ELEMENTIS

31 July 2012

ELEMENTIS plc

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

Elementis plc (ELM.L) ("Elementis", the "Company" or the "Group"), the FTSE 250 Global Specialty Chemicals Company, announces its results for the six months ended 30 June 2012.

HIGHLIGHTS

- Total revenue increased, with good organic growth in both of our core businesses:
  - Specialty Products up 4 per cent despite the downturn in Europe.
  - Chromium up 9 per cent.
- Group operating profit increased by 12 per cent.
- Group operating margins improved from 18.2 per cent to 20.1 per cent.
- Earnings per share increased by 15 per cent.
- Continuing investment in Specialty Products growth, including recently announced acquisition in Brazil.
- Further strong cash generation, with net cash of $29.9 million at the period end.
- Special dividend programme announced to further enhance shareholder returns, returning up to 50 per cent of year end net cash on the balance sheet.

FINANCIAL SUMMARY

	2012	2011	Change
Revenue	**$401.3m**	$396.0m	+1%
Operating profit	**$80.7m**	$72.2m	+12%
Operating margin	**20.1%**	18.2%	+190bps
Profit before tax	**$79.0m**	$70.6m	+12%
Diluted earnings per share	**12.2c**	10.6c	+15%
Net cash/(debt)	**$29.9m**	$(54.4)m	+$84.3m
Dividend to shareholders	**2.45c**	2.34c	+5%
Basic earnings per share	**12.4c**	10.8c	+15%

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

"Elementis has delivered another record financial performance in the first half of 2012. Achievement of these results during a period of significant global uncertainty provides further evidence of the resilience and inherent quality of our business. The disciplined implementation of our growth strategy, the strength of our market position and the added value nature of our product portfolio are all evidenced by these results.

We have continued to transform the Group, particularly through our strategic actions in Specialty Products. We were pleased to announce in May plans to build a specially designed US facility that will manufacture our highly innovative and patent protected products which will drive growth in the decorative coatings market. In June we announced the acquisition of Watercryl, a Brazilian coatings additives company. This acquisition provides us with the opportunity to extend our innovative product portfolio to the Latin America market.

Given the Group's robust balance sheet position and the strongly cash generative nature of our businesses, the Board has announced that, in addition to the current progressive dividend policy, a special dividend programme will be instituted that will provide a return to shareholders of up to 50 per cent of year end net cash on the balance sheet.

We are well positioned to further enhance shareholder value through our key growth strategies of geographic expansion, market share gain, new product development and bolt-on acquisitions, and expect to make further progress in the second half of 2012."

– ENDS –

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Elementis plc
David Dutro, Group Chief Executive
Brian Taylorson, Finance Director

FTI Consulting
Deborah Scott
Matthew Cole

Chairman's statement

I am pleased to report another period of strong financial performance and strategic progress for Elementis, delivered in a challenging economic environment. The Group has continued to preferentially invest in Specialty Products, where there are plentiful opportunities and the prospective returns are high, to support new products and expansion in high growth markets, such as oilfield drilling and Asia Pacific. In addition, we recently announced that the Group has agreed to acquire Watercryl, a high quality additives supplier to the Brazilian coatings market, for $24 million, which we expect to complete in the second half of the year. This acquisition will accelerate our growth in Latin America, extend our ability to service our customers and further enhance the quality and resilience of our earnings.

Our results for the first six months of 2012 reflect the positive progress that has been made in implementing the Group's strategy, as well as the skill and dedication of our business teams. Both Specialty Products and Chromium are reporting good sales growth and the Group's operating margin has improved again to 20.1 per cent from 18.2 per cent this time last year. Good progress was also made in transitioning our manufacturing facility in Delden, the Netherlands, towards producing more high quality additives for Specialty Products, with a consequent reduction in the manufacture and sales of lower margin surfactants.

Strong cash flow and return on operating capital continue to be a key feature of the Group's performance. Once again we are reporting a positive cash flow in the current period, even after taking account of an enhanced investment programme this year.

Results

Revenue in the period was $401.3 million, compared to $396.0 million in the same period last year. Underlying the 1.3 per cent growth at the Group level, our two key businesses continued to see mid to high single digit growth as the strategy of replacing sales of low margin surfactants with value added coatings additives continued. As a consequence, the growth in operating profit and earnings per share was much stronger, with operating profit up 12 per cent to $80.7 million, compared to $72.2 million last year, and diluted earnings per share for the period of 12.2 cents (2011: 10.6 cents), an increase of 15 per cent.

Balance sheet

The Group continues to benefit from a strong balance sheet, capable of supporting our growth plans, and is reporting a net cash position at the end of June 2012 of $29.9 million, compared to $26.2 million at the end of December 2011 and a net debt position of $54.4 million at this time last year.

The valuation of deficits from the Group's retirement benefit plans, under IAS 19, continues to be volatile, in line with changes in global bond yields, but the Board is confident that these can continue to be financed over prudent periods without constraining the Group's investment plans.

Returns to shareholders

Special dividend programme

We reported at our AGM in April that the Board was reviewing the balance between cash requirements for reinvestment and available for shareholder returns. The Board has concluded that good strategic progress has been made towards developing Elementis into a high quality, resilient specialty chemicals business and the priority continues to be to reinvest the Group's cash resources into the Specialty Products business in support of profitable growth, and to ensure that all of its stakeholders benefit appropriately from the Group's success. With this in mind the Board has agreed that it would be appropriate to provide an additional return to shareholders, by way of a special dividend programme, during periods when the Group is in a net cash position. Therefore, the Board has decided upon the following dividend policy:

- The Group will continue to pay a progressive full year dividend, in line with recent practice, of approximately one third of earnings per share before exceptional items.
- At any year end when the Group is in a net balance sheet cash position and there are no immediate investment plans for that cash, the Group will pay an additional special dividend of up to 50 per cent of the net cash amount. The announcement and payment of any special dividend will be timed to coincide with the final dividend each year.

The Board intends to keep this policy under review to ensure that it remains appropriate and consistent with the circumstances and strategy of the Group.

Interim dividend

The Board is declaring an interim dividend of 2.45 cents per share which will be paid on 5 October 2012, in pounds sterling at an exchange rate of $1.5662:£1 (equivalent to a sterling amount of 1.5643 pence per share), to shareholders on the register on 7 September 2012. This represents an increase of 5 per cent over the dividend declared at this time last year and is consistent with the policy described above.

Health, safety and environment

Our activities in this important area of our business have continued to be of a high industry standard during the first half of 2012. Our ultimate goal is zero incidents and we use key lessons learned from even minor events to continually improve our performance.

People

The excellent results reported by the Group are due, in no small part, to the continuing significant efforts and achievements of our employees. I would like to thank them all on behalf of the Board for their on-going commitment to our success.

Outlook

Elementis is continuing to build a diverse and resilient business that can grow profitably through excellent customer service, product innovation and strong market positions. The Board is confident that the Group is well placed to generate further shareholder value over the medium term, and expects to make progress in the second half of 2012.

Robert Beeston
Chairman
31 July 2012

Business review

Group Chief Executive's report

Elementis has delivered another record financial performance in the first half of 2012, maintaining the strong momentum from 2011. Achievement of these results during a period of significant global uncertainty provides further evidence of the resilience and inherent quality of our core businesses, the disciplined implementation of our growth strategy and the strength of our market position and product portfolio.

As a consequence of the strategic actions taken over recent years Specialty Products has a greater geographic breadth, an expanded product portfolio, an exciting and well populated new product pipeline and a stronger global team. The restructured Chromium business has shown that it is resilient in the face of a weaker global economy, providing further evidence of its ability to deliver more stable earnings and cash flow that we will continue to preferentially invest in the growth of the Specialty Products business.

We are resolute in our commitment to outperform the market and to deliver profitable growth across all stages of the economic cycle. To that end we have continued to transform the Group through our strategic actions. Our product development pipeline continues to deliver new successes and we were pleased to announce plans to build a specially designed US facility that will manufacture our highly innovative and patent protected products to drive growth in the decorative coatings market. Given the progress made to date, we expect the new facility to be delivering products to customers by the year end. In June we announced the acquisition of Watercryl, a Brazilian coatings additives company. This acquisition provides an enviable platform that is totally consistent with our growth strategy. We now have the opportunity to extend our innovative product portfolio to the markets of Latin America which supports our goal of greater global penetration into the decorative coatings markets. We are confident that these investments will deliver attractive returns to the Company and its stakeholders, both in the short and long term.

Given the Group's robust balance sheet position and the strongly cash generative nature of our businesses the Board has announced that, in addition to the current progressive dividend policy, a special dividend programme will be instituted that will provide an additional return to shareholders of up to 50 per cent of year end net cash on the balance sheet.

2012 first half highlights:

- The Group's operating profit, margin and EPS all improved over the strong first half of 2011.
- Operating margin improved to 20.1% (2011 H1: 18.2%).
- Record financial performance in Specialty Products:
  - New plant under construction to support innovation model.
  - Acquisition of Watercryl in Brazil strengthens Specialty Products offering in Latin America.
  - New US based technology centre and pilot plant facility up and running.
  - On-going investment in capacity to support both the current high demands and future growth in the oilfield, coatings and personal care markets.
- Robust performance in Chromium - strong earnings and cash flow.
- Special dividend programme announced to further enhance shareholder returns, returning up to 50 per cent of year end net cash on the balance sheet.

Elementis Specialty Products

Following record results in 2011, Specialty Products continued its strong performance by setting new records again in the first half of 2012. This has been achieved against a backdrop of weak global market conditions and declines in European GDP. Sales improved by 4 per cent while profits improved by 5 per cent.

The business was able to generate strong sales in coatings North America (+14 per cent), oilfield (+28 per cent) and consumer (+5 per cent) to offset weak conditions in Europe (-9 per cent) and flat sales in Asia (+1 per cent). Asia Pacific results were encouraging as the business sold 9 per cent less resins and 4 per cent more additives, creating more profit on similar sales, with increasing focus on the higher margin additives product offering.

The Specialty Products business provides a tremendous growth platform with our balanced geographic exposure across mature and emerging economies, strong technology base and strategic market diversification. In addition to an extensive proprietary product offering, we also own and operate a high purity hectorite clay mine. Hectorite clay is highly valued by coatings and personal care customers for its unique rheology characteristics and colour purity, which creates a distinct long term competitive advantage for both Specialty Products and its customers. Specialty Products has a significant technical service and application support presence in its chosen markets, which has been built on long term relationships of trust, collaboration and technical expertise. Our differentiated technology innovation is supported by best in class process technology and tightly held manufacturing know-how. The Specialty Products business is strategically well placed to continue to benefit from the powerful global trends of robust growth in shale drilling, the opportunities provided by our established position in higher growth markets, and our extensive portfolio of highly valued and innovative products, particularly in all-natural personal care formulations and high performance coatings.

Note on Watercryl

Watercryl is a privately owned Brazilian company based in Palmital, São Paulo. It produces a range of acrylic thickeners and water-based dispersants for the decorative coatings market in Brazil. For the 12 months ended 31 May 2012, Watercryl reported sales of $9.3 million and EBITDA of $2.3 million on an unaudited basis.

Elementis Chromium

The Chromium business delivered a strong first half with sales of $125.8 million, representing a 9 per cent increase versus the same period last year. Operating profit for the first half of 2012 was $33.4 million versus $26.2 million last year.

The Chromium business strategy is focussed on reducing cyclical fluctuations and consistently delivering more predictable and therefore higher quality earnings and cash flow. The business has continued to operate at consistently high rates of capacity utilisation since its major restructuring in 2009. The restructured business provides products that serve a diverse number of customers, geographies and applications, allowing it to quickly shift products and resources away from sluggish markets to markets of greater opportunity. As the only North American based manufacturer of chromium chemicals the business is able to provide North American customers with a differentiated and highly valued closed-loop delivery model. This model would be extremely difficult for a non-domestic supplier to replicate and therefore provides a long term competitive advantage. The business has a significant share of the North American market and 60 per cent of its sales were utilised to service the region in the first half of 2012.

Today, Elementis truly is a much stronger and more differentiated company than it was three years ago. We have strong operations that are better focussed and more disciplined, with a highly aligned and results-oriented leadership team. By being close to their customers and providing them with ever greater value through our differentiated global product offering, our core Specialty Products and Chromium businesses have established a sustainable market advantage. The business has progressed through the transformational phase of our strategy and is now delivering highly profitable growth. From the standpoint of shareholder value, we are well positioned to deliver further strategic progress through geographic expansion, market share gain, new product development and bolt-on acquisitions.

David Dutro
Group Chief Executive
31 July 2012

Finance report

Revenue for the six months ended 30 June	Revenue 2011 $million	Effect of exchange rates $million	Increase/ (decrease) 2012 $million	**Revenue 2012 $million**
Specialty Products	237.2	(3.5)	12.9	**246.6**
Chromium	115.1	-	10.7	**125.8**
Surfactants	51.6	(2.6)	(12.1)	**36.9**
Inter-segment	(7.9)	-	(0.1)	**(8.0)**
	396.0	(6.1)	11.4	**401.3**

Operating profit for the six months ended 30 June	Operating profit 2011 $million	Effect of exchange rates $million	Increase/ (decrease) 2012 $million	**Operating profit 2012 $million**
Specialty Products	49.4	(1.4)	4.0	**52.0**
Chromium	26.2	-	7.2	**33.4**
Surfactants	3.0	(0.2)	(0.4)	**2.4**
Central costs	(6.4)	(0.2)	(0.5)	**(7.1)**
	72.2	(1.8)	10.3	**80.7**

Group results

Group revenue was $401.3 million in the first half of 2012, compared to $396.0 million in the same period last year, an increase of 1 per cent, or 3 per cent on a constant currency basis. Constant currency sales in Specialty Products and Chromium improved by 6 per cent and 9 per cent, respectively, while Surfactants sales declined by 25 per cent due to a combination of strategic actions and the economic downturn in Europe. Group operating profit improved by 12 per cent, or 15 per cent on a constant currency basis, and operating margin improved from 18.2 per cent to 20.1 per cent. Currency hedging transactions have been entered into by the Group for 2012 and these reduced the impact of currency movements on operating profit by $0.5 million in the first half of the year.

Specialty Products

Revenue in Specialty Products for the first half of 2012 was $246.6 million, which is an increase of 4 per cent over the same period last year, or 6 per cent on a constant currency basis, as the business was able to show solid growth and sustained operating margins, despite challenging economic conditions in Europe.

In coatings additives, sales in North America improved by 14 per cent as the business continued to benefit from market share gains and good underlying demand in that region. In Asia Pacific, additives sales improved by 4 per cent, with the year on year comparison somewhat dampened by the implementation of portfolio restructuring during the latter part of 2011 to restore margins. Consequently, comparatives in the second half of the year are likely to be better than the first. In Europe, coatings additives sales were negatively impacted by the economic slowdown in that region, such that sales were 9 per cent lower than the same period last year, or 3 per cent on a constant currency basis. Sales to the oilfield drilling sector were 28 per cent higher than the previous period due to continued strong demand for products going to shale drilling and high temperature, high pressure drilling applications. Specialty Products is continuing to invest in additional capacity to meet those demands and expansion of the Charleston, West Virginia facility in the second quarter of the year led to some temporary disruptions to supply, otherwise sales for the period would have been higher. Sales in personal care were 5 per cent higher than the same period last year, with robust sales in Europe despite the weaker economic environment there.

Operating profit improved by 5 per cent to $52.0 million, or 8 per cent on a constant currency basis, and operating margins improved to 21.1 per cent from 20.8 per cent. Average pricing improved by 2 per cent, offsetting some modest increases in fixed and variable costs as the business continued to invest in additional manufacturing capacity, technical facilities and new product launches.

Chromium
Revenue in Chromium was $125.8 million in the first half of 2012 compared to $115.1 million in the same period last year, which is an increase of 9 per cent. Currency movements had no material impact on sales between the two reporting periods, as most shipments are invoiced in US dollars. Sales volumes increased by 2 per cent and pricing improved by 8 per cent in response to increases in raw material prices. In North America, sales volumes improved by 14 per cent over the previous period, such that the region represented 60 per cent of total sales, compared to 56 per cent in the same period last year. Strong demand from timber treatment applications was the main driver of the volume increase, caused by rebuilding activity following the storm season and the higher cost of competing products that are petrochemical based. In Europe, sales volumes were 5 per cent higher than last year. The economic downturn in that region had a negative impact on demand for metal finishing and ceramic products, but the business was able to replace this with high value chrome oxide products for metal alloys. In Asia Pacific, which represented 16 per cent of sales, volumes were lower by 20 per cent as the consolidation of two Japanese customers led to an overall reduction in demand.

Operating profit increased by 27 per cent to $33.4 million, compared to the first half of 2011, with currency having no material impact on the change. Operating margin in the current period was 26.6 per cent, compared to 22.8 per cent in the first half of 2011 as the business benefited from lower energy costs and strict control over fixed costs. Energy costs were $5.0 million lower than the same period last year due to the US manufacturing facility having switched from heavy fuel oil to natural gas in April 2011. Average raw material costs increased by 12 per cent, largely due to increases in chrome ore costs, and fixed costs were flat for the two periods after excluding the positive impact on fixed costs in the first half of 2011 from a one-time insurance settlement of $2.4 million.

Surfactants
Surfactants revenue for the first half of 2012 was $36.9 million, compared to $51.6 million in the previous year, which is a decrease of 28 per cent, or 25 per cent on a constant currency basis. The decline in sales was driven by reduced volumes that largely related to the economic downturn in Europe, which represents over 80 per cent of Surfactants sales, and the Group's on-going strategy to transition the facility in Delden, Netherlands away from the production of lower margin surfactants and more towards the manufacture of high value coatings additives for the Specialty Products business. The positive progress of this strategy was demonstrated by the fact that surfactants products represented 59 per cent of the production of the Delden plant in the first half of 2012, compared to 69 per cent in the same period last year.

Operating profit was $2.4 million in the first half of 2012, compared to $3.0 million in the previous period, and operating margins improved to 6.5 per cent (2011: 5.8 per cent) due to the focus on higher margin products and good cost control.

Central costs
Central costs are costs that are not identifiable as expenses of a particular business and comprise the Board of Directors and Corporate Office. Costs for the first half of 2012 were $0.7 million higher than the same period last year due to currency movements and an increase in the value of share based incentive programmes.

Net finance costs
Net finance costs in the first half of 2012 were $1.7 million compared to $1.6 million in the previous year. Net interest costs on bank financing were $1.6 million compared to $2.0 million last year and were lower because the Group moved from a net borrowing position to a net cash position. The majority of the financing charge in the first half of 2012 related to commitment fees on unused bank facilities. There was a net interest credit on pension schemes of $0.5 million in the current period, compared to a credit of $1.0 million last year. Charges for the unwinding of discounts on provisions that were calculated on a discounted basis were $0.6 million in each period.

Tax
The provision for tax on profits was $23.0 million, or 29.1 per cent, in the first half of 2012 (2011: $22.4 million, or 31.7 per cent) and is based on the likely tax payable in those jurisdictions where taxable profits arise and deferred tax provisions where these are applicable. For the current period the provision was based on an estimated tax rate for the full year of approximately 27.2 per cent (2011: 30 per cent) plus an adjustment to UK deferred tax for the change in underlying rate of UK corporation tax. The rate is very sensitive to the mix of profits from different jurisdictions. In the first six months of 2012 the majority of the Group's taxable income was generated in the US, where the marginal rate of tax is 40 per cent, and the UK, where the marginal rate is 4 per cent due to the availability of prior year advance corporation tax credits.

Earnings per share
Basic and diluted earnings per share for the first half of 2012, calculated on the reported earnings of $56.0 million (2011: $48.2 million), were 12.4 cents and 12.2 cents, respectively, compared to 10.8 cents and 10.6 cents in the same period last year.

Cash flow
Cash flow is summarised below:

	30 June 2012 $million	30 June 2011 $million
Earnings before interest, tax, exceptionals, depreciation and amortisation (EBITDA)	**91.3**	82.0
Change in working capital	**(29.3)**	(15.6)
Capital expenditure	**(18.1)**	(9.7)
Other	**1.3**	(0.6)
Operating cash flow	**45.2**	56.1
Pension	**(11.5)**	(11.9)
Interest and tax	**(7.9)**	(6.3)
Exceptional items	**(2.2)**	(2.5)
Other	**1.8**	1.2
Free cash flow	**25.4**	36.6
Dividends	**(21.1)**	(11.5)
Currency fluctuations	**(0.6)**	(0.2)
Movement in net cash	**3.7**	24.9
Net cash/(debt) at start of period	**26.2**	(79.3)
Net cash/(debt) at end of period	**29.9**	(54.4)

The Group net cash position improved by $3.7 million during the period (2011: net debt position improved by $24.9 million). EBITDA generated in the period of $91.3 million (2011: $82.0 million) was partly utilised in financing working capital outflows of $29.3 million (2011: $15.6 million) and capital expenditure of $18.1 million (2011: $9.7 million). Working capital outflows in the current period were greater than last year due to the impact of a general slowdown in demand towards the end of 2011. This slowdown caused a reduction in working capital at the end of 2011 which was then reversed in the early part of 2012, as demand returned to more normal levels. Further comments on working capital levels are included in the working capital section of this report. The increase in capital spending in the first half of 2012 is consistent with the Group's previously announced plans to invest in further plant expansions and upgrades in Specialty Products. Spending in the current period included investments in a new technical centre in New Jersey, US, further expansions of the

Charleston, West Virginia plant in support of the oilfield drilling business and initial spending on a US facility to support new products in water-based coatings. Pension payments were $11.5 million in the period (2011: $11.9 million) and consist largely of deficit reduction payments to the Group's UK and US pension funds. Further comments on the amounts paid to pension funds are included in the pensions section of this report. Dividend payments in the period were $21.1 million compared to $11.5 million in the same period last year, reflecting the improved final dividend for 2011 of 4.66 cents, compared to the final dividend for 2010 of 2.60 cents paid last year.

Working capital

Working capital days	**30 June 2012**	30 June 2011	31 Dec 2011
Inventory	**84**	81	84
Debtors	**53**	48	42
Creditors	**58**	58	55
Average working capital to sales (per cent)	**17.9**	17.1	17.2

Average working capital to sales at the end of June 2012 was 17.9 per cent compared to 17.1 per cent at the same time last year. The modest increase is mainly due to a strategic decision to hold higher inventories of chrome ore in the Chromium business, as part of their supply chain management programme. This also largely accounted for the increase in inventory days from 81 to 84. Otherwise debtor days fluctuated between the end of 2011 and the end of the current period due to variations in selling patterns, rather than from any underlying change in payment terms.

Balance sheet

	30 June 2012 $million	30 June 2011 $million
Tangible fixed assets	**171.7**	166.1
Other net assets	**256.9**	307.4
Net cash	**29.9**	-
	458.5	473.5
Equity	**458.5**	419.1
Net debt	**-**	54.4
	458.5	473.5

Tangible fixed assets increased as a result of the investments made in capacity and infrastructure projects. Other net assets decreased by $50.5 million compared to the comparable period in 2011, as an increase in working capital of $23.0 million was offset by net deferred tax liabilities and retirement benefit obligations increasing by $20.6 million and $54.7 million, respectively. The increase in the pension deficit compared to both the comparable period in 2011 and the year end position has been driven mainly by a decline in real corporate bond yields which impact the schemes' liabilities adversely. The Group has moved from a net debt to a net cash position as a result of continuing free cash flow generation, assisted by the refund of the European Commission fine in the second half of 2011. The acquisition of Watercryl in Brazil for $24 million was announced on 26 June 2012 and is expected to close in the second half of 2012. The acquisition will be funded from operating cash flow and it is anticipated that the Group will remain in a net balance sheet cash position at the end of 2012.

The main dollar currency exchange rates in the period were:

	2012 30 June	**2012 Average**	2011 30 June	2011 Average
Sterling	**0.64**	**0.63**	0.62	0.62
Euro	**0.79**	**0.77**	0.69	0.72

The majority of the Group's assets are denominated in US dollars. Profits of overseas operations are translated at average rates in each period and, in the first half of 2012, the average sterling rate and the average euro rate have weakened by 2 per cent and 7 per cent, respectively, against the dollar compared to the same period last year. Currency hedging credits of $0.5 million (2011: costs of $0.5 million) have been allocated to the businesses for segmental reporting and offset against administrative expenses in the condensed consolidated income statement.

Pensions and post retirement plans

During the period the deficit on the Group's pension and post-retirement medical plans increased by $16.4 million, largely due to a fall in real bond yields. During the first six months of 2012 the Group made total deficit contribution payments of $11.5 million (2011: $11.9 million), of which $9.5 million (2011: $9.1 million) was paid to the UK pension scheme. Payments to the UK scheme were made in accordance with the current funding agreement, based on a triennial valuation as at 30 September 2008. This agreement is currently being reviewed based on a valuation as at 30 September 2011, with a new funding agreement expected to be concluded by the end of 2012.

Principal risks and uncertainties

The Group has policies, processes and systems in place to help identify, evaluate and manage risks at all levels throughout the organisation. Certain key risks, because of their size, likelihood and/or severity, are reviewed regularly by the senior management team and the Board, to ensure that appropriate action is taken to eliminate, reduce or mitigate, wherever practicable, significant risks that can lead to financial loss, harm to reputation or business failure. The principal risks and uncertainties faced by the Group that could impact the second half of the year can be found in the Company's 2011 Annual report and accounts on pages 17-18, as supplemented by the contingent liability note found on page 21 of this interim report.

Cautionary statement

The Elementis plc interim results announcement for the half year ended 30 June 2012, which comprises the Chairman's statement, Group Chief Executive's report, Finance report and the Directors' responsibility statement (which taken together constitute the Interim management report) and the interim financial statements and accompanying notes (incorporating a Condensed consolidated balance sheet at 30 June 2012, Condensed consolidated income statement, Condensed consolidated statement of comprehensive income, Condensed consolidated cash flow statement and Condensed consolidated statement of changes in equity, each for the six months ended 30 June 2012) (altogether 'Half-yearly financial report'), contains information which viewers or readers might consider to be forward looking statements relating to or in respect of the financial condition, results, operations or businesses of Elementis plc. Any such statements involve risk and uncertainty because they relate to future events and circumstances. There are many factors that could cause actual results or developments to differ materially from those expressed or implied by any such forward looking statements. Nothing in this Half-yearly financial report should be construed as a profit forecast.

Related party transactions

There were no material related party transactions entered into during the first half of the year and there have been no material changes to the related party transactions disclosed in the Company's 2011 Annual report and accounts on page 85.

Directors' responsibility statement

The directors, all of whom are shown on page 26 of the Company's 2011 Annual report and accounts, confirm that to the best of their knowledge:

- The condensed set of financial statements set-out in this Half-yearly financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

- The interim management report contained in this Half-yearly financial report includes a fair review of the information required by:

  - DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of the important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year.

  - DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in related party transactions described in the 2011 Annual report and accounts that could have a material effect on the financial position or performance of the entity during the first six months of the current financial year.

Approved by the Board on 31 July 2012 and signed on its behalf by:

David Dutro	Brian Taylorson
Group Chief Executive	Finance Director
31 July 2012	31 July 2012

Independent review report to Elementis plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2012 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated cash flow statement, the condensed consolidated statement of changes in equity and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules (the 'DTR') of the UK's Financial Services Authority (the 'UK FSA'). Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FSA.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 - *Interim Financial Reporting* as adopted by the EU.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2012 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

M H Thompson
for and on behalf of KPMG Audit Plc
Chartered Accountants
15 Canada Square
London
E14 5GL
31 July 2012

Condensed consolidated income statement for the six months ended 30 June 2012

	Note	**2012 Six months ended 30 June $million**	2011 Six months ended 30 June $million	2011 Year ended 31 December $million
Revenue	3	**401.3**	396.0	760.5
Cost of sales		**(243.8)**	(248.4)	(473.6)
Gross profit		**157.5**	147.6	286.9
Distribution costs		**(42.5)**	(40.7)	(82.7)
Administrative expenses		**(34.3)**	(34.7)	(67.1)
Operating profit before exceptional items		**80.7**	72.2	137.1
Exceptional items		**-**	-	27.5
Operating profit	3	**80.7**	72.2	164.6
Finance income	4	**0.9**	1.2	2.6
Finance costs	5	**(2.6)**	(2.8)	(5.2)
Profit before income tax	3	**79.0**	70.6	162.0
Tax before exceptionals		**(23.0)**	(22.4)	(39.7)
Exceptional items		**-**	-	1.8
Tax	7	**(23.0)**	(22.4)	(37.9)
Profit for the period		**56.0**	48.2	124.1
Attributable to equity holders of the parent		**56.0**	48.2	124.1
Earnings per share				
Basic (cents)	8	**12.4**	10.8	27.8
Diluted (cents)	8	**12.2**	10.6	27.2

Condensed consolidated statement of comprehensive income for the six months ended 30 June 2012

	2012 Six months ended 30 June $million	2011 Six months ended 30 June $million	2011 Year ended 31 December $million
Profit for the period	**56.0**	48.2	124.1
Other comprehensive income:			
Exchange differences on translation of foreign operations	**(2.2)**	4.0	1.3
Actuarial loss on pension and other post retirement schemes	**(28.0)**	(1.0)	(44.7)
Effective portion of changes in fair value of cash flow hedges	**1.5**	(1.1)	(0.8)
Fair value of cash flow hedges transferred to income statement	**(0.9)**	(0.7)	(0.9)
Deferred tax associated with pension and other post retirement schemes	**0.3**	(0.6)	8.1
Other comprehensive income	**(29.3)**	0.6	(37.0)
Total comprehensive income for the period	**26.7**	48.8	87.1
Attributable to:			
Equity holders of the parent	**26.7**	48.8	87.1
Non-controlling interests	**-**	-	-
Total comprehensive income for the period	**26.7**	48.8	87.1

Condensed consolidated balance sheet
at 30 June 2012

	2012 30 June $million	2011 30 June $million	2011 31 December $million
Non-current assets			
Goodwill and other intangible assets	**334.8**	339.5	335.1
Property, plant and equipment	**171.7**	166.1	163.8
Deferred tax assets	**6.2**	4.0	7.4
Total non-current assets	**512.7**	509.6	506.3
Current assets			
Inventories	**118.9**	112.5	119.8
Trade and other receivables	**144.7**	134.5	99.1
Derivatives	**0.8**	-	0.8
Cash and cash equivalents	**59.6**	63.3	48.2
Total current assets	**324.0**	310.3	267.9
Total assets	**836.7**	819.9	774.2
Current liabilities			
Bank overdrafts and loans	**(3.2)**	(10.5)	(6.2)
Trade and other payables	**(104.0)**	(110.4)	(88.3)
Derivatives	**(0.5)**	(1.1)	(1.0)
Current tax liabilities	**(4.3)**	(4.6)	(4.6)
Provisions	**(3.4)**	(8.2)	(7.9)
Total current liabilities	**(115.4)**	(134.8)	(108.0)
Non-current liabilities			
Loans and borrowings	**(26.5)**	(107.2)	(15.8)
Derivatives	**(0.2)**	-	(0.4)
Retirement benefit obligations	**(111.2)**	(56.5)	(94.8)
Deferred tax liabilities	**(84.2)**	(61.4)	(67.7)
Provisions	**(38.3)**	(38.0)	(35.7)
Government grants	**(0.8)**	(1.3)	(1.0)
Total non-current liabilities	**(261.2)**	(264.4)	(215.4)
Total liabilities	**(376.6)**	(399.2)	(323.4)
Net assets	**460.1**	420.7	450.8
Equity			
Share capital	**43.5**	43.2	43.4
Share premium	**13.8**	12.4	12.7
Other reserves	**126.1**	129.8	125.8
Retained earnings	**275.1**	233.7	267.3
Equity attributable to equity holders of the parent	**458.5**	419.1	449.2
Minority equity interests	**1.6**	1.6	1.6
Total equity and reserves	**460.1**	420.7	450.8

Condensed consolidated cash flow statement
for the six months ended 30 June 2012

	2012 Six months ended 30 June $million	2011 Six months ended 30 June $million	2011 Year ended 31 December $million
Operating activities:			
Profit for the period	**56.0**	48.2	124.1
Adjustments for:			
Finance income	**(0.9)**	(1.2)	(2.6)
Finance costs	**2.6**	2.8	5.1
Tax	**23.0**	22.4	37.9
Depreciation and amortisation	**10.6**	9.8	19.9
Decrease in provisions	**(0.6)**	(1.5)	(3.2)
Pension contributions net of current service cost	**(11.5)**	(11.9)	(22.0)
Share based payments	**1.9**	0.9	2.6
Exceptional items	**-**	-	(27.5)
Cash flow in respect of exceptional items	**(2.2)**	(2.5)	31.8
Operating cash flows before movements in working capital	**78.9**	67.0	166.1
Decrease/(increase) in inventories	**0.8**	(8.4)	(17.8)
(Increase)/decrease in trade and other receivables	**(46.3)**	(19.6)	12.8
Increase/(decrease) in trade and other payables	**16.2**	12.4	(4.2)
Cash generated by operations	**49.6**	51.4	156.9
Income taxes paid	**(6.2)**	(4.4)	(8.0)
Interest paid	**(2.0)**	(2.2)	(4.2)
Net cash flow from operating activities	**41.4**	44.8	144.7
Investing activities:			
Interest received	**0.3**	0.2	0.9
Purchase of property, plant and equipment	**(18.8)**	(9.9)	(22.5)
Disposal of property, plant and equipment	**1.0**	0.3	2.1
Acquisition of intangibles	**(0.3)**	(0.1)	(0.4)
Net cash flow from investing activities	**(17.8)**	(9.5)	(19.9)
Financing activities:			
Issue of shares	**1.8**	3.4	3.9
Dividends paid	**(21.1)**	(11.5)	(21.9)
Purchase of own shares	**-**	(2.2)	(2.2)
Increase/(decrease) in borrowings	**7.6**	(3.6)	(97.9)
Net cash used in financing activities	**(11.7)**	(13.9)	(118.1)
Net increase in cash and cash equivalents	**11.9**	21.4	6.7
Cash and cash equivalents at beginning of period	**48.2**	40.8	40.8
Foreign exchange on cash and cash equivalents	**(0.5)**	1.1	0.7
Cash and cash equivalents at end of period	**59.6**	63.3	48.2

Condensed consolidated statement of changes in equity for the six months ended 30 June 2012

	Share capital $million	Share premium $million	Other reserves $million	Retained Earnings $million	Total $million	Minority interest $million	Total equity $million
At 1 January 2012	43.4	12.7	125.8	267.3	449.2	1.6	450.8
Profit for the period	-	-	-	56.0	56.0	-	56.0
Other comprehensive income:							
Exchange differences	-	-	(2.2)	-	(2.2)	-	(2.2)
Movement in cash flow hedges	-	-	0.6	-	0.6	-	0.6
Actuarial loss on pension scheme	-	-	-	(28.0)	(28.0)	-	(28.0)
Deferred tax adjustment on pension scheme deficit	-	-	-	0.3	0.3	-	0.3
Transactions with owners:						-	
Issue of shares	0.1	1.1	-	0.6	1.8	-	1.8
Share based payments	-	-	1.9	-	1.9	-	1.9
Dividends paid	-	-	-	(21.1)	(21.1)	-	(21.1)
At 30 June 2012	**43.5**	**13.8**	**126.1**	**275.1**	**458.5**	**1.6**	**460.1**

	Share Capital $million	Share premium $million	Other reserves $million	Retained earnings $million	Total $million	Minority interest $million	Total equity $million
At 1 January 2011	43.2	11.6	126.7	198.2	379.7	1.6	381.3
Profit for the period	-	-	-	48.2	48.2	-	48.2
Other comprehensive income:							
Exchange differences	-	-	4.0	-	4.0	-	4.0
Movement in cash flow hedges	-	-	(1.8)	-	(1.8)	-	(1.8)
Actuarial loss on pension scheme	-	-	-	(1.0)	(1.0)	-	(1.0)
Deferred tax adjustment on pension scheme deficit	-	-	-	(0.6)	(0.6)	-	(0.6)
Transactions with owners:							
Purchase of own shares	-	-	-	(2.2)	(2.2)	-	(2.2)
Issue of shares	-	0.8	-	2.6	3.4	-	3.4
Share based payments	-	-	0.9	-	0.9	-	0.9
Dividends paid	-	-	-	(11.5)	(11.5)	-	(11.5)
At 30 June 2011	43.2	12.4	129.8	233.7	419.1	1.6	420.7

Notes to the interim financial statements for the six months ended 30 June 2012

1 General Information

Elementis plc (the 'Company') and its subsidiaries (together, the 'Group') manufactures specialty chemicals. The Group has operations in the US, UK, The Netherlands, Germany, China, Taiwan and Malaysia. The Company is a limited liability company incorporated and domiciled in England, UK and is listed on the London Stock Exchange.

The following amendment to published standards and interpretations is effective for the Group for the half year ended 30 June 2012:

– Transfers of Financial Assets (Amendments to IFRS 7).

The Group has reviewed the effect of this amendment, and has concluded that it has no impact on the condensed set of financial statements in this half-yearly financial report.

This condensed set of financial statements (also referred to as 'interim financial statements' in this announcement) has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

As required by the Disclosure and Transparency Rules of the Financial Services Authority, the condensed set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the Company's published consolidated financial statements for the year ended 31 December 2011, except when new or revised accounting standards have been applied.

The comparative figures for the financial year ended 31 December 2011 are not the Company's statutory accounts for that financial year, but are derived from those accounts. Those accounts have been reported on by the Company's auditors and delivered to the registrar of companies. The report of the auditors was (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.

2 Accounting estimates and judgements

The preparation of these interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of income, expense, assets and liabilities. The significant estimates and judgements made by management were consistent with those applied to the consolidated financial statements for the year ended 31 December 2011.

3 Segment reporting

For management purposes the Group is currently organised into three operating divisions – Specialty Products, Surfactants and Chromium. Principal activities are as follows:

Specialty Products – production of rheological additives, compounded products and colourants.
Surfactants – production of surface active ingredients.
Chromium – production of chromium chemicals.

	Six months ended 30 June 2012			Six months ended 30 June 2011			Year ended 31 December 2011		
	Gross	**Inter-segment**	**External**	Gross	Inter-segment	External	Gross	Inter-segment	External
	$million	**$million**	**$million**	$million	$million	$million	$million	$million	$million
Revenue									
Specialty Products	**246.6**	**-**	**246.6**	237.2	-	237.2	449.9	-	449.9
Surfactants	**36.9**	**-**	**36.9**	51.6	-	51.6	94.3	-	94.3
Chromium	**125.8**	**(8.0)**	**117.8**	115.1	(7.9)	107.2	231.0	(14.7)	216.3
	409.3	**(8.0)**	**401.3**	403.9	(7.9)	396.0	775.2	(14.7)	760.5

All revenues relate to the sale of goods

	2012 Six months ended 30 June $million	2011 Six months ended 30 June $million	2011 Year ended 31 December $million
Operating profit			
Specialty Products	**52.0**	49.4	87.9
Surfactants	**2.4**	3.0	0.2
Chromium	**33.4**	26.2	56.1
Central costs	**(7.1)**	(6.4)	20.4
	80.7	72.2	164.6
Finance income	**0.9**	1.2	2.6
Finance costs	**(2.6)**	(2.8)	(5.2)
Profit before tax	**79.0**	70.6	162.0

4 Finance income

	2012 Six months ended 30 June $million	2011 Six months ended 30 June $million	2011 Year ended 31 December $million
Interest on bank deposits	**0.4**	0.2	0.7
Expected return on pension scheme assets	**21.7**	24.1	47.7
Interest on pension scheme liabilities	**(21.2)**	(23.1)	(45.8)
Pension and other post-retirement liabilities	**0.5**	1.0	1.9
	0.9	1.2	2.6

5 Finance costs

	2012 Six months ended 30 June $million	2011 Six months ended 30 June $million	2011 Year ended 31 December $million
Interest on bank loans	**2.0**	2.2	4.0
Unwind of discount on provisions	**0.6**	0.6	1.2
	2.6	2.8	5.2

6 Exceptional items

	2012 Six months ended 30 June $ million	2011 Six months ended 30 June $ million	2011 Year ended 31 December $ million
Refund of EU commission fine	-	-	34.5
Curtailment losses on pension schemes	-	-	(7.0)
	-	-	27.5
Deferred tax asset	-	-	1.8
	-	-	29.3

Exceptional items are those 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.

In 2011, following a repeal of an 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 was 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.

7 Tax

The provision for tax on profits of $23.0 million (2011: $22.4 million) is based on the likely tax charge in those jurisdictions where profits arise and takes account of the change in the UK tax rate from 26 per cent to 24 per cent. On 3 July 2012 a revised UK corporation tax rate of 23 per cent was substantively enacted, with effect from 1 April 2013. For the period ended 30 June 2012, there is no change to deferred tax balances as a result of this enactment.

8 Earnings per share

	2012 Six months ended 30 June $million	2011 Six months ended 30 June $million	2011 Year ended 31 December $million
Earnings for the purposes of basic earnings per share	56.0	48.2	124.1
Exceptional items net of tax	-	-	(29.3)
Adjusted earnings	56.0	48.2	94.8

	Number(m)	Number(m)	Number(m)
Weighted average number of shares for the purposes of basic earnings per share	450.4	444.5	446.5
Effect of dilutive share options	8.1	10.9	9.9
Weighted average number of shares for the purposes of diluted earnings per share	458.5	455.4	456.4

	2012 Six months ended 30 June Cents	2011 Six months ended 30 June Cents	2011 Year ended 31 December Cents
Earnings per share:			
Basic	12.4	10.8	27.8
Diluted	12.2	10.6	27.2
Basic before exceptional items	12.4	10.8	21.2
Diluted before exceptional items	12.2	10.6	20.8

9 Dividends

The following dividends were declared and paid by the Group:

	2012 Six months ended 30 June $million	2011 Six months ended 30 June $million	2011 Year ended 31 December $million
Dividends paid on ordinary shares	21.1	11.5	21.9

An interim dividend of 2.45 cents per share (2011: 2.34 cents) has been declared by the Board of Directors and will be paid on 5 October 2012 to shareholders on the register at 7 September 2012. As the interim dividend will be paid in pounds sterling, the exchange rate used for the purpose of determining the amount to be paid was $1.5662:£1.00.

10 Pension

The last full valuation for IAS 19 purposes was conducted as of 31 December 2011 and the next full valuation on this basis will be conducted as at 31 December 2012. A high level review of the Group's major pension schemes in the UK and US was performed for the period ending 30 June 2012 using the same methodolgy as the year end exercise but with updated assumptions. This resulted in the Group reporting a deficit on its combined retirement benefit obligations of $111.2 million at the end of June 2012, compared to $56.5 million at the same time last year.

11 Movement in net cash/(borrowings)

	2012 Six months Ended 30 June $million	2011 Six months Ended 30 June $million	2011 Year ended 31 December $million
Change in net borrowings resulting from cash flows			
Increase in cash and cash equivalents	**11.9**	21.4	6.7
(Increase)/decrease in borrowings	**(7.6)**	3.6	97.9
	4.3	25.0	104.6
Currency translation differences	**(0.6)**	(0.1)	0.9
Increase in net cash	**3.7**	24.9	105.5
Net cash/(borrowings) at beginning of period	**26.2**	(79.3)	(79.3)
Net cash/(borrowings) at end of period	**29.9**	(54.4)	26.2

12 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.

As previously reported, Elementis LTP Inc. ("LTP") was named as a defendant in chromium-related litigation in the State of Missouri (the "Missouri Litigation"). The Missouri Litigation developed into the following types of cases: (1) a class action seeking medical monitoring damages for putative class members who live in a four county area; (2) approximately 15 cases involving over 180 individual plaintiffs alleging property and/or personal injury; and (3) a class action seeking property damages for an unspecified number of putative class members. Also as previously reported, (a) in December 2010, the Court entered its order of dismissal of the class action seeking damages for medical monitoring (described in clause (1) above), with no finding of liability or fault against LTP, (b) in December 2011, LTP secured summary judgement in its favour in an individual plaintiff case (described in clause (2) above), and (c) in January 2012, LTP secured summary judgement in its favour in the class action seeking property damages (described in clause (3) above).

On 12 April 2012, the last of the individual plaintiff cases (described in clause (2) above) was dismissed, with no finding of liability or fault against LTP. Therefore, there are no Missouri Litigation cases remaining outstanding against LTP and, accordingly, management has concluded that there is no longer a contingent liability relating to the Missouri Litigation.

- ENDS -