

ELEMENTIS

*A global specialty chemicals company*

# Elementis plc **Interim Results**

Six months ended 30 June 2012



## Interim Results

\$ millions	H1 2012	H1 2011	change
Revenue	401.3	396.0	+1%
- <b>Specialty Products</b>	246.6	237.2	+4%
- <b>Chromium</b>	125.8	115.1	+9%
Operating profit	80.7	72.2	+12%
Operating margin	20.1%	18.2%	+190bps
Profit before tax	79.0	70.6	+12%
Diluted EPS	12.2c	10.6c	+15%
Net cash/(debt)	29.9	(54.4)	+\$84.3
Basic EPS	12.4c	10.8c	+15%

## Highlights

### Financial and strategic progress

---

#### Specialty Products

- Record operating profit
  - Investing in growth
- 

#### Chromium

- Financial performance validating new business model
  - Sustainable competitive advantage
- 

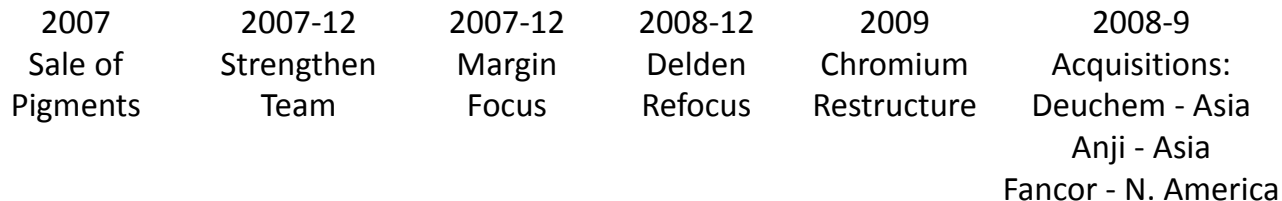
#### Strong cash flow

- Net cash of \$29.9m
- Special Dividend programme announced

## Strategic Direction

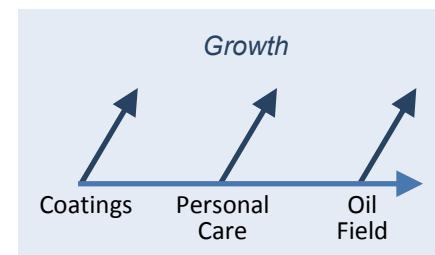
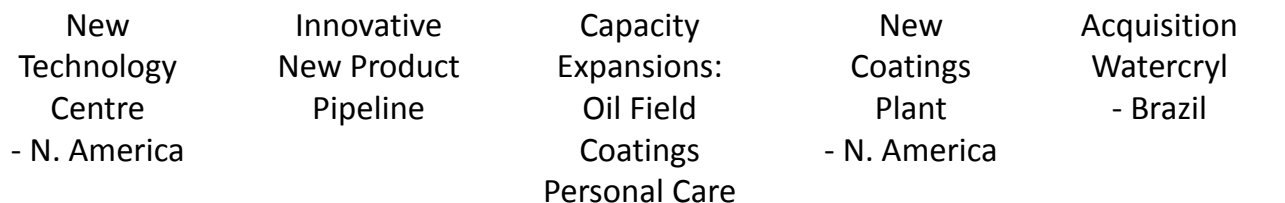
### Phase 1: Transformation

More profitable, more resilient company



### Phase 2: Growth

2012 Sustainable profitable growth



## Specialty Products

\$ millions	H1 2012	H1 2011	% Change
Sales	246.6	237.2	+4%
Operating profit	52.0	49.4	+5%
Operating margin	21.1%	20.8%	
ROCE*	49%	48%	

Improved margins and solid growth in uncertain economic environment

Strong performance in North America coatings and oil field drilling

Strategic investments in decorative coatings and Latin America

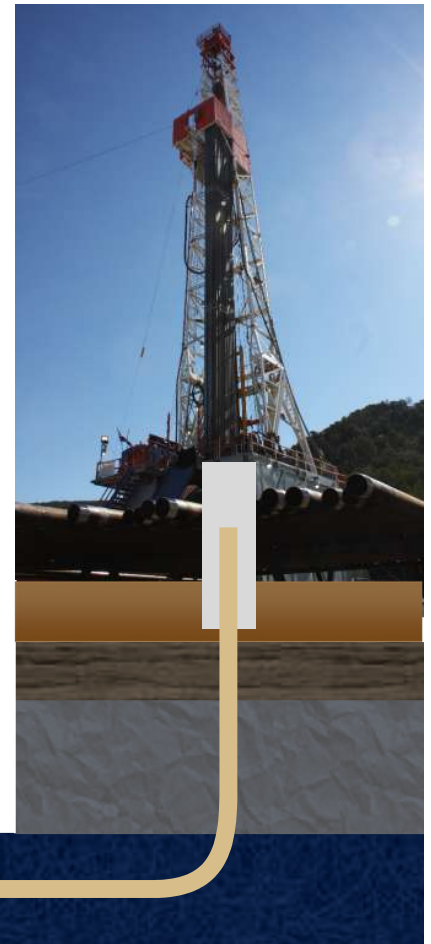
- New plant in North America
- Acquisition of Watercryn in Brazil



## Oil Field – Growth through Innovation

- Balanced range of drilling applications
  - Shale – Deep water – Cold climate – High Temp/High pressure
- Leveraging unique capabilities
  - Hectorite and polymer architecture
- Favourable market dynamics
  - Multiple capacity expansions
  - Positioned to benefit globally

Approximate distance  
from surface: 8,000 ft



## Innovation Driven Investment

- New technology centre commissioned in April
- \$15 million initial investment to support North American growth of water based Rheology and Dispersants
- IP protected products and technology
- Speed to market improved by innovative manufacturing model
- Support from major customer



## Watercryn Acquisition

- Expanding into Latin America coatings market
- Growth in Brazil driven by:
  - Infrastructure investments
  - Growing middle class
  - Football World Cup 2014
  - Olympic Games 2016
- New channels for existing products and technologies
- Platform to expand Personal Care and Oil Field business
- High quality facility with capacity for growth



Watercryn São Paulo site



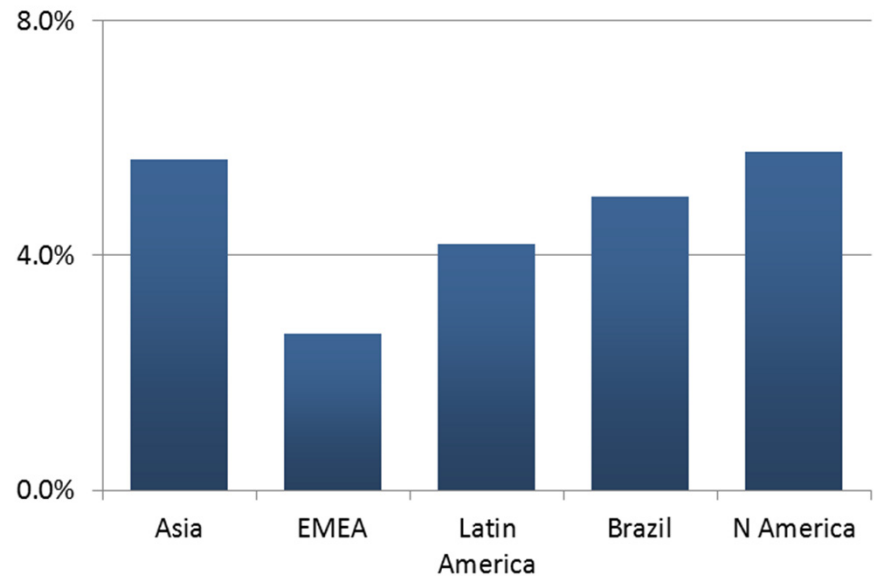
## Growth in Decorative Coatings

Watercryl acquisition and new North American facility complete global manufacturing footprint required to drive and support growth

### Manufacturing Assets

Europe	✓	Netherlands & UK
Asia	✓	China & Taiwan
N. America	✓	US
Latin America	✓	Brazil

**Projected Decorative Coatings Industry Annual Growth Rates, 2012-2016**



## Surfactants

\$ millions	H1 2012	H1 2011
Sales	36.9	51.6
Operating profit	2.4	3.0
Operating margin	6.5%	5.8%

- Successfully transitioning Delden facility to higher value coatings additives
- Weaker demand in Europe offset by pricing discipline and product portfolio management



## Chromium

\$ millions	H1 2012	H1 2011	% Change
Sales	125.8	115.1	+9%
Operating profit	33.4	26.2	+27%
Operating margin	26.6%	22.8%	
ROCE*	73%	66%	

Strong financial performance

Business running at high capacity utilisation

Margins improved due to conversion to natural gas in 2011

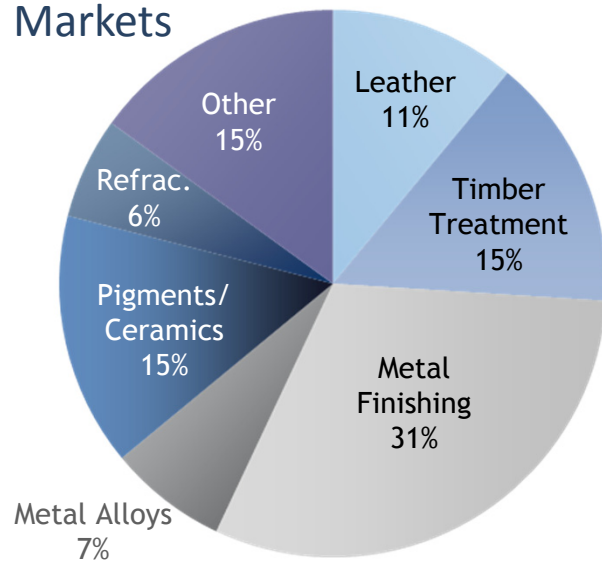
Energy project implemented in April 2011

FY 2011 impact +\$5m | H1 2012 impact +\$5m

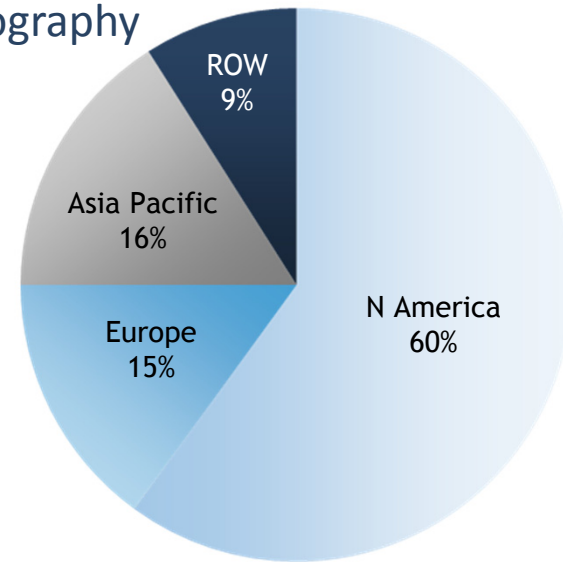
## Chromium – Optimising Business Performance with Reduced Volatility

### H1 2012 Sales

#### Markets



#### Geography



Product portfolio serves diverse end markets

Business benefited from flexible globally competitive operations

Enviably N American market position



## Interim Results

\$ millions	H1 2012	H1 2011	change
Revenue	401.3	396.0	+1%
- <b>Specialty Products</b>	246.6	237.2	+4%
- <b>Chromium</b>	125.8	115.1	+9%
Operating profit	80.7	72.2	+12%
Operating margin	20.1%	18.2%	+190bps
Profit before tax	79.0	70.6	+12%
Diluted EPS	12.2c	10.6c	+15%
Net cash/(debt)	29.9	(54.4)	+\$84.3
Basic EPS	12.4c	10.8c	+15%

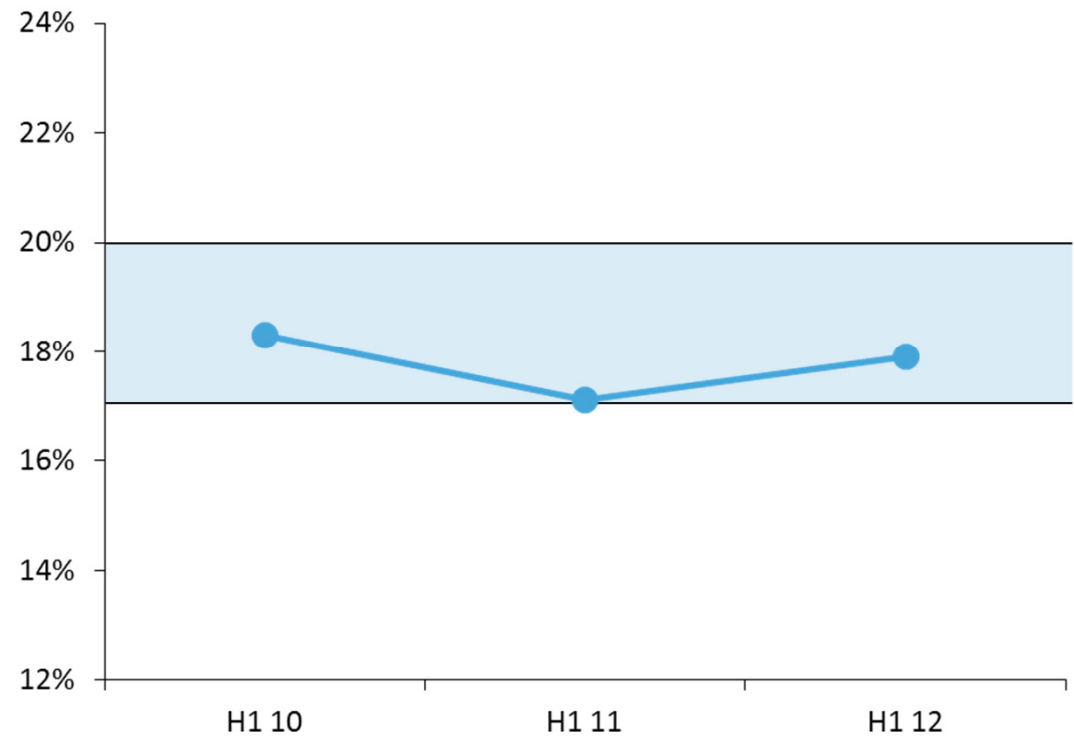
## Capital Spending

\$ millions	H1 2012	FY 2012 Est	FY 2011
New plants	3.8	7.1	5.7
Technical facility	7.0	7.0	-
Maintenance & productivity	2.8	5.5	5.0
<b>Total Specialty Products</b>	<b>13.6</b>	<b>19.6</b>	<b>10.7</b>
Energy project	-	-	2.0
Maintenance & productivity	2.5	5.5	5.8
<b>Total Chromium</b>	<b>2.5</b>	<b>5.5</b>	<b>7.8</b>
Other	2.0	4.5	2.3
<b>Group total</b>	<b>18.1</b>	<b>29.6</b>	<b>20.8</b>

## Working Capital

- Average working capital to sales ratio 17.9%, well within target range of 17 – 20%
- Increase in working capital in H1 2012 due to supply chain strategy and seasonal sales patterns

Average working capital to sales ratio



## Retirement Plans

\$ millions	H1 2012	H1 2011	FY 2011	FY 12 Est.
Net deficit	111.2	56.5	94.8	
Deficit contributions				
UK plan	9.5	9.1	15.6	19.8
US/other	2.0	2.8	6.4	5.2
	<b>11.5</b>	<b>11.9</b>	<b>22.0</b>	<b>25.0</b>

Deficit volatile due to changes in corporate bond yields

Review of current UK funding plan to be completed by end of 2012



## Tax Charge

\$ millions	H1 2012	H1 2011
Underlying tax charge	21.5	21.2
Deferred tax adjustment	1.5	1.2
<b>Net tax charge</b>	<b>23.0</b>	<b>22.4</b>
Tax rate	29%	32%

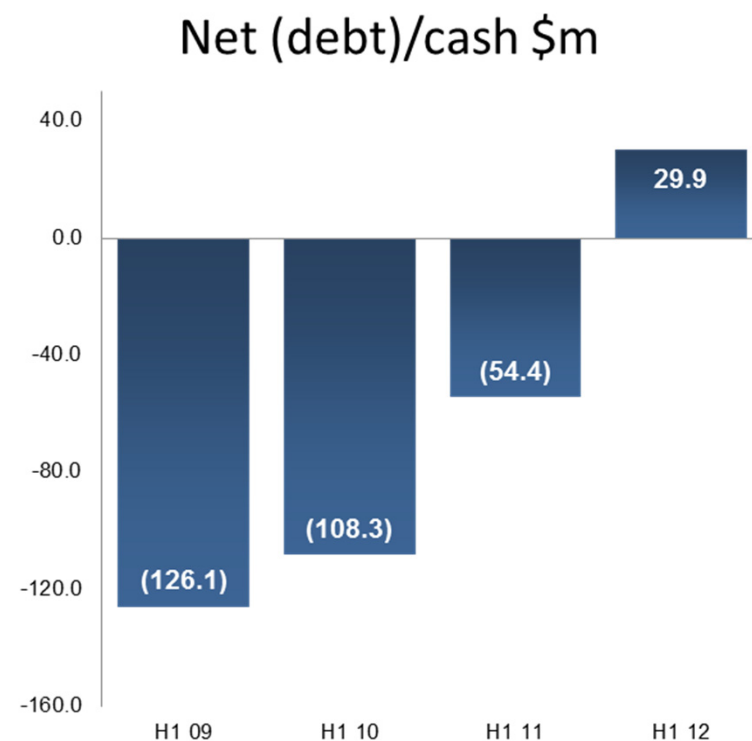
H1 includes deferred tax adjustment following reduction in UK tax rate to 24%

Overall rate for H1 2012 is therefore 29%

Estimated tax rate for full year 2012 is approximately 30%

## Cash Flow

\$ millions	H1 2012	H1 2011
EBITDA	91.3	82.0
Working capital	(29.3)	(15.6)
Capital expenditure	(18.1)	(9.7)
Pensions	(11.5)	(11.9)
Dividend	(21.1)	(11.5)
Interest and tax	(7.9)	(6.3)
Other	0.3	(2.1)
<b>Net cash flow</b>	<b>3.7</b>	<b>24.9</b>
<b>Net balance sheet cash/(debt)</b>	<b>29.9</b>	<b>(54.4)</b>



# Dividend

	2012 Interim	2011 Interim	FY 2011
Per share	2.45c	2.34c	7.0c

Interim dividend increased by 5%

Board is announcing a Special Dividend programme

- Current progressive dividend policy will continue – approx. 1/3 of EPS
- In addition, Special Dividend of up to 50% of year end net cash, after taking account of investment plans
- Paid at the time of the final dividend for the year

## Summary

Strong, resilient businesses with sustainable market advantage

---

Specialty Products – capitalising on growth opportunities

---

Strong cash flow generation and balance sheet

- Flexibility to invest in growth
  - Special Dividend programme announced
- 

## Outlook

Confident in our ability to maintain margins, market share and momentum

---

Expect to make progress in H2

---



ELEMENTIS

*A global specialty chemicals company*

**Thank you**

