

ELEMENTIS

A global specialty chemicals company

Elementis plc **Interim Results**

Six months ended 30 June 2013



Interim Results

\$ millions	2013	2012*
Revenue	388.2	401.3
Operating profit	72.8	80.7
Operating margin	18.8%	20.1%
Profit before tax	67.5	75.1
Diluted EPS	11.3c	11.5c
Net (debt)/cash	(8.5)	29.9
Basic EPS	11.5c	11.7c

Highlights

Specialty Products

- Sales improved by 5% in challenging markets
- Continuing investment in growth

Chromium

- Impacted by planned Q1 maintenance shutdown
- Q2 results in line with strategy

Strong cash flow

- Operating cash flow up 8%
- Expect balance sheet net cash position by year end

Chromium

\$ millions	H1 2013	H1 2012
Sales	103.4	125.8
Operating profit	25.3	33.4
Operating margin	24.5%	26.6%

Selling prices lower by 6% in line with lower raw material and energy costs

Volumes lower by 13%, impacted by planned maintenance shutdown

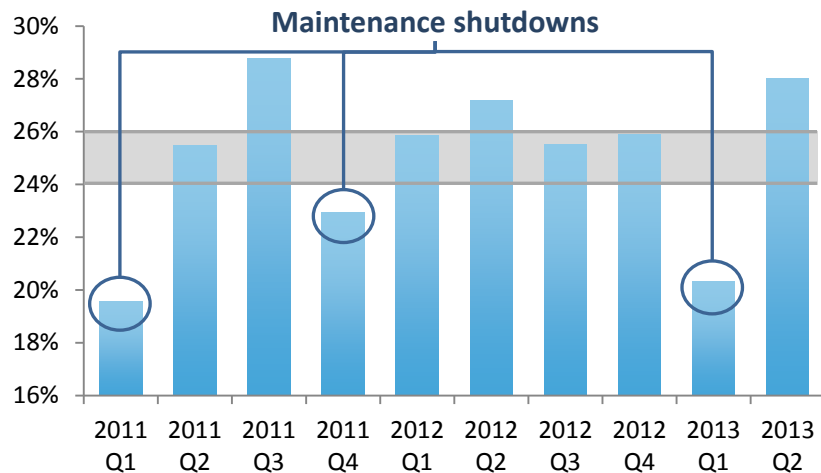
General market trends

- Robust demand from auto customers in US and Asia Pacific
- Continued softness in US leather tanning
- More challenging markets outside of North America

Good cash conversion

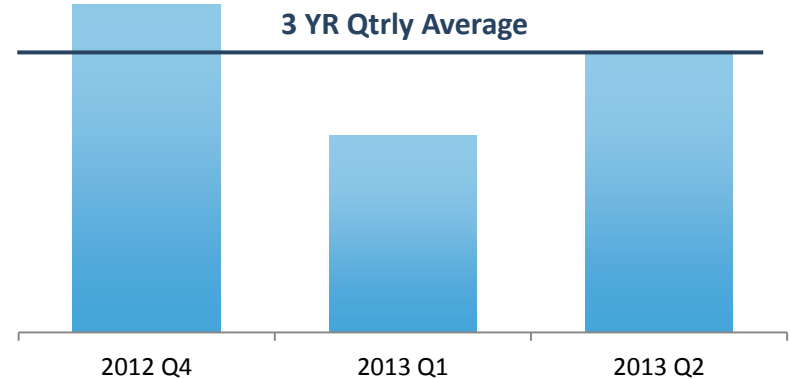
Chromium

Operating Margin



- Short term margin impact during maintenance shutdowns, due to reduced plant efficiency and one-off maintenance expenses

Sales Volumes

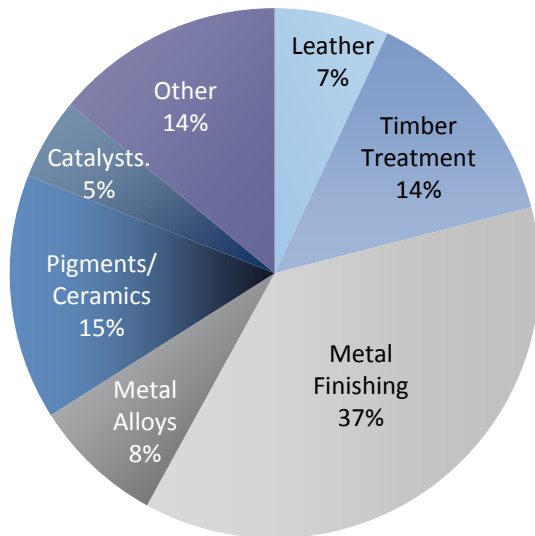


- Planned Q1 shutdown caused customers to pre-order in Q4
- Q2 returned to more normal volumes

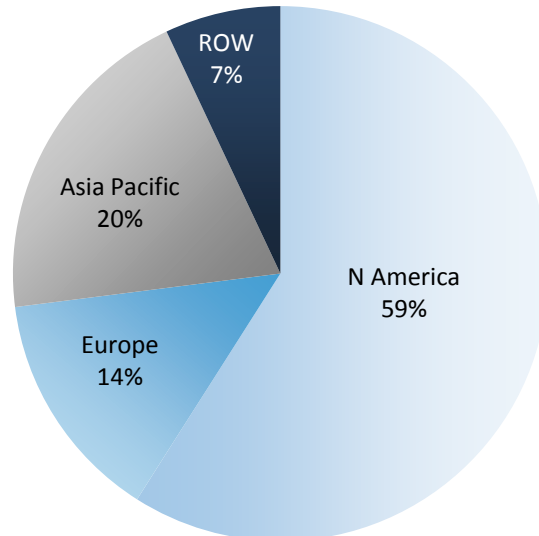
Chromium – Stable Earnings and Cash Flow

H1 2013 Sales

Markets



Geography

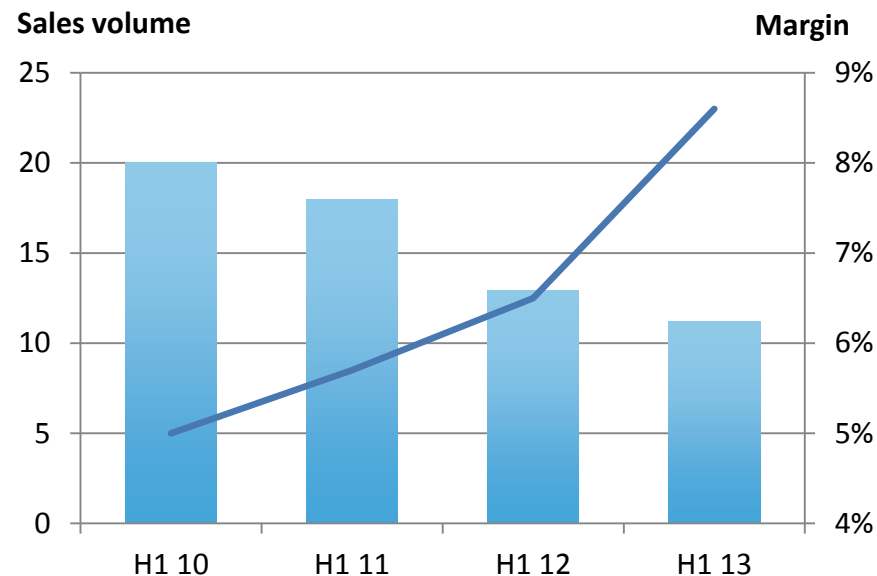


- Diverse markets
- Globally cost competitive operating model
- Highly valued North American supply chain
- World class, well-invested facilities
- Fixed volume/high capacity utilisation
- Niche player outside of North America

Surfactants

\$ millions	H1 2013	H1 2012
Sales	33.8	36.9
Operating profit	2.9	2.4
Operating margin	8.6%	6.5%

- Surfactant volumes reduced and margins improved as product mix and pricing is optimised
- Successfully transitioning Delden facility to higher value coatings additives
 - Over 50% of manufactured products are for Specialty Products
- Strategy provides significant capacity to support Specialty Products' growth



Specialty Products

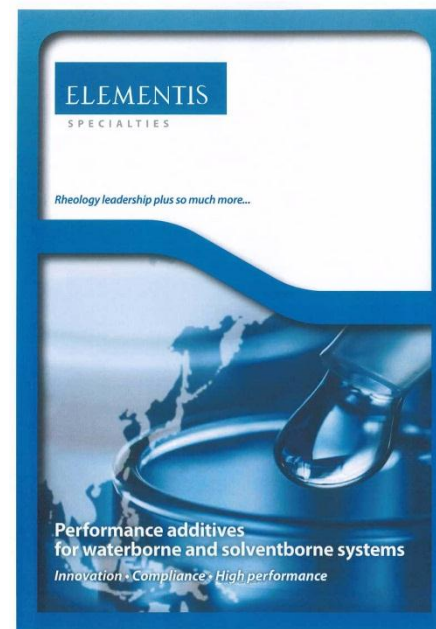
\$ millions	H1 2013	H1 2012
Sales	257.7	246.6
Operating profit	51.6	52.0
Operating margin	20.0%	21.1%

Sales up 5%

- Personal Care up 23%
- Asia Pacific coatings up 7%
- Rebound in oilfield – Q2 sales up 4%

Continuing investment in growth

- US and Brazil acquisitions
- US Acrylic thickener facility
- Margin influenced by growth investments



Specialty Products – Building a Global Coatings Powerhouse

Innovation

- 75% of new products IP protected

NA Acrylic thickener facility

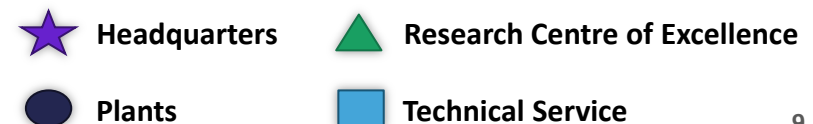
- Phase 1 of construction completed
- Customer qualification progressing well
- Commercial sales gaining traction

Watercryl (acquired Sept 2012)

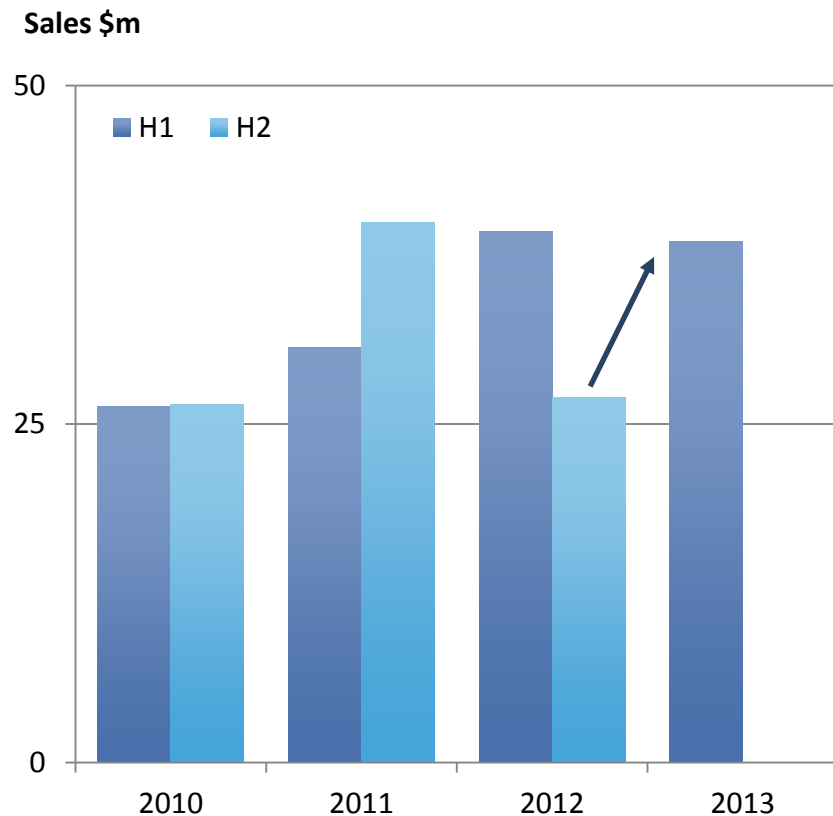
- Integration activities well under way including:
 - Commercial resources added
 - Latin America distributor network trained
 - Oilfield and Personal Care opportunities identified

Hi-Mar (acquired Feb 2013)

- Global technology sharing well under way
- Promising market response



Oilfield Drilling



- Strong rebound in sales from second half of 2012
 - Excess inventory levels consumed
 - Drilling returned to more normal levels
 - Deep water drilling in the Gulf of Mexico resumed
- Innovative systems approach driving growth
- Hi-Mar defoamers proving to be a valuable addition to the product portfolio
- Participating in early stages of shale activity in Latin America, Eastern Europe and China

Specialty Products – Personal Care

Geographic expansion

- Added resources in Latin America and Asia Pacific
- Progress in South Korea and Japan

Leveraging unique Delden manufacturing technologies

- LanAquaSol range of high-spec lanolin products

Transferring coatings know how and technology

- Rheoluxe product range launched at Paris cosmetics show



Rheoluxe®

**Paris cosmetics show
launch**

ELEMENTIS
SPECIALTIES

Interim Results

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Tax Charge

\$ millions	H1 2013	H1 2012*
Underlying tax charge	14.1	21.0
Deferred tax adjustment	1.2	1.5
Net tax charge	15.3	22.5
Tax rate	22.7%	30.0%
Cash tax rate	11.7%	8.3%

H1 includes deferred tax adjustment due to reduction in UK corporate tax rate

Overall rate for H1 2013 is therefore 22.7%

Estimated tax rate for full year 2013 is approximately 22%

Cash tax rate moving towards book rate

Capital Spending

\$ millions	H1 2013	H1 2012
New plants	5.8	3.8
US technical facility	-	7.0
Maintenance & productivity	2.9	2.8
Total Specialty Products	8.7	13.6
Maintenance & productivity	4.7	2.5
Total Chromium	4.7	2.5
Other	3.3	2.0
Group total	16.7	18.1
Depreciation	11.5	10.6

- New plant spending in Specialty Products – US oilfield and decorative coatings
- Additional spending in Chromium due to maintenance shutdown
- Overall spending is above depreciation due to growth investments in Specialty Products

Retirement Plans

\$ millions	H1 2013	H1 2012*	FY 2012*	FY 13 Est.
Net deficit	93.5	112.8	137.4	
Deficit contributions				
UK plan	9.2	9.5	20.3	20.5
US/other	1.8	2.0	7.6	5.5
	11.0	11.5	27.9	26.0

Deficit lower due to positive investment returns and Group contributions

UK contributions are in line with current funding agreement

- Next review is in 2015

Operating Cash Flow

\$ millions	H1 2013	H1 2012
EBITDA	84.3	91.3
Working capital	(20.2)	(29.3)
Capital expenditure	(16.7)	(18.1)
Other	1.2	1.3
Operating cash flow	48.6	45.2

- Operating cash flow up 8%
- Working capital outflows lower due to trading patterns in early part of 2012 and investment in chrome ore

Working capital	H1 2013	H1 2012
Inventory Days	94	84
Debtor Days	52	53
Creditor Days	57	58
Avg WC to Sales	20.2%	17.9%

- Average working capital higher due to strategic investment in chrome ore stocks in 2012

Cash Flow

\$ millions	H1 2013	H1 2012
Operating cash flow	48.6	45.2
Pensions	(11.0)	(11.5)
Interest, tax, other	(9.4)	(8.3)
Free cash flow	28.2	25.4
Dividend - Final	(24.3)	(21.1)
- Special	(22.0)	-
Acquisitions	(32.8)	-
Currency	(1.6)	(0.6)
Net cash flow	(52.5)	3.7
Net balance sheet (debt)/cash	(8.5)	29.9

Small net debt position will reverse in second half of 2013 due to positive working capital, timing of special dividend payments and no anticipated acquisition spending.

Dividend

	2013 Interim	2012 Interim
Per share	2.57c	2.45c

Interim dividend increased by 5%

Dividend policy remains unchanged

- Full year ordinary dividend of approximately one third of 2013 eps
- Special dividend payment based on 50% of net cash position at end of 2013

Global Trends will Benefit Elementis

North America trend towards energy independence

- Participation in drilling and pipeline activities
- Formulating sophisticated coatings additives for infrastructure
- Chromium benefiting from low cost energy

Emerging economies

- Benefiting from inherently higher growth rates due to local manufacturing presence
- Evolving middle class increases demand for personal care and coatings products

Environment

- Regulatory trends towards low VOC coatings formulations
- Increasing demand for natural plant-based personal care products

Summary

Chromium – maintenance impacted Q1 volumes

Specialty Products

- Strong performance in AP coatings and personal care
 - Rebound in oilfield drilling
 - Investing in growth
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Strong cash flow generation – net cash by year end

Outlook

Progress in line with expectations

ELEMENTIS

A global specialty chemicals company

Thank you

