

ELEMENTIS

*A global specialty chemicals company*

# Welcome to the Elementis Investor and Analyst Day Presentation

May 15, 2012



# ELEMENTIS

*A global specialty chemicals company*

**David Dutro**  
Group Chief Executive

**Brian Taylorson**  
Group Finance Director

**Greg McClatchy**  
President, Specialty Products

**Dr Kenneth Smith**  
R&D Director

**Clare Doyle**  
Marketing Director





## Agenda

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3.00PM	Welcome and Group Overview	David Dutro, Group Chief Executive
	Elementis Specialty Products	Greg McClatchy, President, Elementis Specialty Products Dr Kenneth Smith, R&D Director Clare Doyle, Marketing Director
	Financial Summary	Brian Taylorson, Group Finance Director
	Closing Remarks and Q&A	David Dutro, Group Chief Executive
5.30PM	Cocktails and Canapés Elementis invites you to join members of its leadership team for informal discussions over drinks and canapés	
7.00PM	Ends	

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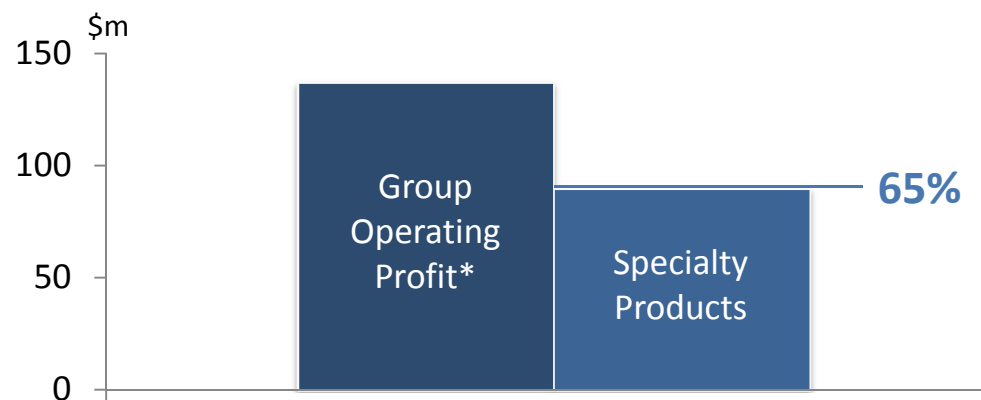
## Who is Elementis?

A Global Specialty Chemicals Company comprising three businesses

Elementis employs 1300 people at more than 30 locations worldwide

Specialty Products and Chromium chemicals both have sustainable competitive advantage

Operating margins reflect the inherent quality of the core businesses



### Group Strategy

- Drive **profitable growth** in Specialty Products
- Deliver stable earnings and cash flow from Chromium
- Optimise performance of Surfactants while transitioning manufacturing capacity
- **Preferentially invest** earnings and cash flow in Specialty Products

\* 2011 year-end results

## Chromium

\$ millions	2011	2010	% Change
Sales	231.0	209.7	+10%
Operating profit	56.1	35.8	+57%
Operating margin	24%	17%	
ROCE*	67%	45%	

Business model delivering **strong earnings** and cash flow with reduced volatility

- Flexible globally competitive operations
- Product portfolio serves diverse markets
- Strong NA market position



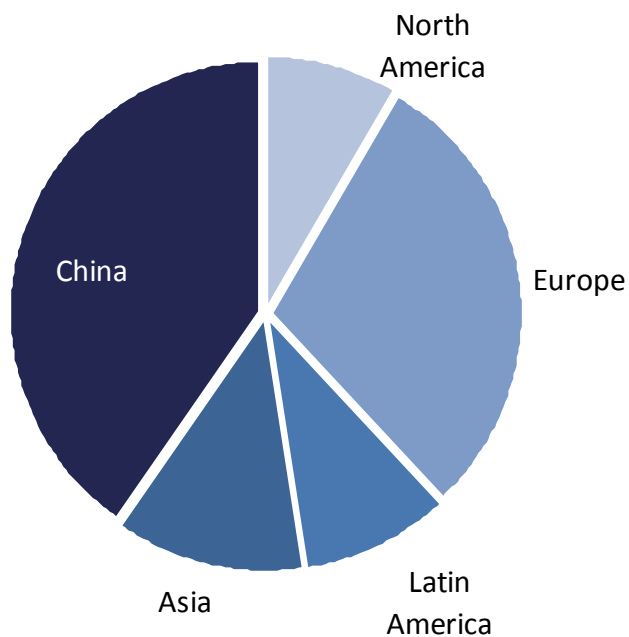
## Strategic Diversity in Products and Markets

Markets	Applications	Drivers
<b>Pigments</b>	Roof tiles, asphalt shingles, floor tiles	<ul style="list-style-type: none"> <li>• Construction</li> <li>• OEM and military coatings</li> </ul>
<b>Refractory</b>	Redbrick flat glass and fiberglass kilns	<ul style="list-style-type: none"> <li>• Construction</li> </ul>
<b>Chrome metal</b>	Super alloys	<ul style="list-style-type: none"> <li>• Aircraft engines, wind, gas turbines</li> </ul>
<b>Functional plating</b>	Shock absorbers, hydraulic cylinders	<ul style="list-style-type: none"> <li>• Automotive</li> <li>• Heavy and light machinery</li> </ul>
<b>Decorative plating</b>	Sanitary fixtures, auto grills, door handles	<ul style="list-style-type: none"> <li>• Automotive</li> <li>• Construction</li> </ul>
<b>Timber treatment</b>	Telephone poles, marine piling, RR ties	<ul style="list-style-type: none"> <li>• Infrastructure</li> </ul>
<b>Leather tanning</b>	Soften and improve durability of hide	<ul style="list-style-type: none"> <li>• Beef consumption</li> </ul>

US facilities are globally cost competitive producing a full range of chromium chemicals serving diverse markets

## Strategic Diversity in Products, Markets and Geography

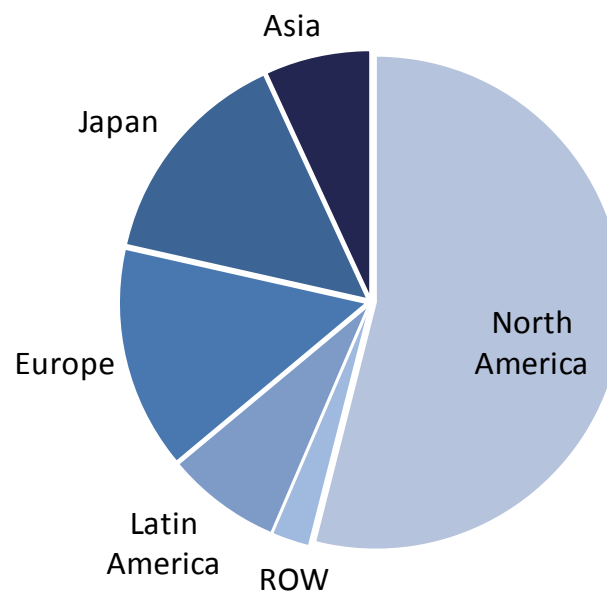
Global Chromium Chemical Market (DCS mt)



- Global market represents 820k DCS mt
- North America represents ~ 8% of the global market

DCS mt = Dichromate equivalent tonnes

Elementis Chromium 2011 Revenues



- Elementis North America market share is ~ 73% which requires ~ 54% of Elementis capacity
- At peak levels North America would require ~ 70% of total Elementis capacity

## Investment in North America Infrastructure



Satellite solutioning facilities



Custom built delivery vessels



- Elementis satellite facilities are strategically located to service North America tanneries
- Significant investments in sophisticated, highly valued product delivery systems
  - Eliminates need for expensive solutioning systems
  - Addresses Personal Exposure Limit requirements – no dusting
  - Just In Time – minimises customer working capital



The logo for ELEMENTIS, consisting of the word "ELEMENTIS" in a white, sans-serif font inside a blue rectangular box.

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The Chromium Chemical business is well positioned to deliver stable earnings and cash flow that will be preferentially invested in growing the Specialty Products business.

The logo for Elementis, consisting of the word "ELEMENTIS" in a white, sans-serif font inside a blue rectangular box.

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Our goal for Elementis Specialty Products is to be the fastest growing and most competitive supplier of specialty chemical additives in the world.



## What is Specialty Products?

Supplies **high technology additives and technical service** for high performance, high growth markets

Rheology and other functional additives for **Coatings**

**Personal Care** rheology and other functional additives

**Oilfield** rheology for drilling and fracturing

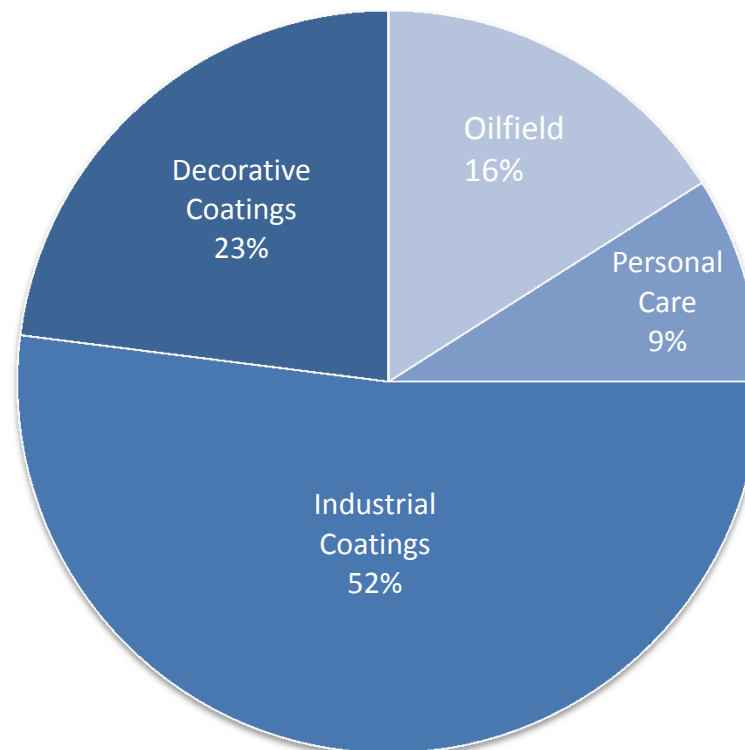
## Specialty Products Results

\$ millions	2011	2010
Sales	449.9	410.8
Operating profit	89.7	71.8
Operating margin	19.9%	17.5%
ROCE*	43%	36%

Sales improved by **10%**, OP by **24%**

**Improved margin** reflects quality of the business

**High return on capital employed** reflects high margin and low capital intensity of the business



\* Before tax and excluding goodwill



## Specialty Products - Growth Strategy

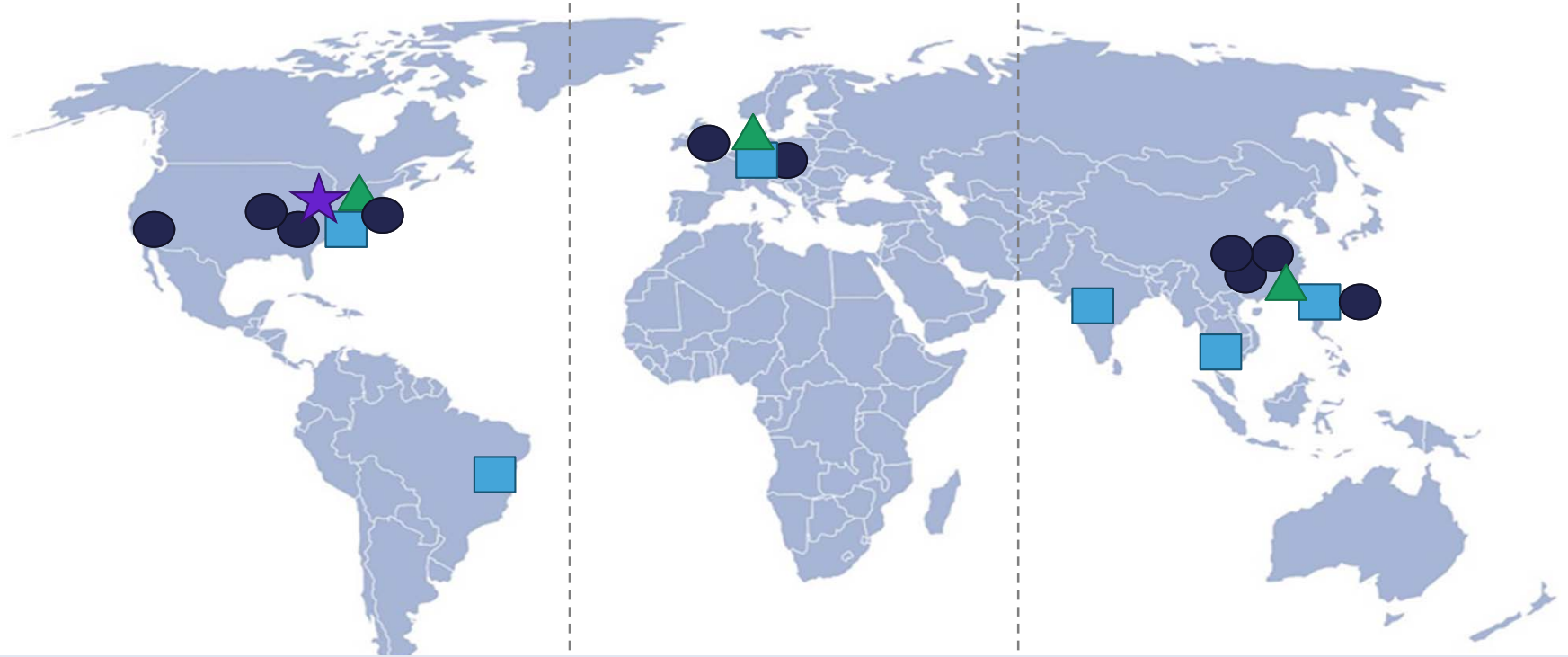
Specialty Products is focused on accelerating sales and profit growth through delivery of **innovative technology** for our customers

- By investing in **new technology**
- By investing in **additional capacity** to deliver growth via
  - New products
  - Growing markets
  - Gaining market share
- With the **best team** in the industry



## Global Footprint

★ Headquarters   ● Plants   ▲ Research Center of Excellence   ■ Technical Service



% of 2011 Revenue	32%	32%	36%
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## Technology Core Competencies

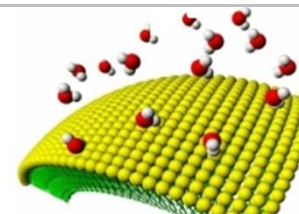
### Rheology – Science of Flow

- Broadest technology portfolio in business
- World leader in organoclay
- Intellectual property and Hectorite



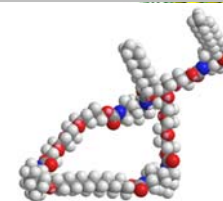
### Surface Active Chemistry

- Expertise in dispersing and wetting of pigments/surfaces
- Differentiated technology portfolio



### Polymer Architecture

- Design of polymers to deliver the desired properties



### Formulation Skills

- Ability to guide customer choices



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## R&D Centres of Excellence

### EAST WINDSOR, US

Waterborne Additives

Rheology  
Polymer Architecture  
Formulation Skills



North America

### DELDEN, Netherlands

Surface Chemistry

Surface Active Chemistry  
Polymer Architecture  
Formulation Skills



Europe

### HSINCHU, Taiwan

Industrial Additives

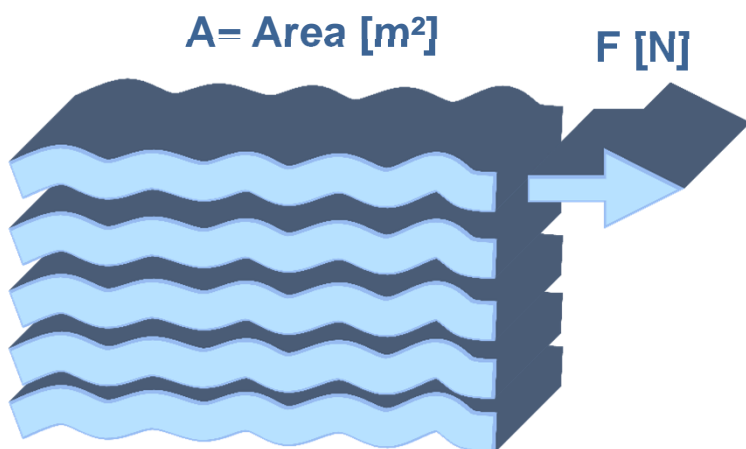
Adhesion  
Polymer Architecture  
Formulation Skills



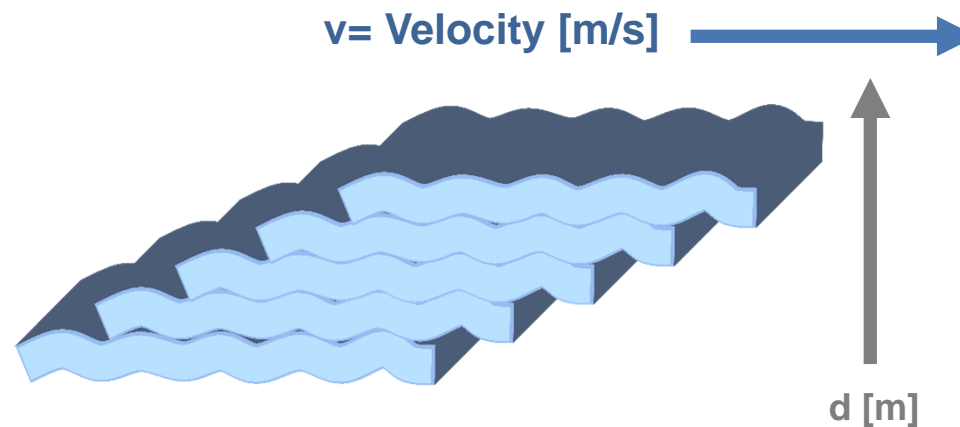
Asia



Rheology – The study of how materials deform and flow



$\tau = \text{Shear Stress} = F/A \text{ [N/m}^2\text{]}$   
Area adjusted pulling action

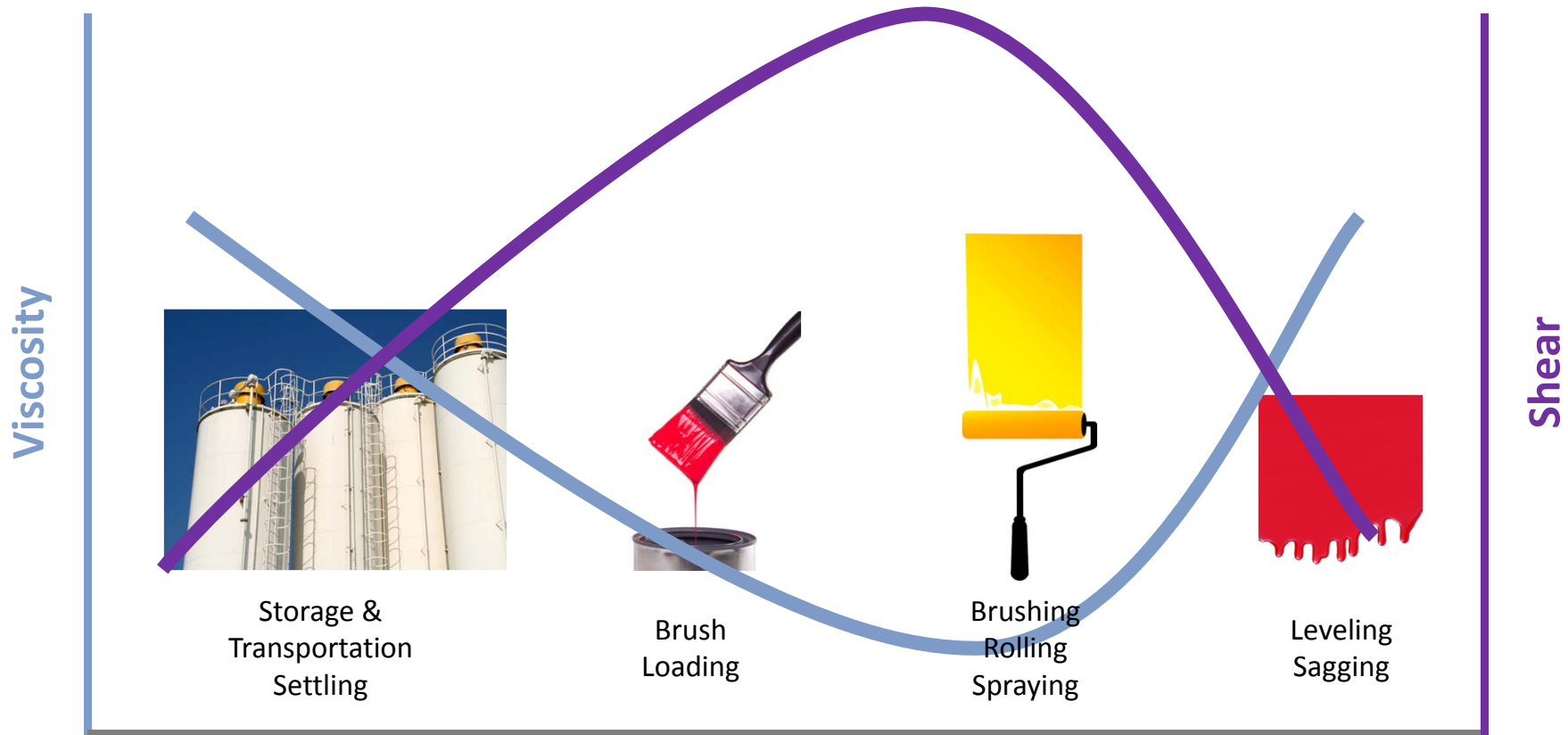


$\dot{\gamma} = \text{Shear Rate} = v/d \text{ [1/s]}$   
Velocity Gradient

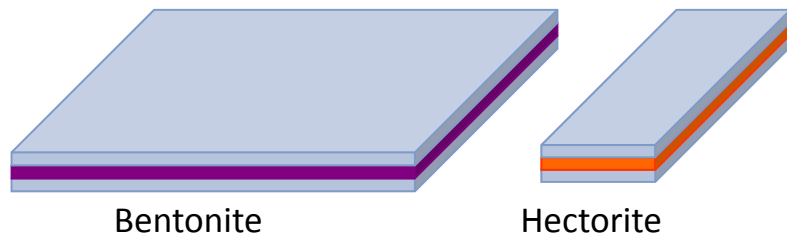
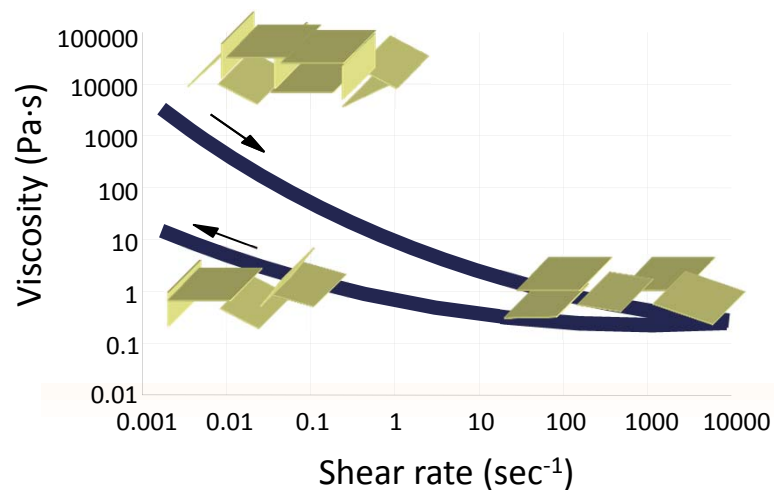
**Viscosity ( $\eta$ )** =  $\frac{\text{Shear Stress } (\tau)}{\text{Shear Rate } (\dot{\gamma})}$



# Rheology Control through the Coatings Life Cycle



## Hectorite Clay – Unique Rheological Additive



- Unique particle shape = more surface area per volume
- Results in:
  - Higher Efficiency
  - High Temp Stability
  - Wide Chemical Modifications
- Colour – Purity allows use across spectrum of formulations

**Rheological Agent that is uniquely used in both Aqueous and Non-Aqueous Coatings**

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## Coatings



**Decorative**

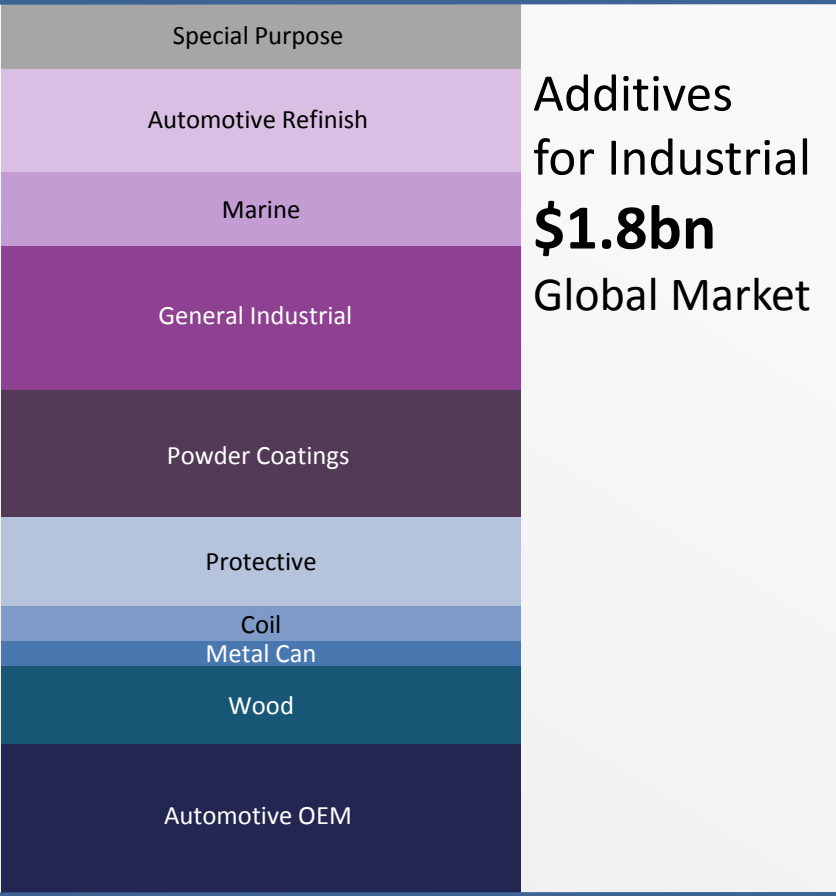
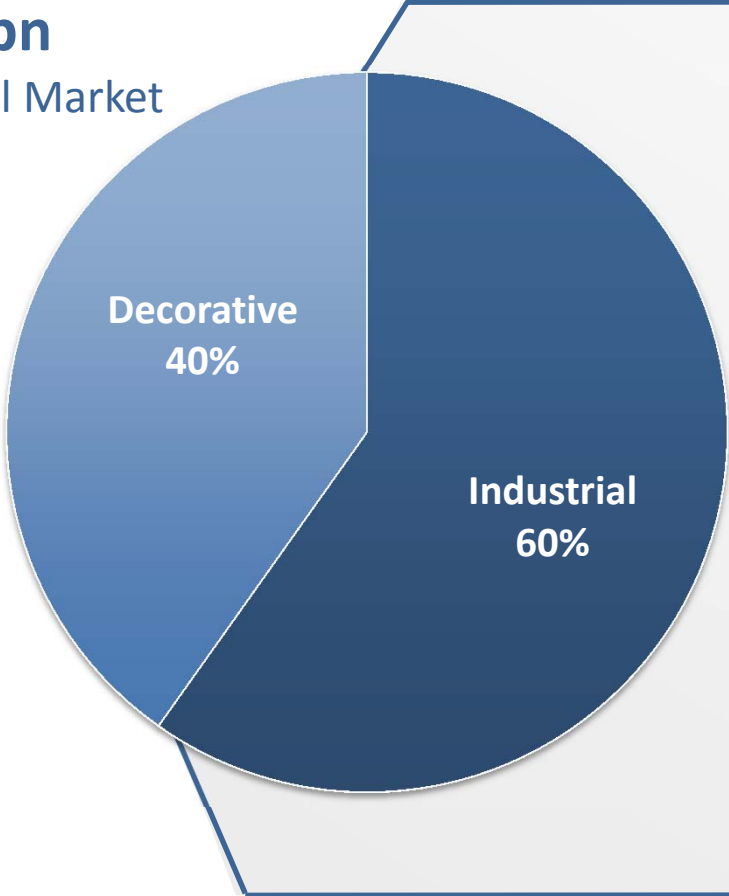


**Industrial**



# Coatings Market Segments

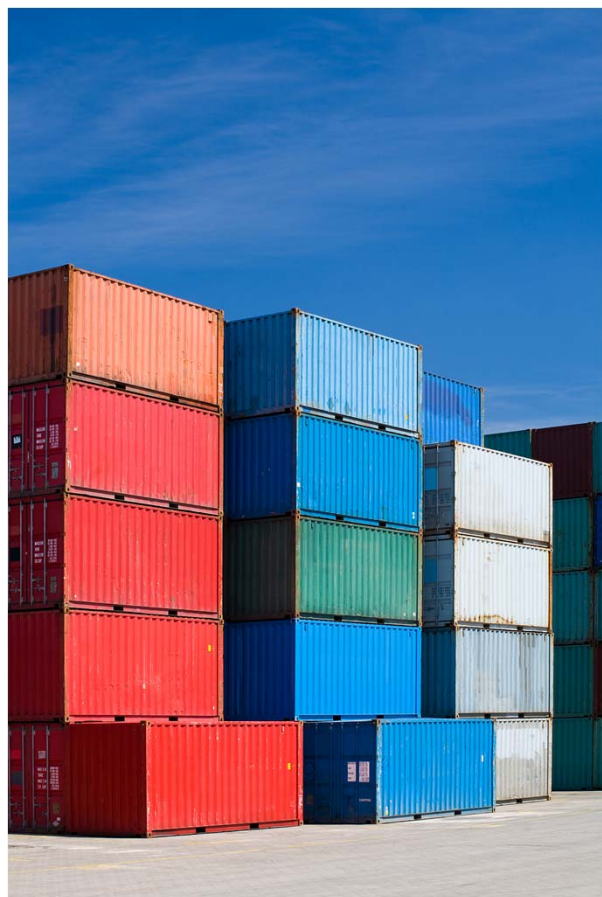
**\$90bn**  
Global Market



Source: Kusumgar, Nerlfi & Growney, *Global Coatings & Ink Additives*, March 2010



## Creating Value in Industrial Coatings



**Sophisticated markets require high value, high performance additives**

### **Customer Challenges**

- Complex application techniques
- Improved coverage with fewer coats
- Higher solids formulations
- Improved durability

### **Elementis - One Stop Total Solution Provider**

- Rheological Additives – unique Hectorite position
- Adhesion Promoters
- Dispersants
- Defoamers



## Creating Value in General Industrial Coatings



### Example: Factory applied wood coatings

#### Application Challenge:

- Reduce over-spray
- Improve coating consistency

#### Elementis Solution

- High shear thinning NiSAT

#### Growth Opportunities

- Technology applications in adjacent markets



## Creating Value in Protective Coatings



### Example: Protective Coating for Bridges

#### Manufacturing Challenge:

- Formulas require organic thixotropes as rheological additives
- Traditional organic thixotropes are constrained by
  - Narrow temperature window for activation
  - Poor Intercoat adhesion

#### Elementis Solutions

- New synthetic thixotrope with wider temperature activation range
- Adhesion promoter technology

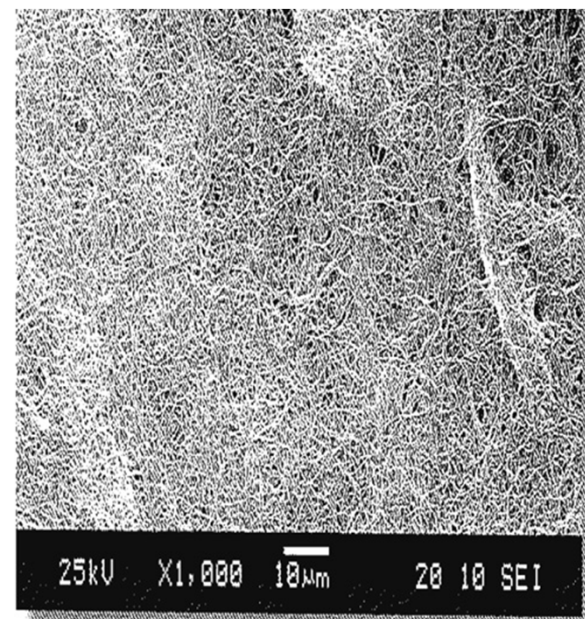
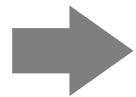
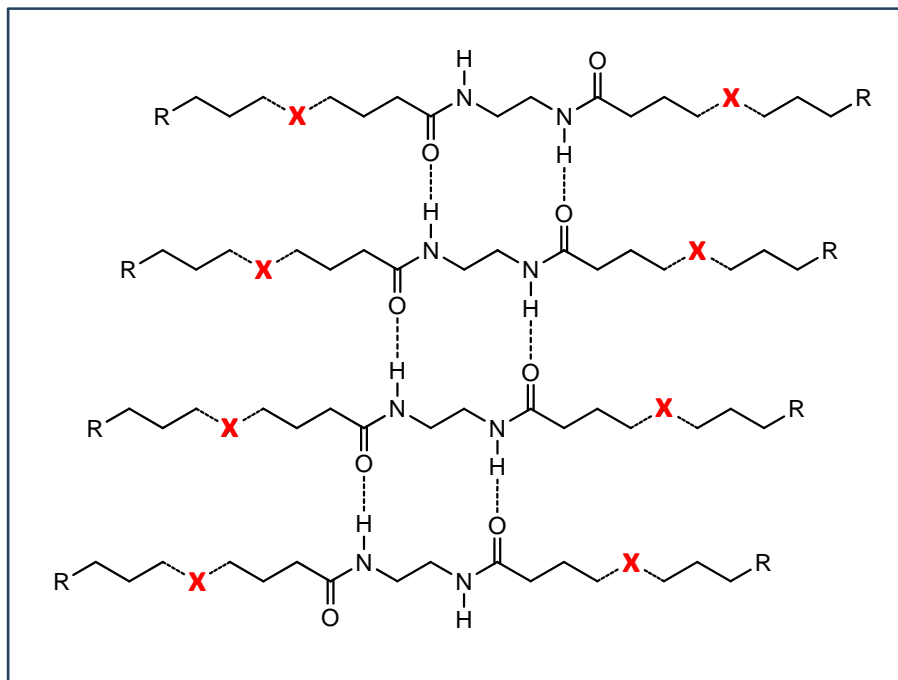
#### Growth Opportunities

- Growing global infrastructure build



# Mechanism for Rheology Build

## Colloidal Structure of Organic Thixotropes



Hydrogen bonding is key to building network  
 Rest of polymer influences compatibility and activation

Active structure is fibrillar and  
 of very high surface area

diameter 100 nanometer  
 length >1 micron

## Creating Value in Decorative Coatings

High quality, low VOC decorative paints are **growth opportunities** for Elementis – because it is so difficult

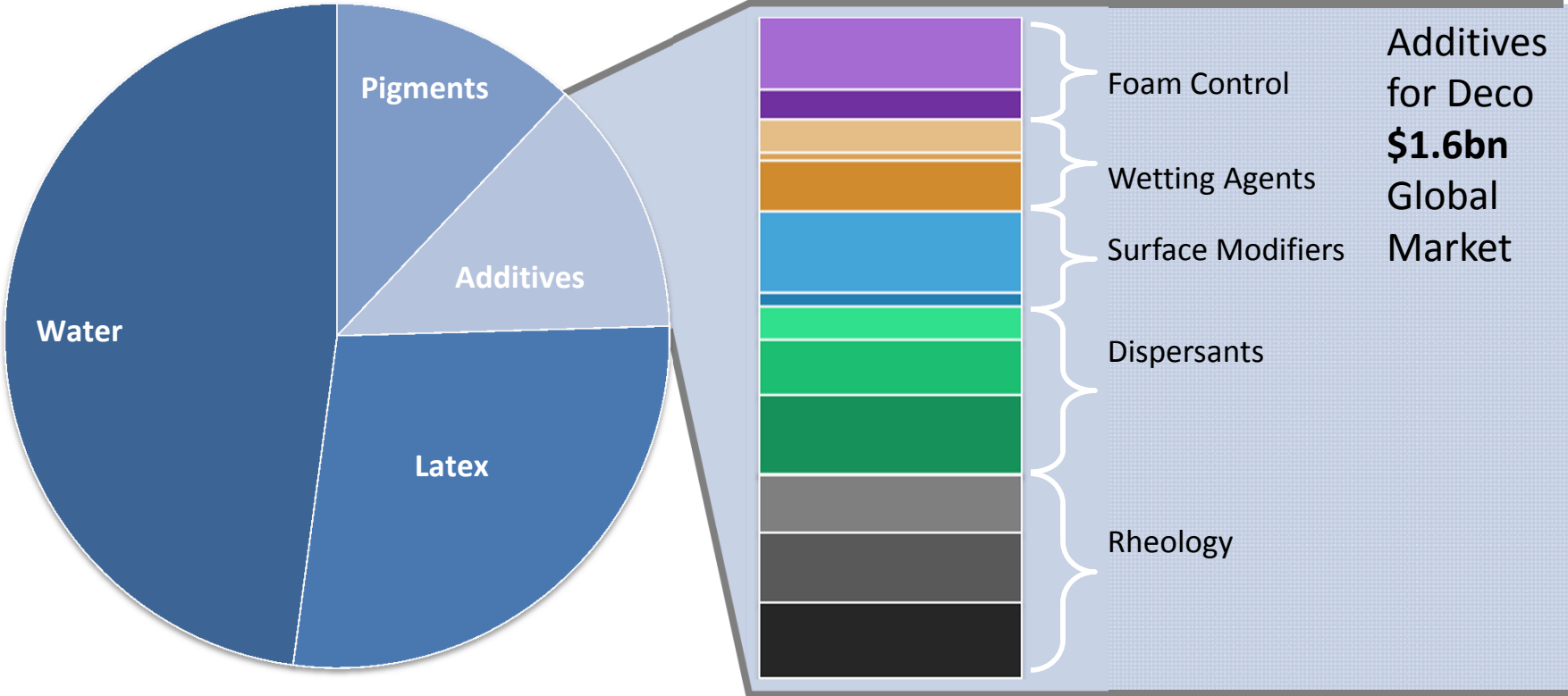
Innovative product portfolio with multiple chemistry platforms allow us to **create value** and gain market share

Hectorite opportunities in water borne coatings growing through our **innovation model**



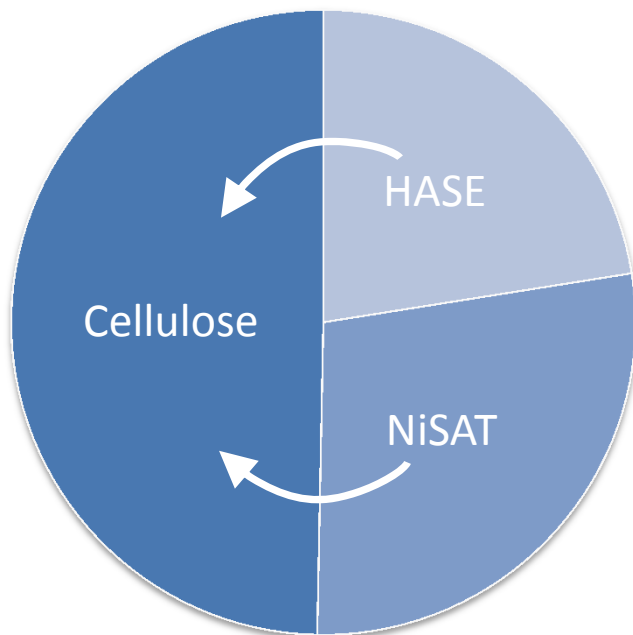


# What's in a Can of Decorative Paint?



## Sag Flow Performance Balance in Low VOC Coatings

Global Market \$700 million



Advertisement

Have you given up on a formula that doesn't balance sag resistance and leveling?

Have we got a solution for you.



**RHEOLATE CVS®**

Our new zero-VOC associative thickeners offer great paint properties while minimizing viscosity loss.

The performance challenge is to **deliver great balance of sag resistance and leveling** with dependable colour consistency



## Creating Value in Deco



**Example: Improving paint rheology** while varying colour pigment loadings in zero VOC coatings

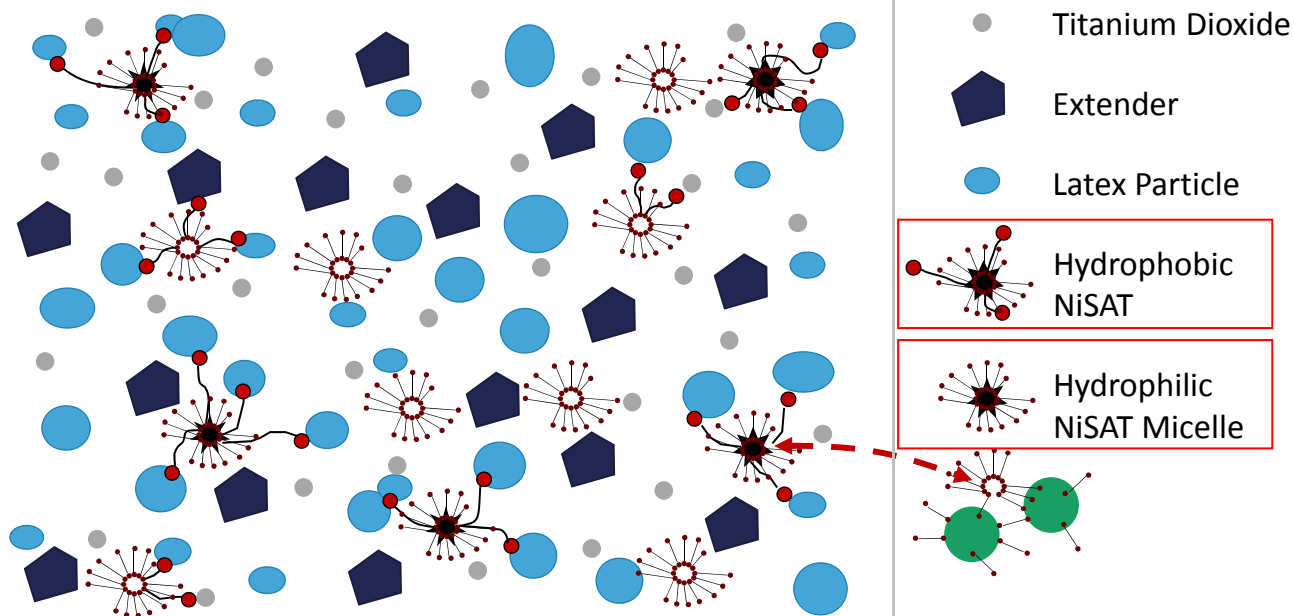
### Challenges

- Consistency in colour properties
- Sag and flow balance
- Pourable / pumpable additive for use in plants

### Elementis Solution

- New non-ionic synthetic associative thickener
  - NiSAT (Rheolate CVS)

## NiSAT Technology



- Coatings – mixture of pigment, latex and additives
- Rheology requires reversible structure formation
- NiSAT builds structure through association with latex particles

## NiSAT Innovations – Unique Capabilities

### **Hydrophobe – backward integrated (Delden)**

- Custom, in-house building blocks
- Ability to design new hydrophobes

### **Architecture – unique to Elementis (IP Protection)**

- Polymer structure unique to Elementis

### **Diluents – backward integrated (Delden) and IP Protection**

- Patent on surfactants in no VOC associative thickeners
- Ability to customize diluents for optimal impact

**High performance low VOC systems require innovative solutions**



## Creating Value in Deco



### Example: New HASE thickeners to replace older cellulosic technology

#### Challenges

- Higher performance per MT
- Spatter control
- Colour acceptance and stability

#### Elementis Solution

- Highly efficient anionic thickener
- HASE



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## Innovation Driven Investment

\$15 million initial investment to support North American growth of Water based **Rheology** and **Dispersants**

**Selective Leverage** of processes and engineering skills from Europe and Asia plants to ensure quality, safety and timeliness of capital project



## New Plant Supporting Innovation Model

- Plant located in high tech industrial park
- Speed to market driven manufacturing model
- Supports early adopters of new technology
- Plant will produce Rheology and other additives
- Provides manufacturing base in North America similar to foundations in Europe and Asia



## Personal Care

**Hectorite** based products provide a unique foundation for the business

- Colour purity
- Vegetable derivative ingredients
- Easy to use gels

Growth from natural, eco-certified product portfolio

- Modified **plant seed oils** for anti-ageing, anti-wrinkle



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## New Hectorite based Rheology Additives

**ELEMENTIS**  
SPECIALTIES

**BENTONE GEL® MSO V**  
and **BENTONE GEL® ABO V**

Natural Oil based  
rheological modifiers  
for Color Cosmetics  
and Skin Care

**Highly Stable Natural Oil Bases**

- BENTONE GEL® MSO V based on Fancor® Meadowfoam seed oil
- BENTONE GEL® ABO V based on Fancor® Abyssinian oil
- Natural long chain stable vegetable oils
- Non-animal origin materials

**Performance**

- Efficient oil gelling capacity
- Shear-thinning
- Thixotropic flow
- Thermal stability
- Fully activated, ready to use
- Pigment suspension and fine consistency
- Emulsion stability
- Non-greasy and silky skin feel
- Luxurious sensory character

**Applications**

- LIP CARE
- SKIN CARE
- FOUNDATIONS
- MAKEUP
- EYE CARE

pure in cosmetics  
www.elementis-specialties.com

Advertisement

Newly introduced Gels with  
**Hectorite**, Meadowfoam and  
Abyssinian Seed Oils  
For Colour Cosmetics and Skin Care

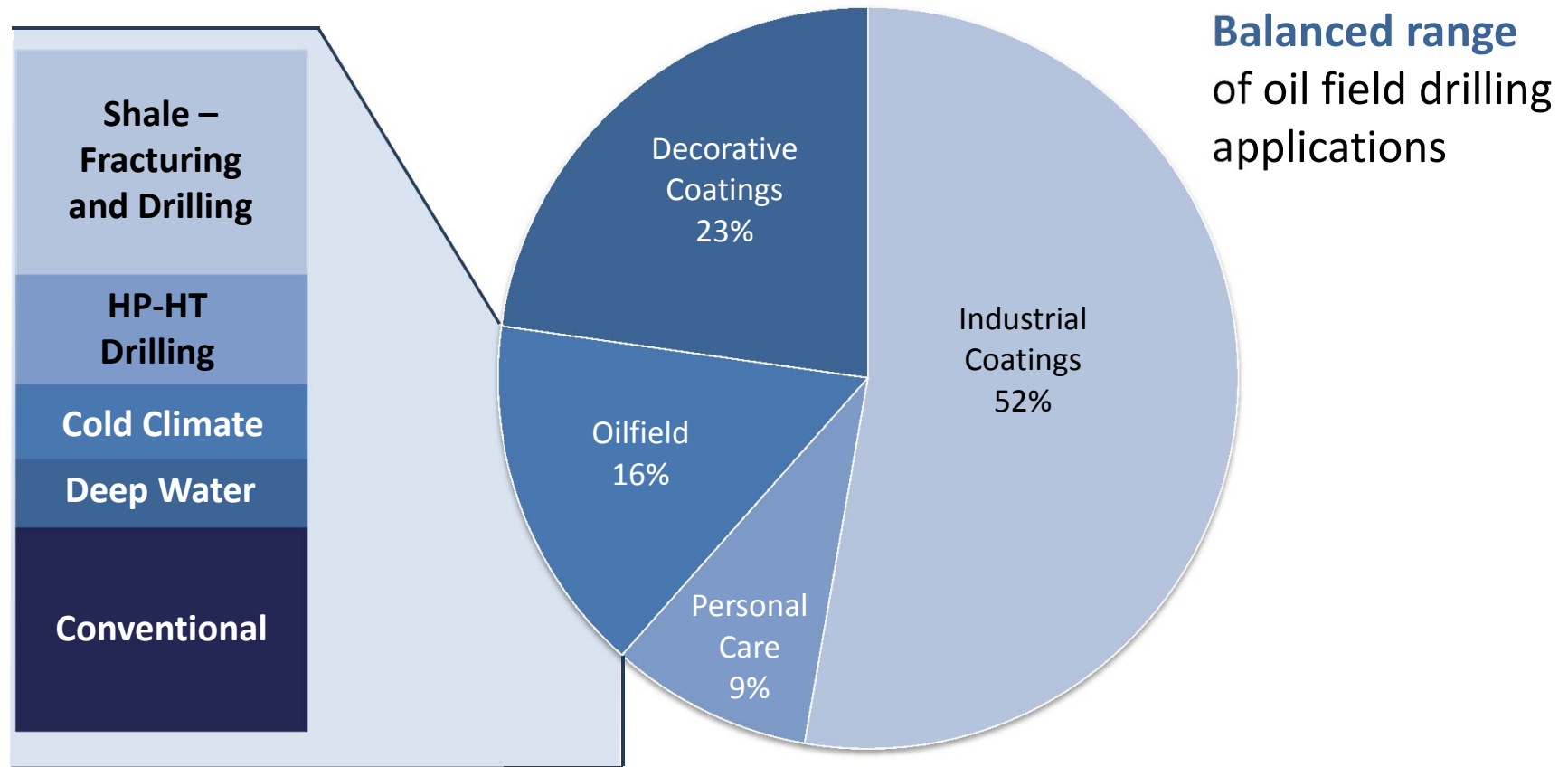
## New Lanolin Derivatives

- LAN AQUA SOL
  - High end skin care creams
- Hydrophilically modified lanolin
- Delden assets + Lanolin = high value, differentiated product





## Oilfield Overview



Based on sales revenue

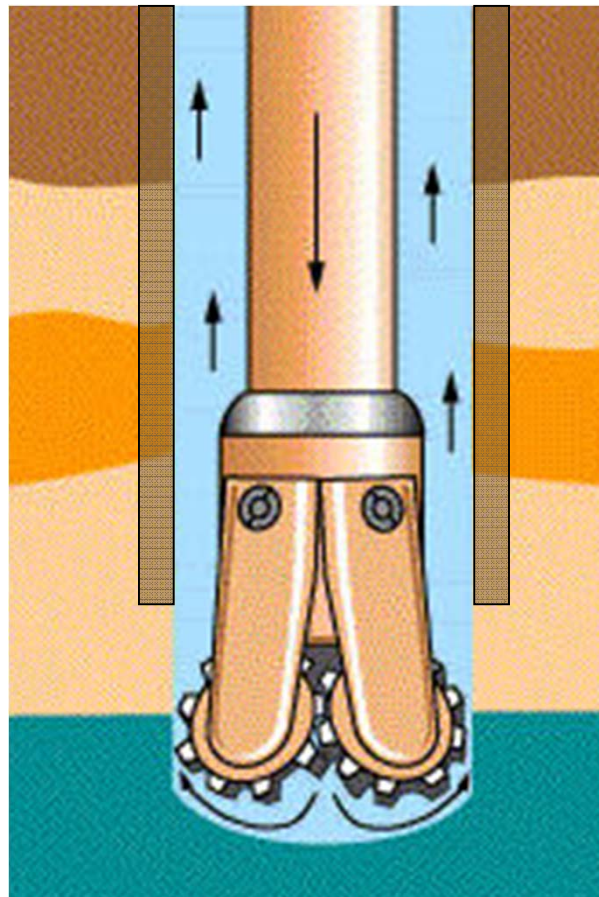
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## Oilfield Drilling



## Drilling Rheology

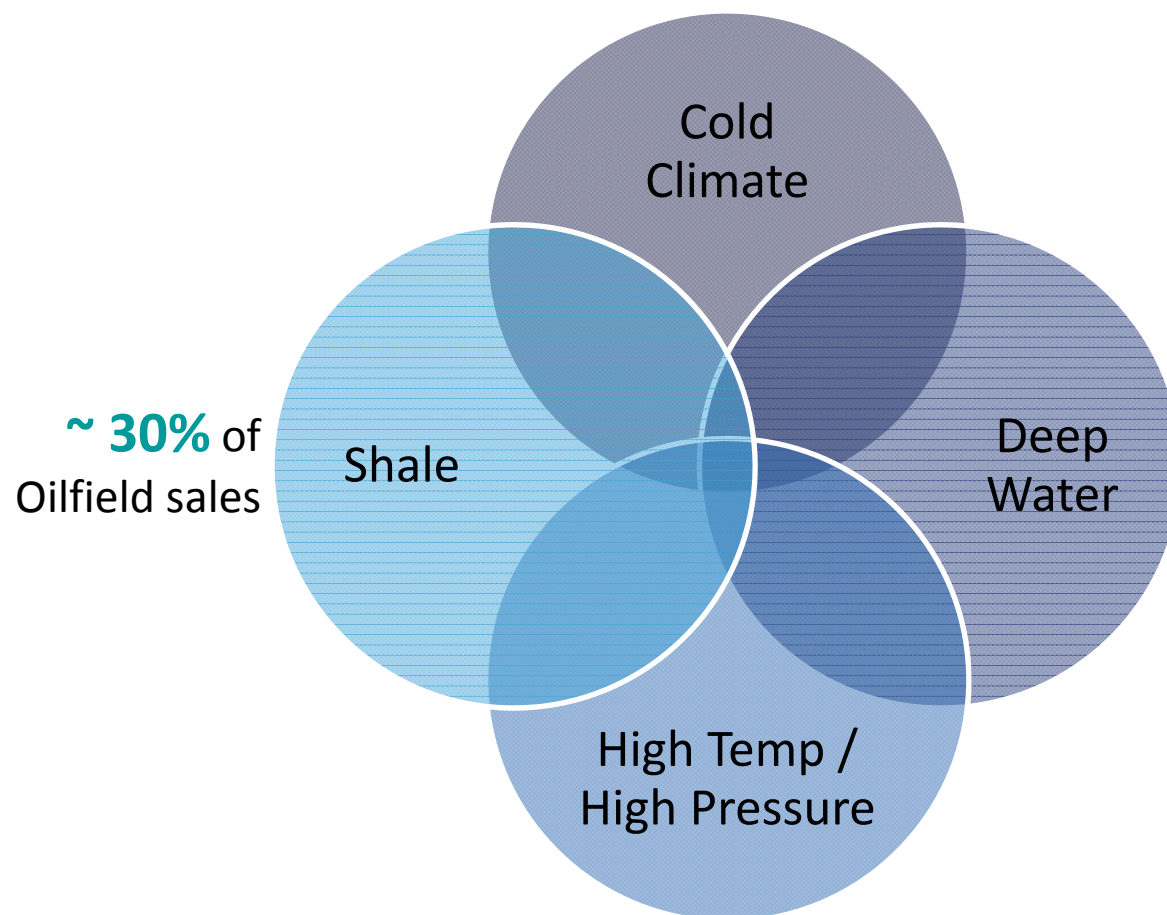


Rheology modifiers are required to facilitate the removal of cuttings from the bottom of the drill hole in **vertical sections** and suspend material for proper flow in **horizontal sections** and transport





## Going to Extremes – Focus Segments



Trend: the end of “easy energy”

We have been working on “**adverse environment**” R&D challenges for many years

In partnership with Global Drilling Service Providers

Multiple capacity expansions underway



## Value Creation

### Leverage unique capabilities

- Bentonite Organoclay
- **Hectorite Products**
- **Polymers / Others**

### Know-How

Morphology  
and  
Composition

### Benefits Delivered

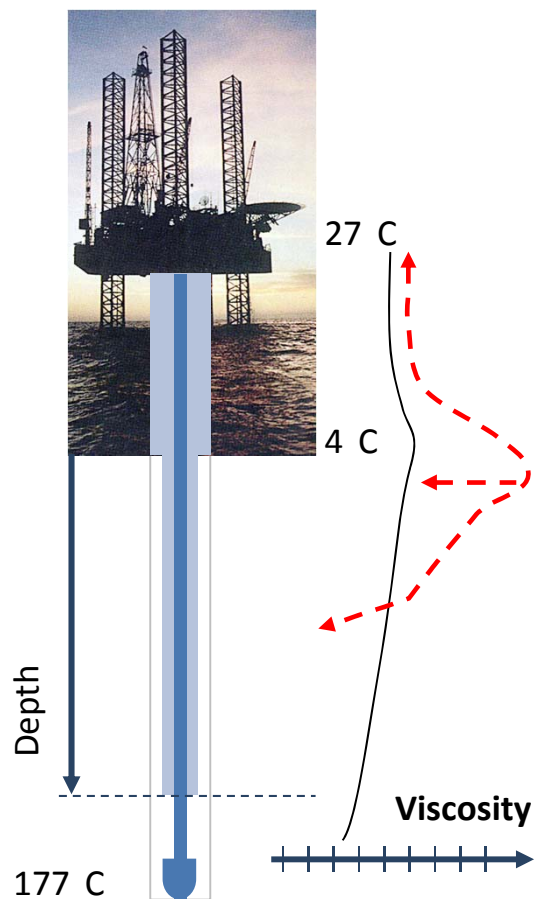
High performance for  
adverse drilling conditions  
and circumstances

Anti-settling in the drilling  
mud

Specific rheology profile  
over wide temperatures  
and pressures



## The Challenge of Flat Rheology in Deep Water Rigs



### Performance Requirement

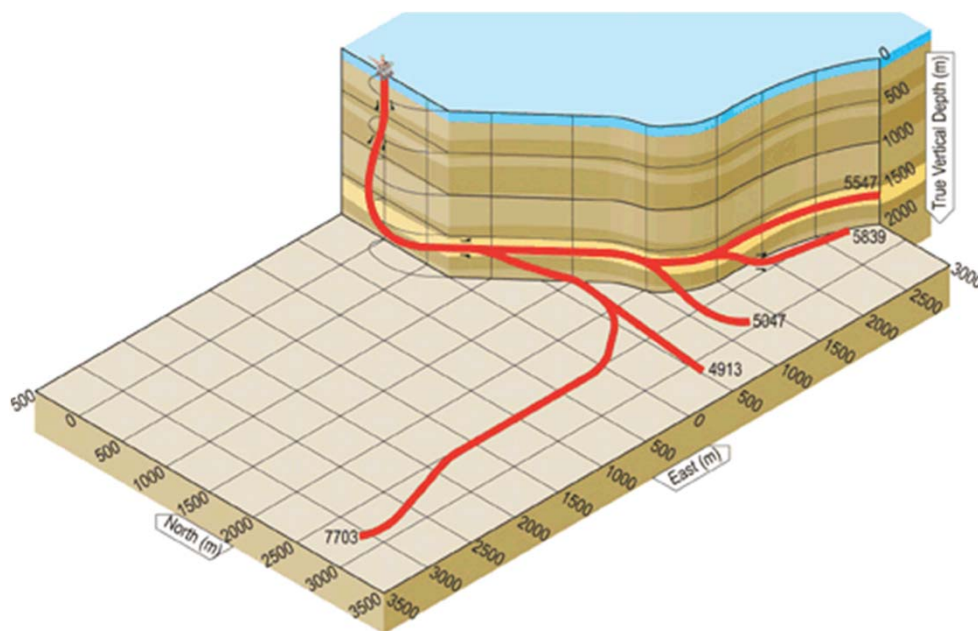
- Flat rheology profile over wide temperature and pressure ranges

### Technology Solution

- Polymer architecture designed to meet rheology needs
- Introduction of biodegradable moieties
- System approach – Hectorite + polymer unique to Elementis
- Intellectual property



## Rheology Challenges in Horizontal Shale Drilling



### Performance Requirements

- Rheology at high drilling temperatures and suspension of solids through extended distances

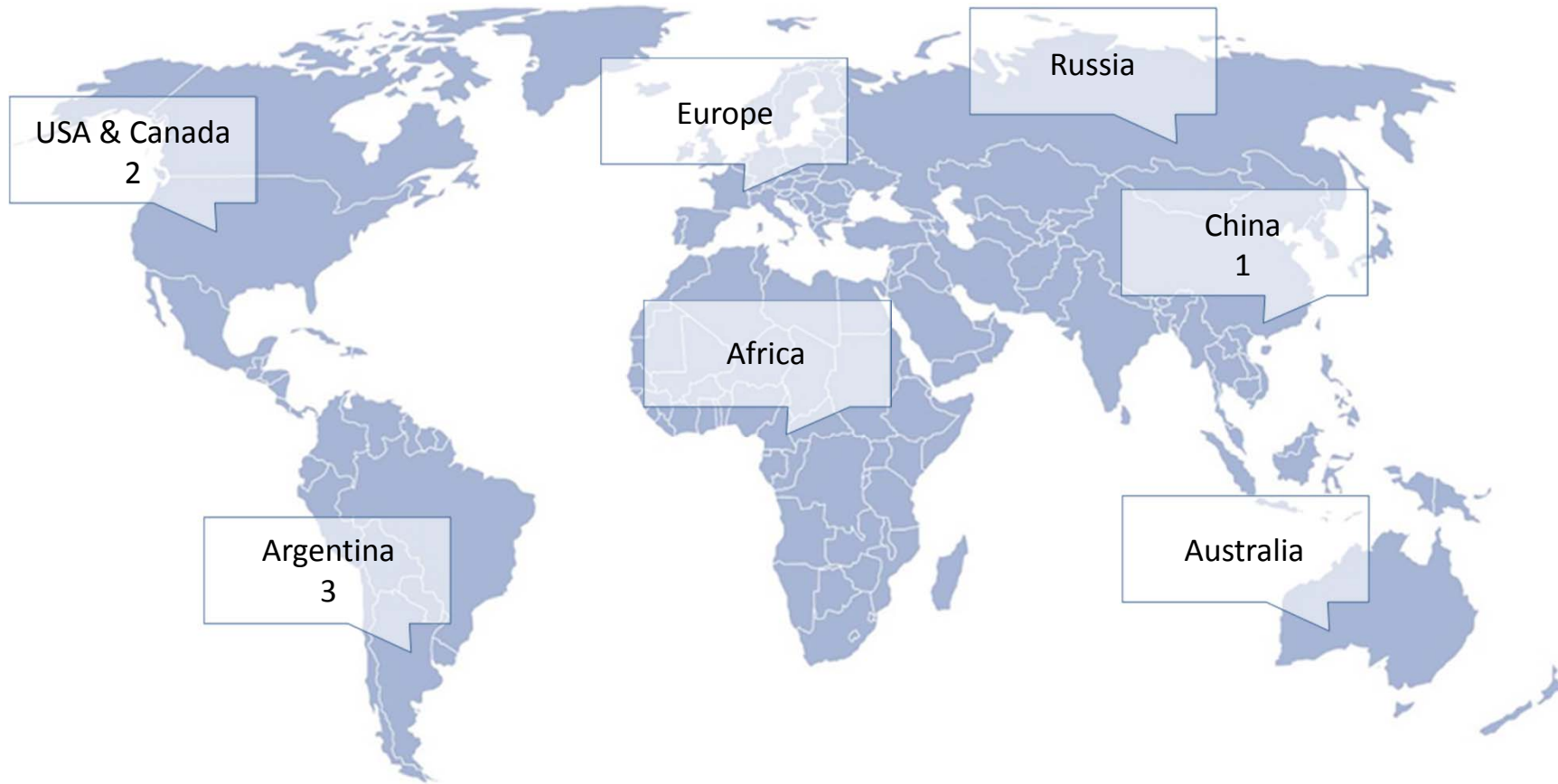
### Technology Solution

- Hectorite based organoclay for high temperature drilling
- Designed morphology for suspension
- Intellectual property

### Hydraulic Fracturing

- Suspension of fracturing compositions

## Global Shale Reserves - Elementis Well Positioned



### Shale Reserve Rank

Source: US EIA, *World Shale Resources: An Initial Assessment*, April 2011

The logo for Elementis, consisting of the word "ELEMENTIS" in white, uppercase, sans-serif font, centered within a dark blue rectangular box. The background of the slide features a collage of scientific imagery: a world map, laboratory glassware (beakers and a pipette), and a ball-and-stick molecular model.

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Our goal for Elementis Specialty Products is to be the fastest growing and most competitive supplier of specialty chemical additives in the world.



## Financial Summary – Return on Capital\*

High return on capital - Low capital intensity 2011

### Specialty Products

**43%**

- High margins
- Relatively inexpensive capacity expansions
- New plant model

### Chromium

**67%**

- Low initial capital cost
- Well maintained / efficient plants
- Preferential investment in Specialty Products

\* Before interest and goodwill



## Financial Summary – Capital Expenditure

### Recent History

\$m	2009	2010	2011
Group Capital Spending	13.8	14.0	20.8
Depreciation	20.5	21.4	19.9

### Going Forward

#### Annual cost

#### Maintenance Capital

10-14

#### Growth Capital

- Capacity expansions
- New products

5-10

5-10

#### Annual spend rate

20-25

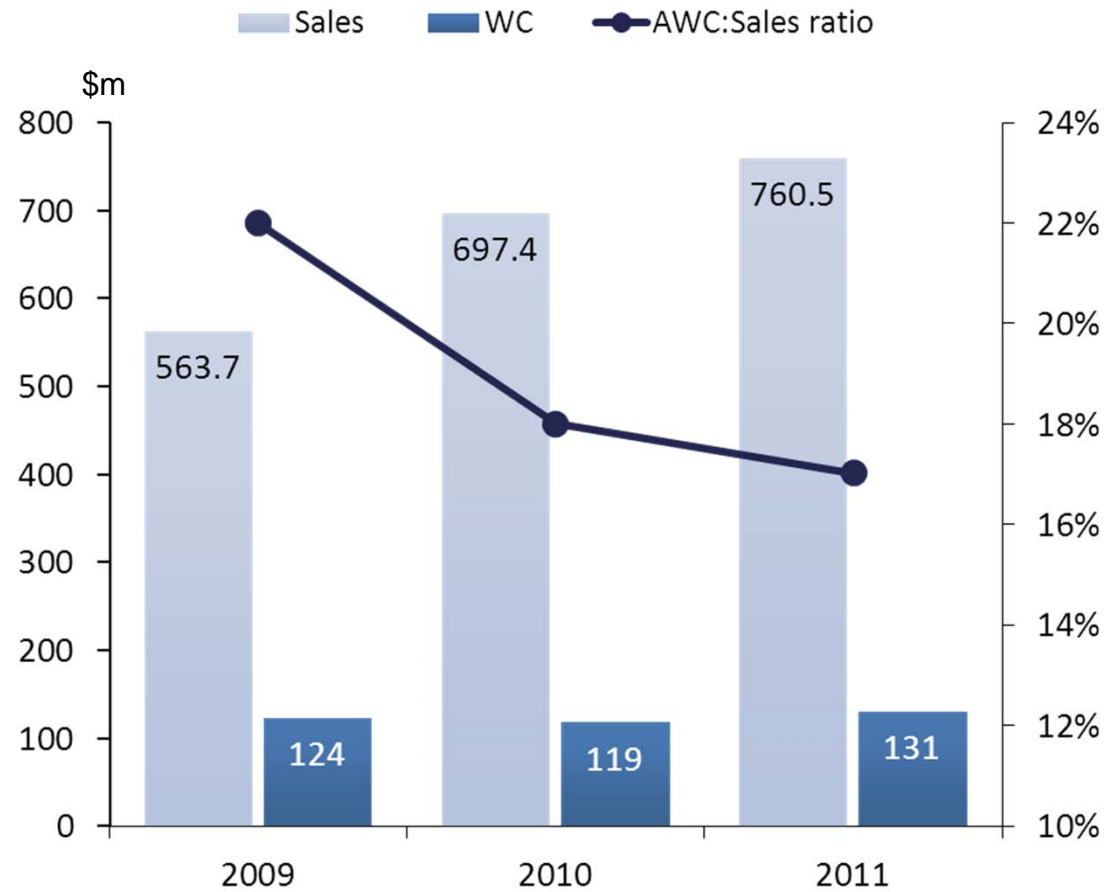


## Financial Summary - Working Capital

### Sustainable improvements in working capital

Average working capital to sales ratio reduced to **17.2%** in 2011 (2010: 18.0%)

17 – 20% going forward



## Financial Summary – Cash Taxes

<b>Tax rate</b>	2011	2012-2014
Earnings	30%	30%
Cash flow	6%	10-20%

- Stable earnings rate
- Cash tax rate increasing to 20% over next 2 years

## Financial Summary – Free Cash Flow

\$m	2011	2014 Proforma		
		Based on annual EBITDA growth rates of:		
	Actual	5%	10%	15%
EBITDA	157	182	209	239
Cash Tax	(9)	(32)	(37)	(43)
Capital Expenditure	(21)	(20-25)		
Working Capital	(9)	(5-15)		
Pension, Provisions, Other	(26)	(25-30)		
<b>Free Cash Flow</b>	<b>92</b>	<b>85-95</b>	<b>105-115</b>	<b>130-140</b>
- Cents per Share	20	18-21	23-25	27-30

2011 dividend 7 cents per share

Positive free cash flow to finance

- Strategic acquisitions in Specialty Products
- Shareholder returns

## Investment Highlights

### Specialty Products

- Positioned for growth
  - Innovation – new products / new plant
  - Exposure to high growth markets – Asia / Oilfield / Personal care
  - Capitalising on trends in Coatings – High performance / Low VOC
  - Encouraging trends in North America – 22% sales growth in 2011

### Growth supported by...

- Experienced team
- Capacity expansions
- Stable earnings and cash flow from Chromium
- Strong balance sheet / Positive cash generation

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Thank you

