ELEMENTIS

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

Elementis plc (ELM.L), a global specialty chemicals company, announces its results for the year ended 31 December 2011.

HIGHLIGHTS

- Significant improvement in Group sales and operating profit
  - Sales up 9 per cent; Operating profit* up 34 per cent
- Operating margin* improved to 18.0 per cent (2010: 14.7 per cent)
- Another record performance in Specialty Products
  - Sales up 10 per cent; Operating profit* up 25 per cent
  - Investing in capacity to support further growth
- Robust performance in Chromium
  - Strong earnings and cash flow
- Excellent cash generation
  - Net cash position at end of 2011
- Full year dividend increased by 42 per cent

FINANCIAL SUMMARY

	2011	2010	change
Sales	**$760.5m**	$697.4m	+9%
Operating profit*	**$137.1m**	$102.3m	+34%
Profit before tax*	**$134.5m**	$96.0m	+40%
Diluted earnings per share*	**20.8c**	15.2c	+37%
Net cash/(debt)	**$26.2m**	$(79.3)m	
Profit for the year	**$124.1m**	$74.1m	
Basic earnings per share	**27.8c**	16.7c	
Dividend to shareholders:			
- final proposed	**4.66c**	2.60c	+79%
- full year	**7.00c**	4.94c	+42%

* before exceptional items

Commenting on the results, Group Chief Executive, David Dutro said:

“I am pleased to report the highest earnings in the Company’s history. This significant progress is due, in no small part, to the hard work, ingenuity and energy of the global Elementis team who have continued to strive to find technologies and solutions that add value for our customers. Specialty Products, our largest and most profitable business, delivered a 25 per cent improvement in operating profit by providing technically superior products that support applications in diverse markets and regions. A global presence and differentiated product offering were also major contributors to this excellent performance, in a year where economic headwinds were a prominent feature. Our Chromium business model is proving to be both robust and flexible. Despite changing demand patterns, we were able to deliver a significant improvement in operating profit by focussing on core markets and leveraging our skills in manufacturing excellence.

High return on capital is a key feature in each of our businesses and this continues to manifest itself through strong cash flow performance. As a result, we are in the advantageous position of having net cash on our balance sheet at the end of the year, providing us with the resources and flexibility to continue to invest in our growth.

Trading in 2012 has started on a solid footing and, although economic uncertainties in Europe are still in evidence, we are confident that we can make further progress in the coming year.”

END

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Chairman's statement

In 2011, the global economic environment continued to be challenging for businesses in general, with low growth in North America and disruption in Europe caused by the financial strains in the Euro currency area. In such an environment, the quality and resilience of a company is very much put to the test and only those companies with a valuable product offering to their customers, a clear strategy and the inherent skills to drive performance are likely to be able to make progress. I am therefore pleased to report that Elementis has continued to meet that test in 2011, by delivering improvements in sales, operating profit and margins, leading to strong cash flow generation and growth in earnings per share. At the core of our success is our global presence, the superior product and technical service provided to our customers by Specialty Products, combined with a more resilient business model in Chromium. Actions taken over the past three years to improve the quality of our businesses are clearly evident in our results, with our operating margins continuing to improve and now reaching levels well above those experienced before the economic downturn in 2009. Cash flow has also been impressive over that period, such that the Group now enjoys a strong balance sheet with a net cash position.

Group revenues in 2011 were $760.5 million compared to $697.4 million in 2010, which is a growth rate of 9 per cent, or 7 per cent on a constant currency basis. Operating profit, before exceptional items, increased by 34 per cent to $137.1 million, or 30 per cent on a constant currency basis. Both Specialty Products and Chromium reported improved operating margins in the year. Diluted earnings per share, before exceptional items, improved by 37 per cent to 20.8 cents in 2011, compared to 15.2 cents in the previous year.

As previously reported, the Group recovered €23.4 million (approximately $34.5 million) from the European Commission during the year and this, together with a provision of $7.0 million relating to our pension plans in the Netherlands, have been recorded as exceptional items in the year because of their size and non-recurring nature. After taking account of these items, basic earnings per share for 2011 was 27.8 cents compared to 16.7 cents in 2010, which included a one-time tax credit.

Balance sheet
As a result of another year of strong cash flow performance, enhanced by the recovery of the funds from the European Commission, the Group is in the very favourable position of having a net cash position at the end of 2011. The IAS 19 deficit under the Group's pension schemes increased by $27.4 million to $94.8 million in the year, due to a fall in bond yields, and current pension regulations require that these plans are funded to a higher level for the time being. Overall, however, the Group is in a very strong financial position and well placed to continue to invest in its future growth. Given the Group's robust balance sheet position and the strongly cash generative nature of our business, the Board will continue to monitor and review the capital structure to ensure that it remains appropriate for the Group's needs and delivers optimal returns for investors.

Dividend
The Board is recommending a final dividend of 4.66 cents per share which will be paid on 1 June 2012 in pounds sterling at an exchange rate of £1=$1.5723 (equivalent to a sterling amount of 2.9638 pence per share), to shareholders on the register on 4 May 2012. This brings the total dividend to shareholders for the year to 7.00 cents (2010: 4.94 cents) representing an increase of 42 per cent over the previous year. Going forward the Board intends to progress the dividend as the Group's dollar earnings and cash flow permit.

Health, safety and environment
Our activities in this important area of our business have continued to be of a high standard and I am able to report that there were no significant incidents in the year. To ensure that our performance remains exemplary, we also closely monitor minor incidents and use the key learnings from each of these to constantly upgrade our processes. In 2011, there was some increase in minor incidents and we have taken immediate steps to ensure that any underlying causes are quickly corrected.

Corporate governance
The UK corporate governance code asks company chairmen to report on how the Board has applied various provisions concerning the role and effectiveness of the Board. I have set out the Board's position in these matters in the Corporate governance report.

People
The excellent results reported by the Group this year are only possible through the efforts, dedication and skill of our people around the world. On behalf of the Board I would like to thank them for their tremendous contribution to our on-going success.

Outlook
The Board is confident that the Group has a clearly defined strategy and solid business model and balance sheet that can continue to generate value for our shareholders. Trading in 2012 has started on a solid footing and, although economic uncertainties in Europe are still in evidence, we are confident that we can make further progress in the coming year.

Robert Beeston
Chairman

28 February 2012

Group Chief Executive's overview

Dear Shareholders,

In 2011 Elementis achieved the highest earnings in its history. These historic results, in a year of significant economic headwinds and global uncertainty, demonstrate the strength of our growth strategy and the powerful momentum that exists within Elementis, throughout each business and encompassing every region.

This achievement is a direct result of the hard work and full engagement of our employees in order to deliver profitable growth through innovative technologies that are valued by our customers. All three Elementis businesses made material contributions during the year, including the following highlights:

- Significant improvements in each of our key performance indicators (revenue, profit, margins, EPS, cash flow)
- Elementis Specialty Products
    - delivered another record year of financial performance
    - expanded capacity in North America and Europe to support our growth in coatings, personal care and oil drilling markets, as well as in our hectorite production
- Elementis Chromium
    - business model delivering strong earnings and cash flow with reduced volatility
    - Castle Hayne, US facility converted to natural gas in April 2011, which reduced energy costs by $5 million in that year
- Elementis Surfactants
    - Continued to improve the quality of its product portfolio
- Maintaining a strong focus on achieving excellent health and safety performance
- Full year dividend increased by 42 per cent.

It is gratifying to report that in addition to record earnings we continued to generate strong operating cash flow. During the course of the year we substantially improved our balance sheet, ending the year in a net cash position, while we increased our dividend and drove profit margins higher than they were before the global economic downturn in 2009. We are serious about delivering profitable growth and vigilant about managing costs, which has enabled the Group to consistently operate profitably and to generate positive operating cash flow, across all stages of the economic cycle. We focus on generating high returns on invested capital and challenge everyone in the organisation to seek ways to increase operating profits while controlling working capital. As a consequence, over the last three years the Group has delivered total shareholder return of 62.1 per cent per annum, while over the same three years the FTSE 250 index has delivered a return of 20.1 per cent per annum. Importantly, we were able to accomplish all of this while maintaining high standards of health, safety and environmental performance.

It was a busy and productive year for Specialty Products, our largest and most profitable business, recording its highest ever sales and operating profit. At the core of Specialty Products's ability to deliver these results is an unrelenting commitment to provide technically superior products and application support that helps our customers to be more successful. Elementis believes in and executes a collaborative approach to innovation with our customers. Under this approach, we work very closely with our customers to develop products and technologies that add value for them today, as well as invest in customer linked projects to enable the development of new products for tomorrow. While these market driven projects allow our customers to be more successful, they also position Elementis as our customers' trusted and indispensable partner. Striking the right balance between our short term and long term objectives is absolutely essential, because to be a successful differentiated specialty chemical company, we must drive results today while strengthening our company for the future. Elementis Specialty Products has a successful track record of executing this strategy and will continue to do so going forward. To further support that strategy, during the first half of 2012, our North America based technology group will be moving into a newly built lab and pilot plant facility, which has been equipped with specialised kit that simulates our customers' testing equipment and processes. Going forward, Specialty Products is strategically well placed to continue to benefit from: the powerful global trends of robust growth in shale gas and high pressure/high temperature drilling; the opportunities provided by our established position in emerging and high growth regions; and our portfolio of highly valued and innovative products in high performance coatings and all natural personal care formulations.

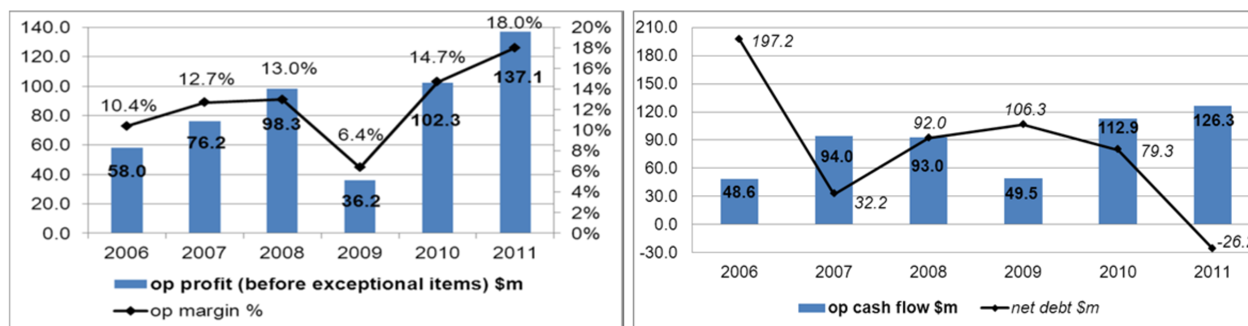
We are committed to continually expanding our portfolio of specialty chemicals. In parallel with Specialty Products's robust operating performance and organic growth, Elementis continues to look for appropriate bolt on acquisitions. We are interested in companies with value added technologies that participate in our chosen market segments, with particular focus on higher growth regions.

The main focus of the Chromium business in 2011 was to optimise its business model and deliver strong earnings and cash flow with significantly reduced volatility from cyclical markets. To that end, we dramatically reduced energy costs, delivered higher earnings and maintained good margins throughout the year. Overall, the Chromium business proved to be agile and robust in 2011. It demonstrated an ability to run at near capacity levels and to improve profitability during the first part of the year and then respond well to a modest slowdown in the final quarter by shifting production to higher demand products and regions.

2011 was a banner year for Elementis, but it represents only a stepping stone towards greater achievement. Our future has never been brighter, due in large part to the hard work, ingenuity and unbounded energy of the global Elementis team. Every day, all year long, our people deliver the quality and service that builds customer loyalty and market strength. By continuing to embrace our long standing Company values and consistently affirming our commitment to innovation and operational excellence, I am confident in our ability to continue to deliver further profitable growth and create meaningful value for you, our shareholders, for the foreseeable future.

David Dutro
Group Chief Executive

28 February 2012



Business commentaries

Revenue

	Revenue 2010 $million	Effect of exchange rates $million	Increase/ (decrease) 2011 $million	**Revenue 2011 $million**
Specialty Products	410.8	12.6	26.5	**449.9**
Chromium	209.7	-	21.3	**231.0**
Surfactants	88.1	5.0	1.2	**94.3**
Inter-segment	(11.2)	-	(3.5)	**(14.7)**
	697.4	17.6	45.5	**760.5**

Operating profit*

	Operating profit 2010 $million	Effect of exchange rates $million	Increase/ (decrease) 2011 $million	**Operating profit 2011 $million**
Specialty Products	71.8	3.8	14.1	**89.7**
Chromium	35.8	-	20.3	**56.1**
Surfactants	6.1	0.3	(1.0)	**5.4**
Central costs	(11.4)	(0.4)	(2.3)	**(14.1)**
	102.3	3.7	31.1	**137.1**

* before exceptional items

Elementis Specialty Products

Elementis Specialty Products is a leading manufacturer of rheology control additives that are used to enhance the performance of our customers' products. It is the global leader in organoclay technology, with a unique position in hectorite clay, owning the only rheology grade hectorite mine in the world. Best in class technical support and customer service are critical core competencies of the business and provide the platform to deliver added value in the coatings, oilfield drilling and personal care markets. The strategy of the business is to grow in high value rheology products and complementary additives through new product innovation, expansion into new geographies and bolt on acquisitions. In coatings, the largest of its markets, Elementis has a unique global position, providing technical service and a broad product offering to both multinational and regional coatings companies. The rheology solutions of Elementis are critical to the performance of our coating customers' products. In personal care, Elementis is a significant player in additives for cosmetic products based on its expertise in hectorite rheology and other complementary technologies. In oilfield drilling, Elementis is the preferred supplier to oil service companies for high performance rheological additives used in oil and gas drilling. The business's unique technologies and strong alignment with key industry players have allowed it to benefit from the recent increase in drilling activity for shale gas in North America. When combined with the continuing global trend of exploiting oil and gas reserves in more extreme environments, which require greater and more sophisticated rheological solutions, these dynamics are enabling Elementis to rapidly grow in this high value segment.

Sales in Specialty Products for 2011 were $449.9 million compared to $410.8 million in the previous year, an increase of 10 per cent, or 6 per cent on a constant currency basis. In 2011 the business benefited from improved pricing, continuing market share gains and a positive shift in the product portfolio. For example, sales of high value oilfield products increased from 13 per cent of total sales in 2010 to 16 per cent in 2011. Average pricing in 2011 was 5 per cent higher than the previous year as the business raised prices, mostly during the first half of the year, in response to an environment of raw material inflationary pressures throughout the coatings industry supply chain.

In the coatings market, sales in North America increased by 15 per cent over the previous year due to market share gains, value added pricing and a general recovery in the decorative coatings market, albeit from relatively low levels. Sales to Latin America grew strongly, increasing by 20 per cent in 2011, as the business continued to explore new opportunities in this fast growing and attractive market. In Europe, coatings sales improved by 10 per cent, or 5 per cent on a constant currency basis. Sales volumes slowed during the second half of the year due to the economic challenges in Europe, particularly in the southern region. For the year as a whole, European volumes were lower by 7 per cent, but were offset by better pricing and a more favourable product mix. In Asia Pacific, sales of coatings products were at a similar level

to the previous year due to a planned programme of product mix optimisation, which impacted overall sales volumes but improved margins over the previous year.

In oilfield, sales in 2011 were 34 per cent higher than the previous year as demand from shale drilling and other unconventional drilling applications continued to show rapid growth. Sales of drilling additives for shale represented 32 per cent of total oilfield sales in 2011 and grew by 58 per cent over the previous year, due to sustained drilling activity in North America. Unconventional drilling applications, such as deep water, high pressure and extreme temperatures, represented 37 per cent of sales and grew by 49 per cent.

In personal care, sales improved by 10 per cent in Europe and 14 per cent in Asia Pacific, as demand for hectorite based rheology additives remained robust, complemented by the demand for natural oil based additives which were acquired with Fancor at the end of 2009. In North America the year on year comparison of sales was impacted by the restructuring of the lowest margin Fancor products but, excluding this, underlying sales improved by 4 per cent.

Operating profit before exceptional items for the year improved by 25 per cent to $89.7 million, compared to 2010, or 20 per cent on a constant currency basis. Operating margin before exceptional items improved from 17.5 per cent in 2010 to 19.9 per cent due to a positive shift in the product portfolio towards higher value products, such as oilfield additives, as well as selective price increases to sustain margins in an inflationary raw material environment. A strong focus on cost control and operational excellence also played a significant role, such that total fixed costs were only 2 per cent higher in 2011 than the previous year.

Elementis Chromium

Elementis Chromium is one of the world's largest suppliers of chrome chemicals, which are used in a variety of end markets including metal alloys, metal finishing, leather tanning and refractory applications. Elementis Chromium seeks to produce stable earnings and cash flow by serving higher value markets, leveraging its skills in operational excellence and by utilising its flexible manufacturing base to adjust to changes in demand. As the only global producer with its manufacturing base located in the United States, Elementis Chromium is uniquely positioned to serve this market with value added products, offering just in time service via custom designed delivery systems.

Chromium sales in 2011 were $231.0 million compared to $209.7 million in 2010, an increase of 10 per cent. Currency had no material impact on year on year sales. Sales volumes were 6 per cent lower than the previous year, largely due to a planned plant shutdown in the early part of the year to convert the Castle Hayne facility to a flexible fuel system. The new system allowed the business to switch over to natural gas, instead of fuel oil, but also allows it to switch back again should future energy economics dictate. Otherwise, the manufacturing facilities operated at high capacity rates for most of the year. In North America sales volumes were stable with solid demand for chromic acid from both the timber treatment and auto industries, and also for chrome sulphate from the leather tanning industry. Sales volumes of chrome oxide to the coatings, construction and refractory sectors were lower than the previous year, largely due to weaker demand from the US residential market. In Europe, sales volumes in the first half of 2011 were consistent with the previous year, but declined in the second half as the general economic concerns in Europe began to impact on customer demand. Sales volumes to Asia Pacific were also at a similar level to the previous year. Average selling prices increased by 16 per cent in response to rising raw material prices.

Operating profit improved by 57 per cent to $56.1 million in 2011, compared to the previous year and operating margin increased to 24.3 per cent from 17.1 per cent. Lower energy costs contributed $3.0 million to the operating profit improvement and were largely a result of the conversion of Castle Hayne to natural gas during the first quarter of 2011. The conversion contributed $5.0 million in energy savings for the year, more than offsetting cost increases in fuel oil, which was previously the primary energy source at the facility. Otherwise operating margins improved due to flexing the manufacturing facilities in order to favour higher value applications while, at the same time, addressing the changes in demand highlighted above, combined with disciplined cost control. The current year also benefited from an insurance settlement totalling $2.4 million relating to the recovery of past legal costs.

Elementis Surfactants

Elementis Surfactants is a specialty surfactant manufacturer offering innovative products to markets, such as oilfield chemicals, textile and leather, construction and household products, which it produces at its facility in the Netherlands. Its strategy is to focus on higher margin markets, such as agro-chemicals, animal feed, plastic and resins and transition its manufacturing facility over time to primarily produce coatings additives for the Specialty Products business, which currently shares the facility. At the same time, the business seeks to improve margins through superior customer service and by continually enhancing the productivity of its manufacturing operations.

Sales in Surfactants for 2011 were $94.3 million compared to $88.1 million in the previous year, an increase of 7 per cent, or 1 per cent on a constant currency basis. The majority of sales in this business is denominated in Euros. In line with the business's strategy to transition its manufacturing assets to producing more coatings products for Specialty Products, sales volumes in Surfactants declined by 16 per cent compared to the previous year. As part of that process the business continues to improve the sales portfolio by increasing the proportion of higher value products and this was evident in the 2011 sales mix. Average selling prices improved by 15 per cent in response to raw material price inflation.

Operating profit before exceptional items in 2011 was $5.4 million compared to $6.1 million in the previous year. However, the 2010 result benefited from a one-time legal settlement of $2.7 million and therefore, after adjusting for this item, operating margin improved from 3.9 per cent in 2010 to 5.7 per cent in 2011. Improved selling prices largely compensated for increases in raw material costs and the increase in operating margin was a result of portfolio optimisation and strict cost control.

Finance report

Revenue $million	**2011**	2010
Specialty Products	**449.9**	410.8
Chromium	**231.0**	209.7
Surfactants	**94.3**	88.1
Inter-segment	**(14.7)**	(11.2)
	760.5	697.4

Group results
Group sales in 2011 were $760.5 million compared to $697.4 million in the previous year, an increase of 9 per cent, or 7 per cent on a constant currency basis. All three Group businesses recorded higher sales for the year driven by improved pricing, in response to raw material inflation, and an overall shift towards higher value products. The general demand trend for the year saw more robust demand from customers during the first half of the year, with the financial turmoil in Europe impacting demand during the second half. Sales volumes for the Group were lower than the previous year by 6 per cent, partly due to these trends in demand, but also due to strategic actions taken in each business to improve product portfolios and increase margins.

Group operating profit before exceptional items increased by 34 per cent in 2011 to $137.1 million, or 30 per cent on a constant currency basis. Operating margin improved from 14.7 per cent in 2010 to 18.0 per cent in the current year, as each Group business took important steps to upgrade their product portfolio, adjust their pricing to address raw material cost inflation and leverage their operating capabilities to optimise their cost structures.

Currency hedging
Although a large proportion of the Group's business is transacted in US dollars, the Group also transacts in other currencies, in particular euros and pounds sterling. In order to reduce earnings volatility from these currency exposures, the Group takes out cash flow hedges in these currencies each year. In 2011 a cost of $0.3 million (2010: $0.3 million credit) was incurred from these hedge transactions and reported in the Specialty Products results.

Operating profit $million	**Operating profit**	**Exceptional items**	**2011 Adjusted operating profit**	Operating profit	Exceptional items	2010 Adjusted operating profit
Specialty Products	**87.9**	**1.8**	**89.7**	71.8	-	71.8
Chromium	**56.1**	**-**	**56.1**	35.8	-	35.8
Surfactants	**0.2**	**5.2**	**5.4**	6.1	-	6.1
Central costs	**20.4**	**(34.5)**	**(14.1)**	(11.4)	-	(11.4)
	164.6	**(27.5)**	**137.1**	102.3	-	102.3

Central costs
Central costs are costs that are not identifiable as expenses of a particular business and comprise expenditures of the Board of Directors and the corporate office. In 2011 central costs increased by $2.7 million to $14.1 million, or $2.3 million on a constant currency basis. The increase was largely due to changes in a number of central Group provisions and increases in the value of the Group's long term incentive plans.

Exceptional items
Two items have been recorded in 2011 under "Exceptional items". The first item is in relation to the recovery of $34.5 million from the European Commission, in August 2011, reported in the 2011 Interim results announcement. The recovery of these funds came about after the Commission repealed its decision of November 2009 to impose fines on Elementis. The second item is a provision of $7.0 million relating to the Group's pension arrangements in the Netherlands. Further details of this item are included in Note 5 to the Financial Statements.

Net finance costs

	2011 $million	2010 $million
Finance income	**0.7**	0.4
Finance cost of borrowings	**(4.0)**	(3.7)
	(3.3)	(3.3)
Net pension finance income/(expense)	**1.9**	(1.9)
Discount on provisions	**(1.2)**	(1.1)
	(2.6)	(6.3)

Finance income increased by $0.3 million in the year to $0.7 million due to an increase in the amount of cash on deposit held by the Group. Finance cost of borrowings was largely unchanged compared to the previous year, despite the Group ending the year in a net cash position. This was because a significant part of the Group's borrowing costs are fixed and relate to arrangement and commitment fees on the Group's borrowing facilities. There was a net pension finance credit of $1.9 million in 2011 (2010: $1.9 million debit) due to a $4.8 million increase in expected return on pension scheme assets which exceeded a $1.0 million increase in interest on pension scheme liabilities. The discount on provisions of $1.2 million (2010: $1.1 million) relates to environmental provisions, which are evaluated on a discounted basis and hence the cost of the discount is recognised each year as an interest charge.

Taxation

Tax charge	**$million**	**2011 Effective rate per cent**	$million	2010 Effective rate per cent
Before exceptional items	**39.7**	**29.5**	27.7	28.9
Exceptional items	**(1.8)**	**(1.3)**	(5.8)	(6.1)
Total	**37.9**	**28.2**	21.9	22.8

The pre-exceptional tax charge of $39.7 million (2010: $27.7 million) represents an effective tax rate of 29.5 per cent (2010: 28.9 per cent) with the slight increase in tax rate resulting from a change in the geographical split of underlying profits, offset somewhat by reduced rates of taxation in some jurisdictions. The exceptional tax credit of $1.8 million relates to deferred tax on the reversal in the year of a curtailment gain on the Dutch pension scheme that originally occurred in 2005. Further details on this can be found in the commentary on pensions and other post retirement benefits. The exceptional tax credit of $5.8 million in 2010 was a consequence of recognising a UK deferred tax asset in respect of UK losses and other timing differences that are now considered recoverable.

Earnings per share

Note 7 to the Financial Statements 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 exceptional.

Diluted earnings per share, before exceptional items, was 20.8 cents compared to 15.2 cents in the previous year and the improvement was mainly due to the operating profit performance noted above.

Basic earnings per share including exceptional items was 27.8 cents compared to 16.7 cents in 2010. The impact of the exceptional items was to increase basic earnings per share by 6.6 cents (2010: 1.3 cents).

Distribution to shareholders

During 2011 the Group paid a final dividend in respect of the year ended 31 December 2010 of 2.60 cents per share. An interim dividend of 2.34 cents per share was paid on 7 October 2011 and the Board is recommending a final dividend of 4.66 cents per share which will be paid on 1 June 2012.

Cash flow

The cash flow is summarised below:

	2011 $million	2010 $million
EBITDA[1]	**157.0**	123.7
Change in working capital	**(9.3)**	1.9
Capital expenditure	**(20.8)**	(14.0)
Other	**(0.6)**	1.3
Operating cash flow	**126.3**	112.9
Pension deficit payments	**(22.0)**	(18.4)
Interest and tax	**(11.3)**	(8.8)
Exceptional items	**31.8**	(40.7)
Other	**1.7**	(1.8)
Free cash flow	**126.5**	43.2
Dividends paid	**(21.9)**	(20.0)
Receipt of unclaimed dividends	**-**	0.8
Acquisitions and disposals	**-**	1.1
Currency fluctuations	**0.9**	1.9
Movement in net borrowings	**105.5**	27.0
Net borrowings at start of year	**(79.3)**	(106.3)
Net cash/(borrowings) at end of year	**26.2**	(79.3)

1 EBITDA - earnings before interest, tax, exceptional items, depreciation and amortisation

The Group delivered a strong cash flow performance in 2011 and, as a result, moved from a net borrowing position of $79.3 million at the end of 2010 to a net cash position of $26.2 million at the end of 2011. Good growth in operating cash flow was at the core of this result, assisted by the one-time recovery of $34.5 million from the European Commission. Operating cash flow improved by 12 per cent in 2011 to $126.3 million, with EBITDA improving by 27 per cent to $157.0 million on the back of good progress in operating profit. Cash flow relating to working capital was an outflow of $9.3 million compared to an inflow of $1.9 million in 2010. In 2010 the Group made significant reductions in the levels of working capital utilised by the businesses and these initiatives continued into 2011. This is evidenced by the fact that average working capital ratios improved during the year, as discussed later in this report. Capital expenditure in 2011 increased by $6.8 million to $20.8 million as the Group made investments to expand three of its manufacturing facilities in the Specialty Products business, in support of its continuing growth. The investments will facilitate further expansion in coatings, oilfield drilling, personal care and hectorite production. Contributions to pension deficit funding increased by $3.6 million in 2011, largely due to an increase in contributions to the UK plan of approximately $5 million, in line with the current funding agreement. Cash flows related to exceptional items in both 2010 and 2011 are mostly associated with the European Commission fine, which was paid in 2010 ($33.5 million) and subsequently recovered, with interest, in 2011 ($34.5 million). Other cash flows in this category mostly relate to spending on the closure of the Eaglescliffe, UK site, for which a provision was made in 2009.

Working capital management continued to be a key priority in 2011 and there was a positive change in the gap between creditor and debtor days, which went from 10 days in 2010 to 13 days in 2011. In Chromium, a strategic decision was taken to hold higher levels of chrome ore inventories during the year, in light of strong customer demand, and this led to inventory days for the Group increasing from 75 days at the end of 2010 to 84 days at the end of 2011. However, overall for the Group, average levels of working capital improved in the year, as evidenced by the measure of average working capital to sales which progressed from 18.0 per cent in 2010 to 17.2 per cent in 2011.

Balance sheet

	2011 $million	2010 $million
Intangible fixed assets	**335.1**	338.1
Other net assets	**87.9**	120.9
Net cash	**26.2**	-
	449.2	459.0
Equity	**449.2**	379.7
Net debt	**-**	79.3
	449.2	459.0

Group equity increased by $69.5 million in 2011 (2010: $93.4 million) mainly due to a current year profit after tax of $124.1 million (2010: $74.1 million), an increase in Group liabilities for retirement benefits, adjusted for deficit contributions paid, of $44.7 million (2010: decrease of $25.3 million) and dividends paid of $21.9 million (2010: $20.0 million). Other net assets decreased by $33.0 million in 2011 (2010: increased by $67.8 million) mainly due to an increase in retirement benefit liabilities of $27.4 million (2010: decrease of $44.3 million), an increase in working capital of $11.8 million, in line with the increase in Group sales (2010: decrease of $5.2 million), and an increase in net deferred tax liabilities of $21.5 million (2010: $16.1 million). Comments on the changes in retirement benefit liabilities, working capital and deferred tax are included elsewhere in this report.

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

		2011		2010
	Year end	**Average**	Year end	Average
Sterling	**0.64**	**0.62**	0.64	0.65
Euro	**0.77**	**0.71**	0.75	0.75

Provisions

A provision is recognised in the balance sheet when the Group 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. At the end of 2011 the Group held provisions of $43.6 million (2010: $48.5 million).

Out of the total provision balance of $43.6 million (2010: $48.5 million), $41.3 million (2010: $46.2 million) relates to environmental matters, including the closure of the Eaglescliffe facility. The Group's environmental provision has been calculated using a methodology consistent with previous years. Approximately $28.8 million relates to sites maintained by the Group (2010: $31.2 million) with the remainder relating to sites no longer under Group control. $2.7 million was spent on the Eaglescliffe closure programme in 2011 with an anticipated spend in 2012 of approximately $4 million.

Pensions and other post retirement benefits

	2011 $million	2010 $million
Net liabilities:		
UK	**35.0**	28.9
US	**49.6**	34.4
Other	**10.2**	4.1
	94.8	67.4

The largest of these is the UK defined benefit pension scheme ("UK Scheme") which had a deficit under IAS 19 of $35.0 million at the end of 2011, compared to $28.9 million at the end of 2010. The UK Scheme is relatively mature, with approximately 66 per cent of its gross liabilities represented by pensions in payment. The most recent triennial valuation was completed as of 30 September 2008 and resulted in an agreed deficit with the plan Trustees, for funding purposes, of £101.7 million. Under the related funding agreement, the Group then agreed to make deficit contributions of £7.1 million in 2010 and, thereafter, an annual amount of either £8.0 million or £10.0 million, depending on whether an EBITDA threshold amount of £53.2 million was achieved by the Group in the previous financial year, with the higher amount being paid for any year in which the threshold was exceeded. The higher amount of £10 million was paid by the Group in 2011. The agreement also includes a commitment to increase the annual deficit contribution by the same percentage as any increase in shareholder return, once the total distribution to shareholders in any year exceeds the equivalent of 3.5 pence per share. No payments were made under this commitment in 2011. However, it is likely that a payment will be made in 2012. For example, if the interim dividend for 2012 is the same as that paid in 2011 (2.34 cents per share), then when combined with the payment of the recommended final dividend for 2011 (4.66 cents per share), it would result in an additional deficit contribution of approximately £3 million, payable in the second half of 2012. The next triennial valuation will be conducted based on a valuation date of 30 September 2011 and, together with the related funding discussions with the Trustees, should be concluded by the end of 2012.

In 2011 the UK Scheme deficit, under IAS 19, increased to $35.0 million (2010: $28.9 million) as a result of an increase in scheme assets of $29.0 million (2010: $26.0 million), offset by an increase in scheme liabilities of $35.1 million (2010: decrease of $14.5 million). The scheme assets increased due to a 9 per cent return on investments for the year (2010: 12 per cent), contributions from the Company of approximately $16.3 million, less benefit payments to members of approximately $40.0 million. The scheme liabilities increased due mainly to a decline in real corporate bond yields of approximately 30 basis points. With the support of the Company, the Trustees have developed an investment strategy that broadly includes 50 per cent of the assets being invested in a “liability matching fund” and 50 per cent in an “investment fund”. The liability matching fund consists of bonds, gilts and liquid assets, plus a portfolio of interest and inflation swaps, constructed in such a way as to match the interest and inflation risks inherent in a similar percentage of the scheme liabilities. The purpose of this fund is to finance a portion of the liabilities without creating significant volatility in the reported deficit. The investment fund, on the other hand, consists of a portfolio of “return seeking” assets, largely equities, with the aim of funding part of the liabilities by generating higher returns with an acceptable risk, while also contributing to reducing the deficit over time.

The US liabilities in 2011 comprised of a defined benefit pension plan, with a deficit value of $41.4 million (2010: $26.2 million), and a post-retirement medical plan with a value of $8.2 million (2010: $8.2 million). The US pension plan is smaller than the UK Scheme and is closed to future accruals. The deficit in the plan increased by $15.2 million (2010: declined by $5.1 million) during the year, due to a decrease in the scheme assets of $2.8 million (2010: increase of $11.2 million) and an increase in the scheme liabilities of $12.4 million (2010: $6.1 million). The scheme assets were 74 per cent invested in equities and generated a return of minus 1 per cent in the year (2010: plus 15 per cent), which was the main contributor to the decrease in value. The scheme liabilities increased mainly due to a fall in real corporate bond yields during the year of approximately 100 basis points.

In the Netherlands, the Group operates an insured defined benefits plan as is customary in that country. At the end of 2011 the deficit value for this plan was $7.5 million, compared to $1.4 million in the previous year. In 2005 a number of changes were made to the benefits provided by the plan, as well as other non-pension benefits, as part of a negotiation with labour unions. As a result of those changes, the liability under the plan was reduced by $10.9 million and reported as a curtailment gain in that year. In 2009 a group of pensioners challenged the benefit changes in court, on the basis that they should not be applied to them, and in 2010 the court ruled in favour of Elementis. The pensioner group challenged the court decision in an appellate court, and in 2011 the appellate court overturned the original decision. Elementis has appealed that court’s decision to the Supreme Court of the Netherlands, which will review the case sometime in the next two years. In view of the uncertainty that has now been generated around the timing and outcome of this issue, the Group has taken a prudent approach and reversed that part of the 2005 curtailment gain that relates to this issue, in the amount of $7.0 million. This reversal is the main reason for the increase in deficit value in 2011.

Other liabilities amounted to $2.7 million (2010: $2.7 million) and relate to pension arrangements for a relatively small number of people in Germany.

Consolidated income statement
for the year ended 31 December 2011

	Note	2011 Before exceptional items $million	2011 Exceptional items (note 5) $million	2011 After exceptional items $million	2010 Before exceptional items $million	2010 Exceptional items (note 5) $million	2010 After exceptional Items $million
Revenue		**760.5**	**-**	**760.5**	697.4	-	697.4
Cost of sales		**(473.6)**	**-**	**(473.6)**	(445.0)	-	(445.0)
Gross profit		**286.9**	**-**	**286.9**	252.4	-	252.4
Distribution costs		**(82.7)**	**-**	**(82.7)**	(82.8)	-	(82.8)
Administrative expenses		**(67.1)**	**27.5**	**(39.6)**	(67.3)	-	(67.3)
Operating profit		**137.1**	**27.5**	**164.6**	102.3	-	102.3
Finance income	3	**2.6**	**-**	**2.6**	0.4	-	0.4
Finance costs	4	**(5.2)**	**-**	**(5.2)**	(6.7)	-	(6.7)
Profit before income tax		**134.5**	**27.5**	**162.0**	96.0	-	96.0
Tax	6	**(39.7)**	**1.8**	**(37.9)**	(27.7)	5.8	(21.9)
Profit for the year		**94.8**	**29.3**	**124.1**	68.3	5.8	74.1
Attributable to:							
Equity holders of the parent		**94.8**	**29.3**	**124.1**	68.3	5.8	74.1
Non-controlling interests		**-**	**-**	**-**	-	-	-
		94.8	**29.3**	**124.1**	68.3	5.8	74.1

Earnings per share	Note	2011	2010
Basic (cents)	7	**27.8**	16.7
Diluted (cents)	7	**27.2**	16.5

Consolidated statement of comprehensive income
for the year ended 31 December 2011

	2011 $million	2010 $million
Profit for the year	**124.1**	74.1
Other comprehensive income:		
Exchange differences on translation of foreign operations	**1.3**	8.6
Actuarial gain / (loss) on pension and other post-retirement schemes	**(44.7)**	25.3
Effective portion of changes in fair value of cash flow hedges	**(0.8)**	0.9
Fair value of cash flow hedges transferred to income statement	**(0.9)**	0.5
Deferred tax associated with pension and other post-retirement schemes	**8.1**	3.4
Other comprehensive income	**(37.0)**	38.7
Total comprehensive income for the year	**87.1**	112.8
Attributable to:		
Equity holders of the parent	**87.1**	112.8
Non-controlling interests	**-**	-
Total comprehensive income for the year	**87.1**	112.8

Consolidated balance sheet
at 31 December 2011

	2011 31 December $million	2010 31 December $million
Non-current assets		
Goodwill and other intangible assets	**335.1**	338.1
Property, plant and equipment	**163.8**	163.1
Deferred tax assets	**7.4**	6.7
Total non-current assets	**506.3**	507.9
Current assets		
Inventories	**119.8**	102.3
Trade and other receivables	**99.1**	111.8
Derivatives	**0.8**	0.9
Cash and cash equivalents	**48.2**	40.8
Total current assets	**267.9**	255.8
Total assets	**774.2**	763.7
Current liabilities		
Bank overdrafts and loans	**(6.2)**	(7.0)
Trade and other payables	**(88.3)**	(95.3)
Derivatives	**(1.0)**	-
Current tax liabilities	**(4.6)**	(4.2)
Provisions	**(7.9)**	(10.3)
Total current liabilities	**(108.0)**	(116.8)
Non-current liabilities		
Loans and borrowings	**(15.8)**	(113.1)
Derivatives	**(0.4)**	-
Retirement benefit obligations	**(94.8)**	(67.4)
Deferred tax liabilities	**(67.7)**	(45.5)
Provisions	**(35.7)**	(38.2)
Government grants	**(1.0)**	(1.4)
Total non-current liabilities	**(215.4)**	(265.6)
Total liabilities	**(323.4)**	(382.4)
Net assets	**450.8**	381.3
Equity		
Share capital	**43.4**	43.2
Share premium	**12.7**	11.6
Other reserves	**125.8**	126.7
Retained earnings	**267.3**	198.2
Total equity attributable to equity holders of the parent	**449.2**	379.7
Non-controlling interests	**1.6**	1.6
Total equity	**450.8**	381.3

Consolidated statement of changes in equity

	Share Capital $million	Share premium $million	Translation reserve $million	Hedging reserve $million	Other reserves $million	Retained earnings $million	Total $million	Minority Interest $million	Total Equity $million
Balance at 1 January 2010	43.2	11.0	(38.9)	(7.5)	162.4	116.1	286.3	1.6	287.9
Comprehensive income									
Loss for the year	-	-			-	74.1	74.1	-	74.1
Other comprehensive income									
Exchange differences	-	-	8.6	-	-	-	8.6	-	8.6
Fair value of cash flow hedges transferred to the income statement	-	-	-	0.5	-	-	0.5	-	0.5
Effective portion of changes in fair value of cash flow hedges	-	-	-	0.9	-	-	0.9	-	0.9
Actuarial gain on pension scheme	-	-	-	-	-	25.3	25.3	-	25.3
Tax credit on actuarial loss on pension scheme	-	-	-	-	-	3.4	3.4	-	3.4
Transfer	-	-	-	-	(1.2)	1.2	-	-	-
Total other comprehensive income	-	-	8.6	1.4	(1.2)	29.9	38.7	-	38.7
Total comprehensive income			8.6	1.4	(1.2)	104.0	112.8		112.8
Transactions with owners									
Purchase of shares	-	-	-	-	-	(2.4)	(2.4)	-	(2.4)
Issue of shares	-	0.6	-	-	-	-	0.6	-	0.6
Share based payments	-	-	-	-	1.9	-	1.9	-	1.9
Dividends paid	-	-	-	-	-	(19.5)	(19.5)	-	(19.5)
Total transactions with owners	-	0.6	-	-	1.9	(21.9)	(19.4)	-	(19.4)
Balance at 31 December 2010	43.2	11.6	(30.3)	(6.1)	163.1	198.2	379.7	1.6	381.3
Balance at 1 January 2011	43.2	11.6	(30.3)	(6.1)	163.1	198.2	379.7	1.6	381.3
Comprehensive income									
Profit for the year	-	-	-	-	-	124.1	124.1	-	124.1
Other comprehensive income									
Exchange differences	-	-	1.3	-	-	-	1.3	-	1.3
Fair value of cash flow hedges transferred to the income statement	-	-	-	(0.9)	-	-	(0.9)	-	(0.9)
Effective portion of changes in fair value of cash flow hedges	-	-	-	(0.8)	-	-	(0.8)	-	(0.8)
Actuarial loss on pension scheme	-	-	-	-	-	(44.7)	(44.7)	-	(44.7)
Tax credit on actuarial loss on pension scheme	-	-	-	-	-	8.1	8.1	-	8.1
Transfer	-	-	-	-	(3.1)	3.1	-	-	-
Total other comprehensive income	-	-	1.3	(1.7)	(3.1)	(33.5)	(37.0)	-	(37.0)
Total comprehensive income	-	-	1.3	(1.7)	(3.1)	90.6	87.1	-	87.1
Transactions with owners									
Purchase of own shares	-	-	-	-	-	(2.2)	(2.2)	-	(2.2)
Issue of shares	0.2	1.1	-	-	-	2.6	3.9	-	3.9
Share based payments	-	-	-	-	2.6	-	2.6	-	2.6
Dividends paid	-	-	-	-	-	(21.9)	(21.9)	-	(21.9)
Total transactions with owners	0.2	1.1	-	-	2.6	(21.5)	(17.6)	-	(17.6)
Balance at 31 December 2011	43.4	12.7	(29.0)	(7.8)	162.6	267.3	449.2	1.6	450.8

Consolidated cash flow statement
for the year ended 31 December 2011

	2011	2010
	$million	$million
Operating activities:		
Profit for the year	**124.1**	74.1
Adjustments for:		
Finance income	**(2.6)**	(0.4)
Finance costs	**5.1**	6.7
Tax charge	**37.9**	21.9
Depreciation and amortisation	**19.9**	21.4
Decrease in provisions	**(3.2)**	(0.7)
Pension contributions net of current service cost	**(22.0)**	(18.4)
Share based payments	**2.6**	2.0
Exceptional items	**(27.5)**	-
Cash flow in respect of exceptional items	**31.8**	(40.7)
Operating cash flow before movement in working capital	**166.1**	65.9
(Increase)/decrease in inventories	**(17.8)**	1.7
Decrease/(increase) in trade and other receivables	**12.8**	(7.7)
(Decrease)/increase in trade and other payables	**(4.2)**	7.9
Cash generated by operations	**156.9**	67.8
Income taxes paid	**(8.0)**	(5.6)
Interest paid	**(4.2)**	(3.9)
Net cash flow from operating activities	**144.7**	58.3
Investing activities:		
Interest received	**0.9**	0.7
Disposal of property, plant and equipment	**2.1**	2.1
Purchase of property, plant and equipment	**(22.5)**	(15.7)
Purchase of business	**-**	1.1
Acquisition of intangible assets	**(0.4)**	(0.4)
Net cash flow from investing activities	**(19.9)**	(12.2)
Financing activities:		
Issue of shares by the Company and the ESOT	**3.9**	0.6
Dividends paid	**(21.9)**	(20.0)
Receipt of unclaimed dividends	**-**	0.8
Purchase of own shares by the ESOT	**(2.2)**	(2.4)
Decrease in borrowings	**(97.9)**	(15.7)
Net cash used in financing activities	**(118.1)**	(36.7)
Net increase in cash and cash equivalents	**6.7**	9.4
Cash and cash equivalents at 1 January	**40.8**	28.8
Foreign exchange on cash and cash equivalents	**0.7**	2.6
Cash and cash equivalents at 31 December	**48.2**	40.8

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 2011 or 2010 but is derived from those accounts. Statutory accounts for 2010 have been delivered to the Registrar of Companies, and those for 2011 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 28 February 2012.

2 Basis of preparation

Elementis plc (the "Company") is incorporated in the UK. The information within this document has been prepared under International Financial Reporting Standards as adopted by the EU (adopted IFRS).

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 the foreseeable future as going concerns. An explanation of the directors' assessment of using the going concern basis is given in the Directors' report in the Annual Report and Accounts 2011 which will be made available to shareholders on 26 March 2012.

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

	2011 $million	2010 $million
Interest on bank deposits	**0.7**	0.4
Expected return on pension scheme assets	**47.7**	-
Interest on pension scheme liabilities	**(45.8)**	-
Pension and other post retirement liabilities	**1.9**	-
	2.6	0.4

4 Finance costs

	2011 $million	2010 $million
Interest on bank loans	**4.0**	3.7
Expected return on pension scheme assets	**-**	(42.9)
Interest on pension scheme liabilities	**-**	44.8
Pension and other part retirement liabilities	**-**	1.9
Unwind of discount on provisions	**1.2**	1.1
	5.2	6.7

5 Exceptional items

	2011 $million	2010 $million
Refund of EU Commission fine	**34.5**	-
Curtailment losses on pension schemes	**(7.0)**	-
	27.5	-
Deferred tax asset	**1.8**	5.8
	29.3	5.8

The Group has continued its separate presentation of certain items as exceptional. These are items which, in management's judgement, need to be disclosed separately by virtue of their size or incidence in order for the reader to obtain a proper understanding of the financial information.

Following a repeal of the earlier decision, the European Commission repaid a total of $34.5 million to the Group in respect of fines imposed in 2009, plus associated interest. A charge of $7.0 million has been booked in respect of curtailment losses in respect of the Dutch pension scheme, along with an associated deferred tax credit of $1.8 million. Further details are included in the commentary on pensions and other post retirement benefits. An exceptional deferred tax credit of $5.8 million was recorded in 2010 to recognise the value of historic losses and other tax attributes that are now believed to be of value following an increase in the profitability of the UK based specialties business.

6 Income tax expense

	2011 $million	2010 $million
Current tax:		
Overseas corporation tax	**9.8**	5.8
Adjustments in respect of prior years:		
United Kingdom	**-**	-
Overseas	**0.5**	(2.4)
Total current tax	**10.3**	3.4
Deferred tax:		
United Kingdom	**2.1**	2.2
Adjustment in respect of prior year	**(1.8)**	(5.8)
Overseas	**27.7**	21.1
Adjustments in respect of prior years	**(0.4)**	1.0
Total deferred tax	**27.6**	18.5
Income tax expense for the year	**37.9**	21.9
Comprising:		
Before exceptional items	**39.7**	27.7
Exceptional items*	**(1.8)**	(5.8)
	37.9	21.9

* see Note 5

The tax charge on profit before exceptional items represents an effective tax rate on profit before exceptional items for the year ended 31 December 2011 of 29.5 per cent (2010: 28.9 per cent). As a Group involved in overseas operations, the amount of profitability in each jurisdiction, transfer pricing legislation and local tax rate changes, will affect future tax charges.

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

	2011 $million	**2011 per cent**	2010 $million	2010 per cent
Profit before tax	**162.0**	**-**	96.0	-
Tax on ordinary activities at 26.5 per cent (2010: 28.0 per cent)*	**42.9**	**26.5**	26.9	28.0
Difference in overseas effective tax rates	**10.4**	**6.4**	6.2	6.5
Income not chargeable for tax purposes	**(9.1)**	**(5.6)**	-	-
Expenses not deductible for tax purposes	**0.8**	**0.5**	1.0	1.0
Tax losses and other deductions	**(6.3)**	**(3.9)**	(5.0)	(5.2)
Adjustments in respect of prior years	**(0.8)**	**(0.5)**	(1.4)	(1.5)
Exceptional tax credit	**-**	**-**	(5.8)	(6.0)
Tax charge and effective tax rate for the year	**37.9**	**23.4**	21.9	22.8

* tax rate reflects reduction in UK corporation tax rate from 28 per cent to 26 per cent with effect from April 2011

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:

	2011 $million	2010 $million
Earnings:		
Earnings for the purpose of basic earnings per share	**124.1**	74.1
Exceptional items net of tax	**(29.3)**	(5.8)
Adjusted earnings	**94.8**	68.3

	2011	2010
***Number of shares**:*		
Weighted average number of shares for the purposes of basic earnings per share	**446.5**	443.5
Effect of dilutive share options	**9.9**	4.6
Weighted average number of shares for the purposes of diluted earnings per share	**456.4**	448.1

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

	2011 cents	2010 cents
Earnings per share:		
Basic	**27.8**	16.7
Diluted	**27.2**	16.5
Basic before exceptional items	**21.2**	15.4
Diluted before exceptional items	**20.8**	15.2

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.

Elementis LTP Inc ("LTP") has been named as a defendant in chromium-related litigation currently pending in the State of Missouri (the "Missouri Litigation"). The Missouri Litigation developed into the following types of cases: (1) fifteen cases involving over 180 individual plaintiffs alleging property and/or personal injury; (2) a class action seeking property damages for an unspecified number of putative class members; and (3) a class action seeking medical monitoring damages for putative class members who live in a four county area.

Between December 2010 and November 2011, five of the individual plaintiff cases (described in clause (1) above) involving approximately 133 individual plaintiffs and the medical monitoring class action (described in clause (3) above) were voluntarily dismissed.

In late December 2011 and early January 2012, LTP secured two orders for summary judgment in its favour by judges in two separate cases. The first was in respect of all of the plaintiffs' claims in one of the cases involving 26 individual plaintiffs (described in clause (1) above), and the second concerned the property damage class action (described in clause (2) above). In January 2012 following these two orders, five more of the cases (described in clause (1) above) involving approximately 17 individual plaintiffs were voluntarily dismissed.

In the four cases involving approximately five individual plaintiffs that remain (described in clause (1) above), the plaintiffs claim personal injury due to alleged exposure to a chromium compound as the result of processes utilised by a tannery in St. Joseph, Missouri that was owned by Prime Tanning, Corp. ("Prime Tanning"). LTP has been named as the procurer of sodium dichromate for another defendant, Wismo Chemical Corp. ("Wismo"). Wismo was located onsite at the tannery and was in the business of converting sodium dichromate (upon delivery by LTP) into chromium sulphate - a chemical agent that is commonly used in the tanning of hides. Wismo, in turn, sold the chromium sulphate to Prime Tanning. 50 per cent of the shares of Wismo had been owned by LTP, its affiliates or its predecessors, but such shares were sold to Prime Tanning prior to LTP being named as a defendant in the Missouri Litigation proceedings.

Management, after consultation with legal counsel, has concluded that the proceedings are unlikely to be adversely determined against LTP and thus would not reasonably be expected to have a material impact on the Group's financial position. None of the remaining proceedings is scheduled to go to trial before the beginning of 2013.

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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 2011 Annual report and accounts that is to be published on 23 March 2012, 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 2011 Annual report and accounts.

Risk management review

The management team meets on a monthly basis to review business performance, which also includes reviewing business risks. Twice a year, the management team also has a more in-depth review of business and corporate risks when it considers its business continuity plans and carries out an annual risk review. The annual risk review process involves business sites and functions producing a risk map or risk register. These are then consolidated into business or corporate risk registers. The business risk registers are discussed at the Specialty Products and Chromium leadership meetings and the output is presented, together with the corporate risks, in a Group risk register which is discussed by the management team prior to submission to the Board for review and approval.

Principal risks and uncertainties
The following is a summary of the principal risks agreed by the Board: economic downturn; growth opportunities; raw materials; litigation and other claims from products and historical and ongoing operations; UK pension fund; regulation/technological advances; and major event or catastrophe. A full description of these risks and the mitigation actions taken by the Company will appear in the 2011 Annual report and accounts.

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.

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 accounts) for the year ended 31 December 2011. The full text of the Directors' responsibility statement will appear in the 2011 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 applicable set of accounting standards, 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; and
- the Directors' report (which incorporates the following sections in this announcement: Chairman's statement, Group Chief Executive's overview, Business commentaries and Finance 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.

END