each other fairly
- Acting in the best interest of Elementis
- Protecting Elementis' property and documents

The relaunch of the Code has been supported by new online training encompassing areas including fair dealing, confidentiality and privacy, insider trading and fair disclosure, bribery and other anti-corruption practices. All new employees are required to undertake training on the Code and refresher training is given to all employees periodically. This is supported by comprehensive whistleblowing procedures and an anti-retaliation policy. The Board and Executive Leadership team consider the Code to be critical to the Group's continuing success and in how it meets its corporate responsibilities.

People

Every person counts at Elementis. Enabling the organisation to operate efficiently is essential for successful execution of our Reignite Growth strategy. In 2017, we completed the implementation of global functions across the Group and invested in key leadership team capabilities required to deliver the strategy. I have taken the decision to create a global Coatings team that will be led by Luc van Ravenstein. This will enable Elementis to pursue growth opportunities in Coatings more quickly and in a more integrated way. In addition, Marci Brand will lead our Personal Care business. Marci is an experienced leader who has recently joined Elementis from BP.

After a career with Elementis spanning 40 years, Dennis Valentino, President Chromium, has announced he will retire at the beginning of July 2018. I would like to thank Dennis for the substantial contribution he has made to Elementis. His impact on the business will be long lasting. While we must say goodbye to Dennis, I am pleased to announce that Eric Waldmann has been appointed Vice President, Chromium and will join the Executive Leadership team. Eric is a proven leader who has deep experience in all aspects of our Chromium business.

Reignite Growth – Strategy Update
In November 2016, we launched our new strategy to Reignite Growth at Elementis. In the first year of our strategic implementation we have made significant progress against our four main strategic pillars.

1) Pursue best growth opportunities

Key account management
Key account management is about accelerating and deepening how we work and grow with our most important global customers to become their chosen partner. In 2017 we implemented key account processes with our largest Personal Care, Coatings and Energy customers. These processes include online account management tools, relationship maps and account specific strategies linked to our new innovation pipeline process. As a consequence we have improved our dialogue with our key customers and are better placed to deliver Enhanced Performance Through Applied Innovation.

Personal Care global growth
In Personal Care we have a unique advantage by owning the only commercial grade hectorite mine in the world. Hectorite organoclay is all natural and pure white in colour, and is an important ingredient to give products the right viscosity.

In September 2017, we completed the Bentone® gel production capacity expansion at our Livingston site in Scotland. Combined with investment in our sales force this has supported the geographic expansion and product penetration of our unique hectorite based personal care products.

In March 2017, we completed the acquisition of SummitReheis, a global leader in the anti-perspirant actives sector. The integration of SummitReheis was completed in December 2017 and the acquisition is delivering a Personal Care business of scale with attractive growth opportunities.

Coatings Asia
In Asia, the opportunity is clear: expanding our Coatings presence, including building our decorative coatings activities in China and beyond. In 2017, we separated our organisation in Asia into two regions, India, Taiwan and South East Asia (ITSEA) and China and North Asia (CANA). This will allow us to build on our strong position in China whilst at the same time increase our presence and focus on the burgeoning economies in ITSEA. In September 2017 we appointed a new Managing Director of ITSEA who is located in Mumbai and leads our business development in this region.

2) Pursue supply chain transformation

Address disadvantaged assets
In March 2017 we announced the sale of our US Colourants business to Chromaflo Technologies and in December 2017 we agreed to sell the Surfactants business, including the Delden facility in Netherlands, to Kolb Distribution AG for EUR 39m. By exiting these strategically disadvantaged businesses we have generated cash, simplified our supply chain and are able to reallocate capital to higher margin growth opportunities.

In addition we have progressed the sale of the Jersey City land, the previous site of our US Colourants business, and are exploring strategic options for the Dental business that we acquired as part of SummitReheis.

Manufacturing productivity
Production within our network of assets is being optimised to improve efficiency and reduce cost. During the year we invested in the relocation of our flash dryer asset from St Louis to Charleston, a project with significant returns.

In 2017, we completed a working capital review and identified $18m of efficiencies to be achieved by the end of 2020. Implementation in 2018 onwards will see improved demand planning, consistent service level agreements, new inventory management tools and product rationalisation. As the project is rolled out we anticipate an improved underlying working capital performance.

Pursue procurement savings
In 2017, we have continued to focus on procurement savings by diversifying our raw material suppliers, looking at different geographies and lower cost suppliers. As at the end of 2017 just 25% of our raw material supplies were from single suppliers, compared to 36% at the end of 2016. This has helped mitigate cost increases and assure long term supply stability.

In addition we have taken steps to improve our logistics capabilities with investments in our own infrastructure and engagement with new third party logistics firms. This has improved service levels, data visibility and lowered costs.

3) Innovate for high margins and distinctiveness

Sustain innovation leadership

For our customers we deliver Enhanced Performance Through Applied Innovation. To sustain our innovation leadership position we made several changes in 2017 to how we operate.

Personal Care is now a material business for Elementis and as a result we have increased our resources in this area to support new product development. The acquisition of SummitReheis also brings a new, market leading technology and innovation opportunity to the business.

Implementation of a global Research and Development function, and alignment with key account initiatives, mean we are now better positioned to be innovation partners to customers.

In addition we have improved our decision making systems, implemented stage gate processes and installed a new pipeline management tool. These changes ensure that we focus on the most attractive and material innovation opportunities available to us.

Deliver new product pipeline

In 2017, we launched several new products. In Personal Care, our new multifunctional next generation Bentone® Luxe gel realised its first sales. This product combines emulsification with rheological control and opens up new opportunities for our Personal Care business. In Coatings, new acrylic thickeners for decorative applications are delivering cost effective performance to customers in emerging markets, and our organic thixotropes in Europe and North America continue to generate momentum, with sales growth of 13% in the year.

Our product pipeline is healthy with a range of active projects in late stage development, reflecting the variety of global customers' formulations and needs. We continue to expand the utilisation of our hectorite resources across Personal Care applications, including skin care, and leverage our technological capabilities from Coatings. In Coatings, trends such as the reduction of VOC content and emerging market functional requirements continue to shape our innovation pipeline.

4) Create a culture of high performance

Structure

In 2017 we completed the restructuring of our business from a divisional to a functional organisation. The implementation of global functions across the group means we are better aligned to support strategy execution.

Investment in capability is key to enable our Reignite Growth strategy. As part of this we have established a new global Coatings team, which will be led by Luc van Ravenstein. This will enable Elementis to pursue growth opportunities more quickly and in an integrated way.

We are moving towards a flatter and more transparent structure. Reflective of this we will introduce four clear reporting segments in 2018: Personal Care, Coatings, Chromium and Energy.

Process

During the year, we have implemented new performance management processes to ensure optimal resource allocation and strong execution.

The introduction of standardised management information across the business provides more robust performance review.

The implementation of workday®, a standardised and automated human resources system means we have the appropriate levels of employee management and evaluation tools within the organisation.

Quarterly key account management reviews and innovation pipeline reviews between the CEO, marketing and sales ensure that we, as an organisation are focusing on the most material and commercially relevant opportunities.

All of these process improvements mean we are creating a culture that focuses on transparency, delivery and, where necessary, timely interventions.

Outlook

In 2018 we will look to build on the momentum we've created. In terms of growth opportunities, we will continue to grow our Personal Care business via continued geographic expansion and deepened product penetration throughout our customer base. The Coatings team will prioritise growth initiatives at global key accounts and in key geographies such as China, South East Asia and Latin America. In addition, we expect solid performance from both the Chromium and the Energy businesses to continue through 2018. In the global supply chain we will continue to optimise our asset base, drive productivity improvements and pursue working capital efficiency. Our innovation pipeline is focused on material opportunities that address the formulation objectives of our customers and balances resources appropriately between new product opportunities in Personal Care and Coatings.

Summary

At Elementis we will maintain focus on actions that will create sustainable value over time. We start with an emphasis on safe, reliable operations that enable our employees to return home safe at the end of each day. Our code of conduct must be understood and followed by everyone to ensure we do what is right, all the time, and to create a place where people love to work. The Reignite Growth strategy is clear and we must ensure all our resources are allocated to the most compelling value creating opportunities and that our execution is excellent. We are fortunate to have a talented team of people who are dedicated to the success of Elementis and for that I am very grateful. 2017 was a good start, but there is much more to do in 2018 and beyond to realise our aspirations. We are excited about the future.

Paul Waterman
CEO
27th February 2018

† Restated – see note 9
◊ Total operations (both continuing and discontinued)

Business Commentaries

Revenue

	Revenue restated 2016 $million	Effect of exchange rates $million	Increase/ (decrease) 2016 $million	**Revenue 2017 $million**
Specialty Products	460.4	0.5	150.1	611.0
Chromium	168.8	–	17.9	186.7
Inter-segment	(12.6)	–	(2.4)	(15.0)
Revenue from continuing operations	616.6	0.5	165.6	782.7
Discontinued operations - Surfactants	43.1	0.7	4.0	47.8
Inter-segment from discontinued operations	(0.2)	–	–	(0.2)
Total revenue from continuing and discontinued operations	659.5	1.2	169.6	830.3

Adjusted operating profit

	Operating profit restated† 2016Δ $million	Effect of exchange rates $million	Increase/ (decrease) 2016 $million	**Operating profit 2017 Δ $million**
Specialty Products	81.6	3.4	24.0	109.0
Chromium	27.1	–	3.0	30.1
Central costs	(11.1)	0.5	(5.8)	(16.4)
Adjusted operating profit from continuing operations	97.6	3.9	21.2	122.7
Discontinued operations - Surfactants	(0.6)	0.1	5.9	5.4
Total adjusted operating profit from continuing and discontinued operations	97.0	4.0	27.1	128.1

Δ after adjusting items – see note 5
† restated – see note 9

Specialty Products

In Specialty Products, revenue was $611.0m compared with $460.4m in the same period last year, representing an increase of 33% on a constant currency basis driven by strong organic growth and a first contribution from SummitReheis. Unless stated otherwise, the remainder of this commentary refers to constant currency movements.

- Excluding the impact of the US colourants business disposal, Coatings revenue rose 4% to $372.9m, with growth in all regions. Coatings America (excluding colourants) had a record revenue year and finished 7% above 2016 with strong performance in North America, and market share gains in Latin America, supported by the continued ramp up of our New Martinsville plant. Coatings Asia improved by 4% with solid growth in our largest market of China and improved demand in Australasia and South East Asia. In EMEA, Coatings finished up 2% with good performance in continental Europe. Across all regions (excluding colourants) our second half performance was much improved with 7% growth compared to 2% in the first half.

- In Personal Care, revenue rose by 186% to $179.3m, driven by our existing hectorite based operations and the initial contribution from SummitReheis. Our existing Personal Care business grew 23% in the period with rapid revenue growth in our Bentone® gel product range, strong performance in Asia and growth at our key global accounts. This was supported by the completion in September 2017 of the expansion of our Bentone® gel capacity in Livingston, Scotland. SummitReheis performance in the period was resilient with revenue of $102.0m as price increases were activated in response to raw material price inflation.

- In Energy, revenue rose by 65% to $58.8m due to a strong market recovery, geographic expansion of our customers and progress with our global key account. Sales were notably stronger in North America where shale activity levels and efficiency gains are encouraging.

Adjusted operating profit was $109.0m, compared with $81.6m† in the previous year, representing a 28% increase on a constant currency basis. Adjusted operating margin for the period was 17.8%, up on 17.7%† in the prior year, due to growth of our high margin Personal Care business and pricing actions taken in the period.

Chromium

Chromium revenue in 2017 was $186.7m compared to $168.8m in the previous year, an increase of 11% on a constant currency basis. As a result of improved macroeconomic fundamentals volumes rose 9% on 2016 with strong demand in both North America and the rest of the world. The business experienced an increase in demand in the following markets: North America refractory, North America pigments, Spanish tile and rest of the world metal finishing and timber treatment. In response to higher chrome ore prices, average selling prices in 2017 were higher than the previous year.

Adjusted operating profit rose by 11% to $30.1m with strong organic growth and stable contribution margins partially offset by unplanned maintenance costs at Corpus Christi and Castle Hayne facilities.

Surfactants

Revenue in 2017 rose 9% on a constant currency basis to $47.8m as a result of favourable sales achieved in the first six months of the year that did not sustain throughout the year. Volumes were 20% lower than 2016 due to the loss of a key customer in the second half of the year that significantly reduced capacity utilisation at the plant.

Operating performance rose from a loss of $0.6m in 2016 to a profit of $5.4m due to the increased sales performance in the first half of the year.

In December 2017 we agreed the sale of the Surfactants business, including the Delden facility, to Kolb Distribution AG ("Kolb") for a consideration of EUR 39m. In addition to all of the Surfactants products, the Delden facility also manufactures a range of products sold by the Specialty Products segment. As part of this transaction Elementis will enter into a long term supply agreement with Kolb for continued sourcing of a limited number of Coatings products. This will cost Elementis approximately $8m per annum.

† restated – see note 9

Revenue

	2017 $million	2016† $million
Specialty Products	611.0	460.4
Chromium	186.7	168.8
Inter-segment	(15.0)	(12.6)
Revenue from continuing operations	**782.7**	**616.6**
Discontinued operations - Surfactants	47.8	43.1
Inter-segment from discontinued operations	(0.2)	(0.2)
Total revenue from continuing and discontinued operations	**830.3**	**659.5**

Operating profit

	2017 Operating profit $million	Adjusting items $million	2017 Adjusted operating profit Δ $million	2016 Operating profit $million	Adjusting items restated† $million	2016 Adjusted operating profitΔ restated† $million
Specialty Products	93.5	15.5	109.0	77.5	4.1	81.6
Chromium	28.8	1.3	30.1	23.6	3.5	27.1
Central costs	(30.9)	14.5	(16.4)	(15.7)	4.6	(11.1)
Operating profit from continuing operations	**91.4**	**31.3**	**122.7**	**85.1**	**12.2**	**97.3**
Discontinued operations - Surfactants	5.8	(0.4)	5.4	(0.6)	0.3	(0.3)
Operating profit from continuing and discontinued operations	**97.2**	**30.9**	**128.1**	**84.5**	**12.5**	**97.0**

Δ after adjusting items – see note 5
† restated – see note 9

Group results

In 2017, revenue from continuing operations was 27% higher at $782.7m compared with $616.6m last year. Constant currency sales in our Specialty Products segment increased by 33%, with strong performances in Personal Care and Energy. Personal Care benefited from the first time contribution of SummitReheis and strong growth in our legacy operations, while Energy experienced a strong market recovery. Coatings achieved steady growth as constant currency sales grew 4% to $372.9m. In our Chromium segment, sales increased 11% as a consequence of global demand growth and price increases implemented in response to raw material cost increases.

Operating profit for the year increased by 7% from $85.1m to $91.4m, however this excludes the impact from discontinued operations and adjusting items. Adjusted operating profit for the year was $128.1m◊, compared to $97.0m◊ in 2016, an increase of 32%, or 27% excluding currency movements. Group adjusted operating margin increased from 14.7%◊† to 15.4%◊, due to growth in our high margin Personal Care sector and pricing actions taken in the period. Profit after tax rose from $68.1m in 2016 to $117.6m, driven by underlying earnings growth and a one off tax credit as result of changes to US tax legislation.

Adjusting items

A number of items have been recorded under ‘adjusting items’ in 2017 by virtue of their size and/or one time nature, in order to provide a better understanding of the Group’s results. The net impact of these items on the Group profit before tax for the year is a charge of $30.9m◊ (2016: $17.0m†◊), of which $31.3m relate to continuing operations. The items fall into a number of categories, as summarised below.

Δ after adjusting items – see note 5
† restated – see note 9
◊ Total operations (both continuing and discontinued)

Credit/(charge)	Specialty Products	Chromium	Central Costs	Continuing operations	Discontinued operations	Total
Restructuring	0.3	-	(0.9)	(0.6)	-	**(0.6)**
Business transformation	-	-	(3.4)	(3.4)	-	**(3.4)**
Environmental provisions	-	(1.1)	(1.0)	(2.1)	-	**(2.1)**
SummitReheis acquisition costs	(2.6)	-	(7.1)	(9.7)	-	**(9.7)**
Uplift due to fair value of SummitReheis inventory	(4.0)	-	-	(4.0)	-	**(4.0)**
Sale of Colourants business & closure of Jersey City	2.5	-	-	2.5	-	**2.5**
Release of legal provision	-	-	-	-	0.7	**0.7**
Disposal costs	(0.1)	-	(2.1)	(2.2)	(0.3)	**(2.5)**
Amortisation of intangibles arising on acquisition	(11.6)	(0.2)	-	(11.8)	-	**(11.8)**
Total	**(15.5)**	**(1.3)**	**(14.5)**	**(31.3)**	**0.4**	**30.9**

Restructuring
In 2017, restructuring costs relate to the IFRS2 cost of buyouts associated with the new CEO and CFO appointed in 2016.

Business transformation
During the year, the Group continued the business transformation started in 2016. Costs were incurred in 2017 in delivery of key account management and working capital improvement phases of the transformation. The costs of these exercises were $3.4m.

Environmental provisions
The Group's environmental provision is calculated on a discounted cash flow basis, reflecting the time period over which spending is estimated to take place. Assessments with our external advisors at the end of 2017 have resulted in a $2.1m provision increase. As these costs relate to non-operational facilities the costs associated are classed as adjusting items.

SummitReheis acquisition costs
In March 2017, the Group completed the acquisition of SummitReheis and as a consequence incurred acquisition related costs of $9.7m. These include financing costs, legal fees and retention incentives for key SummitReheis employees.

Uplift due to fair value of SummitReheis inventory
In accordance with IFRS 3, inventory held within SummitReheis was revalued to fair value on acquisition, representing an uplift of $4m over the book value. As all stock acquired with SummitReheis was sold by the year end, the additional expense recognised in cost of sales due to this fair value uplift has been classed as an adjusting item.

Sale of Colourants business and closure of Jersey City
In March 2017, Elementis disposed of its US Colourants business and closed the Jersey City site. The $2.5m profit on sale of the business and costs associated with the closure of the site are classed as adjusting item. The site is planned to be disposed of in 2018.

Release of legal provision
During 2017 the Group released $0.7m from a provision set up in 2015 relating to a regulatory case in Europe.

Disposal costs
In 2017, Elementis incurred a number of costs associated with the sale of the Delden facility and Surfactants business (planned for 2018). As the profit on sale of the assets and business will be treated as an adjusting item in 2018 the $2.5m◊ one-off associated costs are being classed similarly in 2017.

Amortisation of intangibles arising on acquisition
In previous years, Elementis has not adjusted operating profit for the amortisation of intangibles arising on acquisition. Following the acquisition of SummitReheis, the Directors reviewed this policy and concluded that excluding such a charge from the operating profit would provide readers of the accounts with a better understanding of the Group's results on its operating activities. As such, this charge of $11.8m is included within adjusting items.

Currency hedging
Although a large part of the Group's business is transacted in US dollars, the Group also transacts in other currencies, in particular euros, pounds sterling and Chinese renminbi. In order to reduce earnings volatility from these currency exposures, the Group takes out cash flow hedges each year where these are readily available. In 2017, overall currency movements were such that the net impact of these hedge transactions was a charge to operating profit of $0.3m (2016: loss of $5.0m).

Central costs
Central costs are those costs that are not identifiable as expenses of a particular business and comprise expenditures of the Board of Directors and corporate office. In 2017, central costs were $16.4m, up $5.3m on the previous year due to an increase in variable remuneration and investment in capability.

Other expenses
Other expenses are administration costs incurred and paid by the Group's pension schemes, which relate primarily to former employees of legacy businesses, and were $1.2m in 2017 compared to $1.4m in the previous year.

◊ Total operations (both continuing and discontinued)

Net finance costs

	2017 $million	2016 $million
Finance income	0.2	0.1
Finance cost of borrowings	(9.7)	(0.8)
	(9.5)	**(0.7)**
Change in discount rate used for environmental provisions	-	(4.5)
Net pension finance costs	(1.1)	(1.0)
Discount unwind on provisions	(1.1)	(1.4)
Net finance costs	**(11.7)**	**(7.6)**

Net finance costs increased by $4.1m to $11.7m driven by increased net borrowing costs resulting from the acquisition of SummitReheis. Net borrowing costs include the cost of the debt used to finance the acquisition and amortised arrangement and commitment fees on unutilised borrowing facilities, as well as net interest on deposits and borrowings. Pension finance costs, which are a function of discount rates under IAS 19 and the value of the schemes' deficit or surplus positions, were broadly similar with the previous year at $1.1m (2016: $1.0m). The discount unwind on provisions relates to the annual time value of the Group's environmental provisions, which are calculated on a discounted basis and at $1.1m was $0.3m lower than the previous year, a result of the reduction at end 2016 of the discount rate used.

Taxation

Tax charge

	2017 $million	2017 Effective rate per cent	2016 $million†	2016 Effective rate † per cent
Reported tax charge	(34.2)	(43.6)	7.2	9.5
Adjusting items	56.7	-	3.7	-
After adjusting items	**22.5**	**20.5**	**10.9**	**11.7**

† restated – see note 9

The tax charge on profits excluding discontinued operations represents an effective rate after adjusting items for the year ended 31 December 2017 of 20.5% (2016: 11.7%). The Group is international and has operations in several jurisdictions and benefits from cross border financing arrangements. Accordingly, tax charges of the Group in future periods will be affected by the profitability of operations in different jurisdictions, changes to tax rates and regulations in the jurisdictions within which the Group has operations, as well as the ongoing impact of the Group's funding arrangements. In 2017 the Group's tax rate was significantly impacted by the reduction in US tax rates as a result of the Tax and Jobs Act which made several major changes to the US tax code including a reduction in the US Federal tax rate to 21% from 35%. This change gave rise to a $51.0m tax adjusting item and should enable the group tax rate to remain around 20% in the medium term.

Earnings per share

Note 7 sets out a number of calculations of earnings per share. To better understand the underlying performance of the Group, earnings per share reported under IFRS is adjusted for items classified as adjusting and includes profits from both continuing and discontinued operations.

Diluted earnings per share, after adjusting items, was 19.5◊ cents compared to 17.4†◊ cents in the previous year. The year on year increase was a result of higher operating profit which more than offset the impact of a higher tax rate in the current year. Basic earnings per share before adjusting items were 25.4◊ cents compared to 14.7†◊ cents in 2016. Adjusting items reduced basic earnings per share by 5.6 cents in 2017 (increase by 2.9 cents in 2016). Adjusting items in 2017 are described earlier in this report.

Distributions to shareholders

During 2017 the Group paid a final dividend in respect of the year ended 31 December 2016 of 5.75 cents per share (2016: 5.75 cents) and a special dividend of 8.35 cents per share (2016: 8.00 cents). An interim dividend of 2.70 cents per share (2016: 2.70 cents) was paid on 29 September 2017 and the Board is recommending a final dividend of 6.10 cents per share which will be paid on 1st June 2018.

† restated – see note 9

◊ Total operations (both continuing and discontinued)

Adjusted cash flow$^{\Delta\Diamond}$

The adjusted cash flow is summarised below.

	2017 $million	2016 $million
EBITDA[1]	156.0	122.2
Change in working capital	0.4	13.4
Capital expenditure	(41.6)	(35.3)
Other	(7.7)	(4.3)
Operating cash flow	107.1	96.0
Pension deficit payments	(6.3)	(4.7)
Interest and tax	(17.0)	(3.5)
Adjusting items	(10.5)	(5.1)
Other	(1.4)	(0.2)
Free cash flow	71.9	82.5
Dividends paid	(77.8)	(76.2)
Acquisitions and disposals	(361.8)	-
Currency fluctuations	(0.9)	(2.8)
Movement in net cash	(368.6)	3.5
Net cash at start of year	77.5	74.0
Net cash at end of year	(291.1)	77.5

[1] EBITDA – earnings before interest, tax, adjusting items, depreciation and amortisation
$^{\Delta}$ after adjusting items – see note 5
$^{\Diamond}$ Total operations (both continuing and discontinued)

The Group delivered adjusted operating cash flow of $107.1m representing a 12% increase on 2016. This improved performance was driven by increased EBITDA partially offset by a reduced working capital inflow and higher capital expenditure. Working capital performance was a $0.4m inflow with an improved position in trade payables offset by deterioration in trade receivables and inventories. Capital expenditure of $41.6m in 2017 was $6.3m higher than in 2016 as the Group continued to invest in growth opportunities including our Bentone® gel capacity expansion in Scotland.

Free cash flow fell from $82.5m to $71.9m as a result of increased interest payments following the acquisition of SummitReheis for $362m. Pension payments increased from $4.7m in 2016 to $6.3m due to timing differences on payments made under the funding agreement concluded with the UK Trustees in 2015.

As a result of the SummitReheis acquisition in March 2017 the Group moved from a net cash position of $77.5m in 2016 to a net debt position of $291.1m at the end of 2017.

Balance sheet

	2017 $million	2016 $million
Intangible fixed assets	717.2	359.9
Tangible fixed assets	219.5	217.3
Working capital	151.4	118.0
Net tax liabilities	(86.8)	(76.3)
Provisions & retirement benefit obligations	(43.2)	(69.3)
Net cash	(291.1)	77.5
Asset held for sale	35.3	-
Total Equity	702.3	627.1

Group equity increased by $75.2m in 2017 (2016: decrease of $26.7m). Intangible fixed assets increased by $357.3m with intangibles and goodwill associated with the SummitReheis contributing $159.1m and $203.0m respectively on acquisition. Working capital increased by $33.4m driven primarily by underlying growth of the business and the acquisition of SummitReheis. Net tax liabilities increased by $10.5m, as the tax charge on profits for the year after adjusting items and including discontinued operations of $23.4m and currency translation adjustments exceeded the actual cash tax paid. The additional tax liabilities arising on the acquisition in the year were largely offset by the reduction in US tax rates (which has been recorded as an adjusting item). Movements in provisions and retirement benefit obligations are discussed elsewhere in this report. The Group moved from a net cash to a net debt position as described in the previous section.

ROCE has fallen from 29% in 2016 to 22% in 2017 due to the increase in capital employed (excluding goodwill) arising on the acquisition of SummitReheis$^{\Delta}$.

The main dollar exchange rates relevant to the Group are set out below.

	2017 Year end	**2017** Average	2016 Year end	2016 Average
Pounds sterling	**0.74**	**0.78**	0.81	0.73
Euro	**0.83**	**0.89**	0.95	0.90

Provisions

The Group records a provision in the balance sheet when it has a present obligation as a result of past events, which is expected to result in an outflow of economic benefits in order to settle the obligation. The Group calculates provisions on a discounted basis. At the end of 2017, excluding provisions within liabilities classified as held for sale, the Group held provisions of $32.7m (2016: $39.2m), consisting of environmental provisions of $27.8m (2016: $31.4m), self insurance provisions of $2.2m (2016: $2.5m) and restructuring and other provisions of $2.7m (2016: $5.3m).

Within environmental provisions, which decreased by $3.6m in 2017, there was a $6.1m utlilsation in the year which more than offset the $2.3m provision increase. The self-insurance provision represents the Group's estimate of its liability arising from retained liabilities under the Group's insurance programme. Within the restructuring and other provisions categories, the $2.7m balance includes the remaining liability under a right of first refusal agreement, a provision for an ongoing regulatory case in Europe and future payments relating to reorganisation measures taken during 2016.

Pensions and other post retirement benefits

	2017 $million	2016 $million
Net (surplus)/liability:		
UK	**(21.9)**	(4.3)
US	**21.1**	29.4
Other	**11.3**	5.0
	10.5	30.1

UK plan

The largest of the Group's retirement plans is the UK defined benefit pension scheme ('UK Scheme') which at the end of 2017 had a surplus, under IAS 19, of $21.9m (2016: $4.3m). The UK Scheme is relatively mature, with approximately two thirds of its gross liabilities represented by pensions in payment, and is closed to new members. Positive asset returns in the year of 6% (2016: 19%) partially offset the $18.4m financial cost of liabilities (2016: $24.2m) and other liability adjustments of $12.9m (2016: $110.8m) which arose due to lower discount rates based on real corporate bond yields. Company contributions of $7.3m reflect the funding agreement reached with the UK Trustees in 2015 following the September 2014 triennial valuation. The £5.2m contribution for 2017 under this agreement is currently not required to be paid. This is a result of the earlier than anticipated improvement in the funding status of the UK scheme.

US plans

In the US, the Group reports 2 post retirement plans under IAS 19: a defined benefit pension plan with a deficit value at the end of 2017 of $14.9m (2016: $23.1m), and a post retirement medical plan with a liability of $6.2m (2016: $6.3m). The US pension plan is smaller than the UK plan, in 2017 the overall deficit value of this plan reduced by $8.2m as the benefit of the improved asset returns of 16% (2016: improvement of 8%), actuarial gains from demographic assumption and employer contributions of $2.6m (2016: $2.2m) exceeded the financial cost of the liability for the year of $5.2m (2016: $5.4m) and actuarial increases on the liability of $5.5m (2016: $3.1m).

Other plans

Other liabilities at 31 December 2017 amounted to $11.3m (2016: $5.0m) and relate to pension arrangements for a relatively small number of employees in Germany, certain UK legacy benefits and 2 pension schemes acquired as part of the SummitReheis transaction.

Events after the balance sheet date

There were no significant events after the balance sheet date.

Consolidated income statement
for the year ended 31 December 2017

	2017 $million	2016 $million
Revenue	**782.7**	616.6
Cost of sales	**(487.6)**	(384.6)
Gross profit	**295.1**	232.0
Distribution costs	**(98.1)**	(72.2)
Administrative expenses	**(105.6)**	(74.7)
Operating profit	**91.4**	85.1
Other expenses	**(1.2)**	(1.4)
Finance income	**0.2**	0.1
Finance costs	**(11.9)**	(7.7)
Profit before income tax	**78.5**	76.1
Tax	**34.2**	(7.2)
Profit from continuing operations	**112.7**	68.9
Profit/(loss) from discontinued operations	**4.9**	(0.8)
Profit for the year	**117.6**	68.1
Attributable to:		
Equity holders of the parent	**117.6**	68.1
	117.6	68.1
Earnings per share		
From continuing operations		
Basic (cents)	**24.3**	14.9
Diluted (cents)	**24.0**	14.8
From continuing and discontinued operations		
Basic (cents)	**25.4**	14.7
Diluted (cents)	**25.0**	14.6

Consolidated statement of comprehensive income
for the year ended 31 December 2017

	2017 $million	2016 $million
Profit for the year	**117.6**	68.1
Other comprehensive income:		
Items that will not be reclassified subsequently to profit and loss:		
Remeasurements of retirement benefit obligations	**18.1**	(2.6)
Deferred tax associated with retirement benefit obligations	**(7.3)**	(0.5)
Items that may be reclassified subsequently to profit and loss:		
Exchange differences on translation of foreign operations	**(0.2)**	(16.5)
Effective portion of change in fair value of net investment hedge	**22.9**	(1.4)
Effective portion of changes in fair value of cash flow hedges	**0.1**	(0.3)
Fair value of cash flow hedges transferred to income statement	**0.3**	0.9
Exchange differences on translation of share options reserves	**0.1**	(0.7)
Other comprehensive income	**34.0**	(21.1)
Total comprehensive income for the year	**151.6**	47.0
Attributable to:		
Equity holders of the parent	**151.6**	47.0
Total comprehensive income for the year	**151.6**	47.0

Consolidated balance sheet
as at 31 December 2017

	2017 31 December $million	2016 31 December $million
Non-current assets		
Goodwill and other intangible assets	**717.2**	359.9
Property, plant and equipment	**219.5**	217.3
ACT recoverable	**16.2**	23.0
Deferred tax assets	**0.2**	16.1
Total non-current assets	**953.1**	616.3
Current assets		
Inventories	**143.6**	121.3
Trade and other receivables	**124.6**	96.0
Derivatives	**0.9**	–
Current tax assets	**4.3**	–
Cash and cash equivalents	**55.0**	82.6
Total current assets	**328.4**	299.9
Assets classified as held for sale	**58.2**	–
Total assets	**1,339.7**	916.2
Current liabilities		
Bank overdrafts and loans	**(2.7)**	(5.0)
Trade and other payables	**(117.7)**	(98.9)
Derivatives	**–**	(0.4)
Current tax liabilities	**(14.1)**	(6.7)
Provisions	**(10.8)**	(9.5)
Total current liabilities	**(145.3)**	(120.5)
Non-current liabilities		
Loans and borrowings	**(343.4)**	(0.1)
Retirement benefit obligations	**(10.5)**	(30.1)
Deferred tax liabilities	**(93.4)**	(108.7)
Provisions	**(21.9)**	(29.7)
Total non-current liabilities	**(469.2)**	(168.6)
Liabilities classified as held for sale	**(22.9)**	–
Total liabilities	**(637.4)**	(289.1)
Net assets	**702.3**	627.1
Equity		
Share capital	**44.4**	44.4
Share premium	**21.9**	20.9
Other reserves	**99.0**	75.2
Retained earnings	**537.0**	486.6
Total equity attributable to equity holders of the parent	**702.3**	627.1
Total equity	**702.3**	627.1

Consolidated statement of changes in equity for the year ended 31 December 2017

	Share capital $million	Share premium $million	Translation reserve $million	Hedging reserve $million	Other reserves $million	Retained earnings $million	Total equity $million
Balance at 1 January 2016	**44.4**	**20.2**	**(62.0)**	**(7.9)**	**162.9**	**496.2**	**653.8**
Comprehensive income							
Profit for the year	–	–	–	–	–	68.1	68.1
Other comprehensive income							
Exchange differences	–	–	(17.9)	–	(0.7)	–	(18.6)
Fair value of cash flow hedges transferred to the income statement	–	–	–	0.9	–	–	0.9
Effective portion of changes in fair value of cash flow hedges	–	–	–	(0.3)	–	–	(0.3)
Remeasurements of retirement benefit obligations	–	–	–	–	–	(2.6)	(2.6)
Deferred tax adjustment on pension scheme deficit	–	–	–	–	–	(0.5)	(0.5)
Transfer	–	–	–	–	(2.4)	2.4	–
Total other comprehensive income	–	–	(17.9)	0.6	(3.1)	(0.7)	(21.1)
Total comprehensive income	–	–	(17.9)	0.6	(3.1)	67.4	47.0
Transactions with owners							
Purchase of own shares	–	–	–	–	–	(0.9)	(0.9)
Issue of shares by the Company	–	0.7	–	–	–	–	0.7
Share based payments	–	–	–	–	2.6	–	2.6
Deferred tax on share based payments recognised within equity	–	–	–	–	–	0.1	0.1
Dividends paid	–	–	–	–	–	(76.2)	(76.2)
Total transactions with owners	–	0.7	–	–	2.6	(77.0)	(73.7)
Balance at 31 December 2016	**44.4**	**20.9**	**(79.9)**	**(7.3)**	**162.4**	**486.6**	**627.1**

	Share capital $million	Share premium $million	Translation reserve $million	Hedging reserve $million	Other reserves $million	Retained earnings $million	Total equity $million
Balance at 1 January 2017	**44.4**	**20.9**	**(79.9)**	**(7.3)**	**162.4**	**486.6**	**627.1**
Comprehensive income							
Profit for the year	–	–	–	–	–	117.6	117.6
Other comprehensive income							
Exchange differences	–	–	22.7	–	0.1	–	22.8
Fair value of cash flow hedges transferred to the income statement	–	–	–	0.1	–	–	0.1
Effective portion of changes in fair value of cash flow hedges	–	–	–	0.3	–	–	0.3
Remeasurements of retirement benefit obligations	–	–	–	–	–	18.1	18.1
Deferred tax adjustment on pension scheme deficit	–	–	–	–	–	(7.3)	(7.3)
Transfer	–	–	–	–	(2.2)	2.2	–
Total other comprehensive income	–	–	22.7	0.4	(2.1)	13.0	34.0
Total comprehensive income	–	–	22.7	0.4	(2.1)	130.6	151.6
Transactions with owners							
Purchase of own shares	–	–	–	–	–	(2.4)	(2.4)
Issue of shares by the Company	–	1.0	–	–	–	–	1.0
Share based payments	–	–	–	–	2.8	–	2.8
Dividends paid	–	–	–	–	–	(77.8)	(77.8)
Total transactions with owners	–	1.0	–	–	2.8	(80.2)	(76.4)
Balance at 31 December 2017	44.4	21.9	(57.2)	(6.9)	163.1	537.0	702.3

Consolidated cash flow statement for the year ended 31 December 2017

	2017 $million	2016 $million
Operating activities:		
Profit for the year	**117.6**	68.1
Adjustments for: Other expenses	**1.2**	1.4
Finance income	**(0.2)**	(0.1)
Finance costs	**11.9**	7.7
Tax charge	**(33.3)**	7.4
Depreciation and amortisation	**39.7**	28.0
Decrease in provisions	**(8.5)**	(3.5)
Pension payments net of current service cost	**(6.3)**	(4.7)
Share based payments	**2.8**	2.6
Operating cash flow before movement in working capital	**124.9**	106.9
(Increase)/decrease in inventories	**(2.2)**	1.7
Increase in trade and other receivables	**(2.4)**	(9.6)
Increase in trade and other payables	**11.5**	22.5
Cash generated by operations	**131.8**	121.5
Income taxes paid	**(9.1)**	(2.7)
Interest paid	**(8.0)**	(0.9)
Net cash flow from operating activities	**114.7**	117.9
Investing activities:		
Interest received	**0.1**	0.1
Disposal of property, plant and equipment	**3.3**	0.3
Purchase of property, plant and equipment	**(43.2)**	(34.0)
Purchase of business net of cash acquired	**(361.8)**	–
Acquisition of intangible assets	**(1.7)**	(1.6)
Net cash flow from investing activities	**(403.3)**	(35.2)
Financing activities:		
Proceeds from issue of shares by the Company and the ESOT	**1.0**	0.7
Dividends paid	**(77.8)**	(76.2)
Purchase of shares by the ESOT	**(2.4)**	(0.9)
Increase in net borrowings	**336.0**	–
Net cash used in financing activities	**256.8**	(76.4)
Net increase in cash and cash equivalents	**(31.8)**	6.3
Cash and cash equivalents at 1 January	**82.6**	79.1
Foreign exchange on cash and cash equivalents	**4.2**	(2.8)
Cash and cash equivalents at 31 December	**55.0**	82.6

No cash or cash equivalents are included in assets held for sale.

Notes to the financial statements

1. Preparation of the preliminary announcement

The financial information in this statement does not constitute the Company's statutory accounts for the years ended 31 December 2017 or 2016 but is derived from those accounts. Statutory accounts for 2016 have been delivered to the Registrar of Companies, and those for 2017 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

This preliminary announcement was approved by the Board of Directors on 27 February 2018.

2. Basis of preparation

Elementis plc (the "Company") is incorporated in the UK. The information within this document has been prepared based on the Company's consolidated financial statements which are prepared in accordance with International Financial Reporting Standards as adopted by the EU (adopted IFRS) and consistent with the accounting policies as set out in the previous consolidated financial statements, with the exception of the restatement of the comparatives for the previous year for the change in treatment of the amortisation of intangibles arising on acquisition. See note 9.

The Group's financial statements have been prepared on the historical cost basis except that derivative financial instruments and financial instruments held for trading or available for sale are stated at their fair value. Non-current assets held for sale are stated at the lower of carrying amount and fair value less costs to sell. The preparation of financial statements requires the application of estimates and judgements that affect the reported amounts of assets and liabilities, revenues and costs and related disclosures at the balance sheet date. The accounting policies have been consistently applied across Group companies to all periods presented.

The Group and Company financial statements have been prepared on the going concern basis, as the directors are satisfied that the Group and Company have adequate resources to continue to operate for at least a period of 12 months from the date of approval of the financial statements. An explanation of the directors' assessment of using the going concern basis is given in the Directors' report in the Annual Report and Accounts 2017 which will be made available to shareholders on 21 March 2018.

Reporting currency
As a consequence of the majority of the Group's sales and earnings originating in US dollars or US dollar linked currencies, the Group has chosen the US dollar as its reporting currency. This aligns the Group's external reporting with the profile of the Group, as well as with internal management reporting.

3. Finance income

	2017 $million	2016 $million
Interest on bank deposits	**0.2**	0.1

4. Finance costs

	2017 $million	2016 $million
Interest on bank loans	**9.7**	0.8
Pension and other post retirement liabilities	**1.1**	1.0
Increase in environmental provisions due to change in discount rate (see note 5)	**-**	4.5
Unwind of discount on provisions	**1.1**	1.4
	11.9	7.7

5. Adjusting items and alternative performance measures

	2017 $million	**Adjusting items on discontinued operations $million**	**2017 $million**	2016 restated $million	Adjusting items on discontinued operations $million	2016 restated $million
Restructuring	**0.6**	**–**	**0.6**	2.7	0.3	3.0
Business transformation	**3.4**	**–**	**3.4**	2.4	–	2.4
Environmental provisions						
Increase in provisions due to additional remediation work identified	**2.1**	**–**	**2.1**	3.5	–	3.5
Increase in provisions due to change in discount rate	**–**	**–**	**–**	4.5	–	4.5
SummitReheis acquisition costs	**9.7**	**–**	**9.7**	0.8	–	0.8
Uplift due to fair value of SummitReheis inventory	**4.0**	**–**	**4.0**	–	–	–
Sale of Colourants business and closure of Jersey City site	**(2.5)**	**–**	**(2.5)**	–	–	–
Release of legal provision	**–**	**(0.7)**	**(0.7)**	–	–	–
Disposal costs	**2.2**	**0.3**	**2.5**	–	–	–
Amortisation of intangibles arising on acquisition	**11.8**	**–**	**11.8**	2.8	–	2.8
	31.3	**(0.4)**	**30.9**	16.7	0.3	17.0
Tax credit in relation to adjusting items	**(5.7)**	**–**	**(5.7)**	(3.7)	–	(3.7)
Adjusting tax item (US tax reform)	**(51.0)**	**–**	**(51.0)**	–	–	–
	(25.4)	**(0.4)**	**(25.8)**	13.0	0.3	13.3
Cashflows relating to adjusting items	**(10.5)**			(5.1)		

A number of items have been recorded under 'adjusting items' in 2017 by virtue of their size and/or one time nature in, line with our accounting policy in Note 1, in order to provide a better understanding of the Group's results. The net impact of these items on the Group profit before tax for the year is a debit of $30.9m (2016: debit of $17.0 m). The items fall into a number of categories, as summarised below:

Restructuring – in 2016 this related to the appointment of a new CEO, CFO and costs associated with reorganising the management structure. In subsequent years, the cost relates to the IFRS2 cost of buyouts associated with the new CEO and CFO.

Business transformation – In 2016 a review to define the long term strategy and internal transformation necessary was performed by an external consultant. The costs incurred in 2017 relate to delivery of the Key Account Management, and Working Capital Improvement, phases of the transformation, following this strategic review.

Increase in environmental provisions due to additional remediation work identified– assessments at the end of both 2016 and 2017 have resulted in an increased provision required at a number of our legacy sites. As these costs relate to non-operational facilities the costs associated are classed as adjusting items.

Increase in environmental provisions due to change in discount rate – in 2016, the rate used to discount future liabilities relating to the environmental provisions was reduced from 4.5% to 2.5%. This resulted in an increase in the environmental provisions required. As the provisions relate to non-operational facilities the interest charge required was classed as an adjusting item. There has been no change in the discount rate for 2017.

SummitReheis acquisition costs – These are one-off costs associated with the acquisition of SummitReheis – primarily the write off of the set-up costs of the previous financing syndicate, now replaced by a new facility, bank and lawyers fees, and retention bonuses for SummitReheis employees.

Uplift due to fair value of SummitReheis inventory – In accordance with IFRS 3, inventory held within SummitReheis was revalued to fair value on acquisition, representing an uplift of $4m over the book value. As all stock acquired with SummitReheis was sold by the year end, the additional expense recognised in cost of sales due to this fair value uplift has been classed as an adjusting item.

Sale of Colourants business and closure of Jersey City site– In March 2017, Elementis disposed of its US Colourants business and closed the Jersey City site. The profit on sale of the business and costs associated with the closure of the site are classed as adjusting item. The site is planned to be disposed of in 2018.

Release of legal provision – During 2017 the Group released $0.7m from a provision set up in 2015 relating to a regulatory case in Europe.

Disposal costs– In 2017 Elementis incurred a number of costs associated with the sale of the Delden facility and Surfactants business (planned for 2018). As the profit on sale of the assets and business will be treated as an adjusting item in 2018 the one-off associated costs are being classed similarly in 2017.

Amortisation of intangibles arising on acquisition – In previous years, Elementis has not adjusted operating profit for the amortisation of intangibles arising on acquisition. Following the acquisition of SummitReheis, the Directors reviewed this policy and concluded that excluding such a charge from the operating profit would provide readers of the accounts with a better understanding of the Group's results on its operating activities and, as such, this charge is now included within adjusting items.

Tax on adjusting items – this is the net impact of tax relating to the adjusting items listed above.

Adjusting tax item (US tax reform) – Elementis has recognised a reduction in the net deferred tax liability arising from timing differences and US goodwill amortisation recognised in the US for tax purposes. Given the one-off nature of the reduction to future tax liabilities, this has been recognised as an adjusting item.

To support comparability with the financial statements as presented in 2017, the reconciliation to the adjusted consolidated income statement is shown below.

	2017 Profit and loss on continuing operations $million	2017 Profit and loss on discontinued operations $million	2017 Profit and loss on total operations $million	2017 Adjusting items on continuing operations $million	2017 Adjusting items on discontinued operations $million	2017 Adjusting items on total operations $million	2017 Profit and loss after Adjusting items on total operations $million
Revenue	782.7	47.6	830.3	–	–	–	830.3
Cost of sales	(487.6)	(32.8)	(520.4)	–	–	–	(520.4)
Gross profit	295.1	14.8	309.9	–	–	–	309.9
Distribution costs	(98.1)	(6.3)	(104.4)	–	–	–	(104.4)
Administrative expenses	(105.6)	(2.7)	(108.3)	31.3	(0.4)	30.9	(77.4)
Operating profit	91.4	5.8	97.2	31.3	(0.4)	30.9	128.1
Other expenses	(1.2)	–	(1.2)	–	–	–	(1.2)
Finance income	0.2	–	0.2	–	–	–	0.2
Finance costs	(11.9)	–	(11.9)	–	–	–	(11.9)
Profit before income tax	78.5	5.8	84.3	31.3	(0.4)	30.9	115.2
Tax	34.2	(0.9)	33.3	(56.7)	–	(56.7)	(23.4)
Profit for the year	112.7	4.9	117.6	(25.4)	(0.4)	(25.8)	91.8
Attributable to:							
Equity holders of the parent	112.7	4.9	117.6	(25.4)	(0.4)	(25.8)	91.8
Earnings per share							
Basic (cents)	24.3	1.1	25.4	(5.5)	(0.1)	(5.6)	19.8
Diluted (cents)	24.0	1.0	25.0	(5.4)	(0.1)	(5.5)	19.5

	2016 Profit and loss on continuing operations restated $million	2016 Profit and loss on discontinued operations $million	2016 Profit and loss on total operations restated $million	2016 Adjusting items on continuing operations restated $million	2016 Adjusting items on discontinued operations $million	2016 Adjusting items on total operations restated $million	2016 Profit and loss after Adjusting items on total operations restated $million
Revenue	616.6	42.9	659.5	–	–	–	659.5
Cost of sales	(384.6)	(35.9)	(420.5)	–	–	–	(420.5)
Gross profit	232.0	7.0	239.0	–	–	–	239.0
Distribution costs	(72.2)	(7.8)	(80.0)	–	–	–	(80.0)
Administrative expenses	(74.7)	0.2	(74.5)	12.2	0.3	12.5	(62.0)
Operating profit	85.1	(0.6)	84.5	12.2	0.3	12.5	97.0
Other expenses	(1.4)	–	(1.4)	–	–	–	(1.4)
Finance income	0.1	–	0.1	–	–	–	0.1
Finance costs	(7.7)	–	(7.7)	4.5	–	4.5	(3.2)
Profit before income tax	76.1	(0.6)	75.5	16.7	0.3	17.0	92.5
Tax	(7.2)	(0.2)	(7.4)	(3.7)	–	(3.7)	(11.1)
Profit for the year	68.9	(0.8)	68.1	13.0	0.3	13.3	81.4
Attributable to:							
Equity holders of the parent	68.9	(0.8)	68.1	13.0	0.3	13.3	81.4

Earnings per share							
Basic (cents)	14.9	(0.2)	14.7	2.8	0.1	2.9	17.6
Diluted (cents)	14.8	(0.2)	14.6	2.8	0.1	2.8	17.4

To support comparability with the financial statements as presented in 2016, a reconciliation from reported profit/(loss) before interest to adjusted profit before income tax by segment is shown below for each year.

	2017						
	Specialty Products $million	**Chromium $million**	**Segment totals $million**	**Central costs $million**	**Total of continuing operations $million**	**Discontinued operations $million**	**Total $million**
Reported operating profit/(loss)	93.5	28.8	122.3	(30.9)	91.4	5.8	97.2
Adjusting Items							
Restructuring	(0.3)	–	(0.3)	0.9	0.6	–	0.6
Business Transformation	–	–	–	3.4	3.4	–	3.4
Increase in environmental provisions due to additional remediation work identified	–	1.1	1.1	1.0	2.1	–	2.1
SummitReheis acquisition costs	2.6	–	2.6	7.1	9.7	–	9.7
Uplift due to fair value of SummitReheis inventory	4.0	–	4.0	–	4.0	–	4.0
Sale of Colourants business and closure of Jersey City site	(2.5)	–	(2.5)	–	(2.5)	–	(2.5)
Release of legal provision	–	–	–	–	–	(0.7)	(0.7)
Disposal costs	0.1	–	0.1	2.1	2.2	0.3	2.5
Amortisation of intangibles arising on acquisition	11.6	0.2	11.8	–	11.8	–	11.8
Adjusted operating profit /(loss)	109.0	30.1	139.1	(16.4)	122.7	5.4	128.1
Other expenses	–	–	–	(1.2)	(1.2)	–	(1.2)
Finance income	–	–	–	0.2	0.2	–	0.2
Finance costs	–	–	–	(11.9)	(11.9)	–	(11.9)
Adjusted profit before income tax	109.0	30.1	139.1	(29.3)	109.8	5.4	115.2

	2016						
	Specialty Products restated $million	Chromium $million	Segment totals restated $million	Central costs $million	Total of continuing operations restated $million	Discontinued operations $million	Total restated $million
Reported operating profit/(loss)	77.5	23.6	101.1	(15.7)	85.4	(0.9)	84.5
Adjusting Items							
Restructuring	1.3	–	1.3	1.4	2.7	0.3	3.0
Business transformation	–	–	–	2.4	2.4	–	2.4
Increase in environmental provisions due to additional remedial work identified	–	3.5	3.5	–	3.5	–	3.5
Acquisition costs	–	–	–	0.8	0.8	–	0.8
Amortisation of intangibles arising on acquisition	2.8	–	2.8	–	2.8	–	2.8
Adjusted operating profit /(loss)	81.6	27.1	108.7	(11.1)	97.6	(0.6)	97.0
Other expenses	–	–	–	(1.4)	(1.4)	–	(1.4)
Finance income	–	–	–	0.1	0.1	–	0.1
Finance costs	–	–	–	(7.7)	(7.7)	–	(7.7)
Adjusting items							
Finance costs	–	–	–	4.5	4.5	–	4.5
Adjusted profit before income tax	81.6	27.1	108.7	(15.6)	93.1	(0.6)	92.5

A reconciliation from reported profit for the year to earnings before interest, tax, depreciation and amortisation (EBITDA) is provided to support understanding of the summarised cash flow included within the Finance report.

	2017 Profit and loss on continuing operations $million	**2017 Profit and loss on discontinued operations $million**	**2017 Profit and loss on total operations $million**	2016 Profit and loss on continuing operations restated $million	2016 Profit and loss on discontinued operations $million	2016 Profit and loss on total operations restated $million
Profit for the year	112.7	4.9	117.6	68.9	(0.8)	68.1
Adjustments for						
Finance income	(0.2)	–	(0.2)	(0.1)	–	(0.1)
Finance costs and other expenses after adjusting items	13.1	–	13.1	4.6	–	4.6
Tax charge	(34.2)	0.9	(33.3)	7.2	0.2	7.4
Depreciation and amortisation	38.0	1.7	39.7	26.3	1.7	28.0
excluding intangibles arising on acquisition	(11.8)	–	(11.8)	(2.8)	–	(2.8)
Adjusting items impacting profit before tax	31.3	(0.4)	30.9	16.7	0.3	17.0
EBITDA	148.9	7.1	156.0	120.8	1.4	122.2

There are also a number of key performance indicators (KPI) used in this report. The reconciliations to these are given below.

Operating cash flow
Operating cash flow is defined as the net cash flow from operating activities less net capital expenditure but excluding income taxes paid or received, interest paid or received, pension contributions net of current service cost and adjusting items.

Adjusted group profit before tax
Adjusted Group profit before tax is defined as the Group profit before tax on total operations (both continuing and discontinued) after adjusting items, excluding adjusting items relating to tax.

Return on operating capital employed
The return on operating capital employed ('ROCE') is defined as operating profit after adjusting items divided by operating capital employed, expressed as a percentage. Operating capital employed comprises fixed assets (excluding goodwill), working capital and operating provisions. Operating provisions include self insurance and environmental provisions but exclude retirement benefit obligations.

Average trade working capital to sales ratio
The trade working capital to sales ratio is defined as the 12 month average trade working capital divided by sales, expressed as a percentage. Trade working capital comprises inventories, trade receivables (net of provisions) and trade payables. It specifically excludes repayments, capital or interest related receivables or payables, changes due to currency movements and items classified as other receivables and other payables.

Adjusted operating profit/operating margin

Adjusted operating profit is the profit derived from the normal operations of the business. Adjusted operating margin is the ratio of operating profit, after adjusting items, to sales.

6. Income tax expense

	2017 $million	2016 restated $million
Current tax on continuing operations:		
Recognition of UK Advance Corporation Tax credits	–	–
UK Corporation tax	6.9	6.6
Overseas corporation tax on continuing operations	16.0	9.7
Adjustments in respect of prior years:		
United Kingdom	–	–
Overseas	–	(1.1)
Total current tax	22.9	15.2
Deferred tax:		
United Kingdom	1.0	0.2
Overseas	(59.3)	(8.4)
Adjustment in respect of prior years:		
United Kingdom	0.3	–
Overseas	0.9	0.2
Total deferred tax	(57.1)	(8.0)
Income tax (credit)/expense for the year	(34.2)	7.2
Comprising:		
Income tax expense for the year	(34.2)	7.2
Adjusting items Δ		
Overseas taxation on adjusting items	5.7	1.9
UK taxation on adjusting items	–	1.8
Recognition of change in rate of tax (US)	51.0	–
Taxation on adjusting items	**56.7**	3.7
Income tax expense for the year after adjusting items	**22.5**	10.9

Δ see Note 5 for details of adjusting items

The tax charge on profits represents an effective rate after adjusting items for the year ended 31 December 2017 of 20.5% (2016: 11.7%). The group is international. It has operations in several jurisdictions and benefits from cross border financing arrangements.

Accordingly, tax charges of the group in future periods will be affected by the profitability of operations in different jurisdictions, changes to tax rates and regulations in the jurisdictions within which the group has operations, as well as the ongoing impact of the group's funding arrangements. In 2017 the group's tax rate was significantly impacted by the reduction in US tax rates as a result of the Tax and Jobs Act which made several major changes to the US tax code including importantly a reduction in the US Federal tax rate to 21% (from 35%). This change gave rise to the $51.0m tax adjusting item.

The total charge for the year can be reconciled to the accounting profit as follows:

	2017 $million	**2017 per cent**	2016 restated $million	2016 restated per cent
Profit before tax on continuing operations	78.5		76.1	
Tax on ordinary activities at 19.25 per cent (2016: 20 per cent)*	15.1	19.2	15.2	20.0
Difference in overseas effective tax rates	(1.2)	(1.5)	(3.0)	(3.9)
Income not taxable and impact of tax efficient financing	(4.3)	(5.5)	(4.6)	(6.0)
Expenses not deductible for tax purposes	6.0	7.6	0.5	0.6
Adjustments in respect of prior years	1.2	1.5	(0.9)	(1.2)
Recognition of adjusting tax items	(51.0)	(64.9)	–	–
Tax charge and effective tax rate for the year	(34.2)	(43.6)	7.2	9.5

*The UK corporation tax rate will reduce to 17 percent from 1 April 2020; this reduction was substantively enacted on 26 October 2015.

The tax charge related to discontinued operations is $0.9m (2016: $0.2m).

7. Earnings per share

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the parent is based on the following:

	Continuing operations 2017 $million	**Discontinued operations 2017 $million**	**Total of all operations 2017 $million**	Continuing operations restated 2016 $million	Discontinued operations 2016 $million	Total of all operations restated 2016 $million
Earnings:						
Earnings for the purpose of basic earnings per share	112.7	4.9	117.6	68.7	(0.6)	68.1
Adjusting items net of tax	(25.4)	(0.4)	(25.8)	13.0	0.3	13.3
Adjusted earnings	87.3	4.5	91.8	81.7	(0.3)	81.4

	2017 million	2016 million
Number of shares:		
Weighted average number of shares for the purposes of basic earnings per share	463.2	462.8
Effect of dilutive share options	6.3	3.9
Weighted average number of shares for the purposes of diluted earnings per share	469.5	466.7

	Continuing operations 2017 cents	Discontinued operations 2017 cents	Total of all operations 2017 cents	Continuing operations restated 2016 cents	Discontinued operations 2016 cents	Total of all operations restated 2016 cents
Earnings per share:						
Basic	24.3	1.1	25.4	14.9	(0.2)	14.7
Diluted	24.0	1.0	25.0	14.8	(0.2)	14.6
Basic after adjusting items	18.8	1.0	19.8	17.7	(0.1)	17.6
Diluted after adjusting items	18.6	0.9	19.5	17.5	(0.1)	17.4

8. Contingent liabilities

As is the case with other chemical companies, the Group occasionally receives notices of litigation relating to regulatory and legal matters. A provision is recognised when the Group believes it has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where it is deemed that an obligation is merely possible and that the probability of a material outflow is not remote, the Group would disclose a contingent liability.

In 2013 the British Government (Through HMRC) introduced a UK tax incentive for certain group financing arrangements. In October 2017, the European Commission opened a State aid investigation into the rules relating to this incentive under the UK controlled foreign company regime. HMRC has provided certain information and maintains that the exemption and the way it is applied does not represent unfair State aid. Elementis could be impacted by the outcome of this investigation as it has, along with many other UK based multinationals, benefited from the arrangements. No provision for this potential liability has been provided in these financial statements as the final outcome remains uncertain.

9. Prior year restatement

In previous years Elementis has not adjusted operating profit for the amortisation of intangibles arising on acquisition. Following the acquisition of SummitReheis, the Directors reviewed this policy and concluded that excluding such a charge from the operating profit will provide readers of the accounts with a better understanding of the Group's results on its operating activities and, as such, this charge is now included within adjusting items.

Due to this change in accounting policy, the prior year comparatives have therefore been restated to provide comparable information. The financial statement line items impacted have been set out below.

	2016 reported $million	Restatement	2016 restated $million
Operating Profit after adjusting items	94.2	2.8	97.0
Adjusting Items			
Amortisation of intangibles arising on acquisition	-	(2.8)	(2.8)

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Annual Financial Report
In accordance with Disclosure and Transparency Rule 6.3.5, the following additional information is required to be made through a Regulatory Information Service ("RIS"): Principal risks and uncertainties; and Directors' responsibility statement. The information below, which is summarised and extracted from the 2017 Annual report and accounts that is to be published on 21 March 2018, is included solely for the purpose of complying with DTR 6.3.5(2) and the requirements it imposes on issuers on what material is to be communicated to the media in unedited full text through a RIS. A fuller description is set out in the 2017 Annual report and accounts.

Risk management
Elementis faces a number of uncertainties in the course of its operations and by effectively identifying and managing these risks, we are able to aid delivery of our strategy. The overall responsibility for the risk framework and definition of risk appetite rests with the Board.

The Board has overall responsibility for risk management, internal control and longer term viability in the Company. The Board sets the Group's policies, culture and tone on risk, as well as providing support and oversight to management. The CEO, supported by the leadership team, is responsible for implementing Group policies, overseeing risk management performance, identifying principal risks and ensuring resources are allocated for effective risk management and mitigation. The Audit Committee plays an important role in supporting the work of the Board and is responsible for monitoring financial reporting, as well as the internal and external audit programmes, which provides assurance on financial, operational and compliance controls.

The amount of risk that the Board is prepared to accept in return for reward or investment return can vary depending on Company strategy in the relevant area as well as guidance from management and advisers based on appropriate risk analysis. The strategic appetite for risk is therefore decided on a case by case basis at Board level, for example with respect to any corporate transaction or significant capital expenditure project and delegated to the executive team to implement as appropriate.

The risk culture within the Group is embedded in the people, its systems and processes, leadership and behaviours that is underpinned by specific standards, for example, as set out in the Code of Conduct or in other Group policies or corporate standards.

The principal risks of the Group were selected from a Group risk register made up of 80 risks identified by members of the Executive Leadership team and discussed in the annual management risk review in November 2017 and by the Board in December 2017. These risk reviews involved risk selection and prioritisation after assessing for impact (strategic, financial, operational and reputational) and likelihood of occurrence. Risk controls (prevention and mitigation) and their effectiveness were also part of the consideration process. The impact score, multiplied by the likelihood score, was then modified by a control score to produce a risk priority number, which is used to band risks for management attention. In terms of severity of financial impact, a materiality threshold of $5 million of operating profit was used.

The following principal risks/risk groupings that are disclosed below were consolidated from a list of 20. This compares to 10 risks disclosed last year consolidated from a list of 14 risks.

Principal risks and uncertainties
The following is a summary of the principal risks agreed by the Board: uncertain global economic conditions and competitive pressure in the marketplace (including from currency movement); business interruption as a result of a major event (e.g. operations/ HSE, IT, transport or workplace incident caused by process/ system failure and/or human error, or by fire, storm and/or flood), or a natural catastrophe (e.g. a hurricane or pandemic); business interruption as a result of supply chain failure of key raw materials and/or third party service provision (e.g. transport, infrastructure or IT failure); increasing regulatory and product stewardship challenges; major regulatory enforcement action, litigation and/or other claims arising from products and/or historical and ongoing operations; industrial espionage, workplace security and loss/theft of intellectual property; disruptive technology advances: failure to identify and mitigate the threat posed by new or imitation technology; talent management and succession planning: failure to attract, manage, develop and/or retain talent; cyber security incident: systems security breach and loss of network connectivity and integrity, and/or loss of business and personal data. A full description of these risks and the mitigating actions taken by the Company will appear in the 2017 Annual report and accounts.

Brexit risks
The Board reviewed its assessment on Brexit risks again towards the end of the year and discussed people risk, supply chain risk, regulatory risk (REACh), currency risk and trade tariffs. The Board's previous assessment that there is no material impact on the principal risks faced by the Group remains unchanged.

Related party transactions
The Company is a guarantor to the UK pension scheme under which it guarantees all current and future obligations of UK subsidiaries currently participating in the pension scheme to make payments to the scheme, up to a specified maximum amount. The maximum amount of the guarantee is that which is needed (at the time the guarantee is called on) to bring the scheme's funding level up to 105 per cent of its liabilities, calculated in accordance with section 179 of the Pensions Act 2004. This is also sometimes known as a Pension Protection Fund ("PPF") guarantee, as having such a guarantee in place reduces the annual PPF levy on the scheme.
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Directors' responsibility statement

The following is an extract of the full statement prepared in connection with the Company's Annual Report and Accounts (comprising both consolidated and parent company financial statements) for the year ended 31 December 2017. The full text of the Directors' responsibility statement will appear in the 2017 Annual report and accounts.

The Directors of the Company confirm that to the best of their knowledge:

- The financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole.
- The management report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.