

ELEMENTIS

*A global specialty chemicals company*

# Elementis plc **Interim Results**

Six months ended 30 June 2014



## Interim Results

\$ millions	H1 2014	H1 2013	change
Revenue	400.0	388.2	+3%
Operating profit	76.8	72.8	+5%
Operating margin	19%	19%	
Profit before tax	72.4	67.5	+7%
<b>Diluted EPS</b>	<b>12.7c</b>	<b>11.3c</b>	<b>+12%</b>
Net cash/(debt)	5.0	(8.5)	
Interim dividend	2.70c	2.57c	+5%
Basic EPS	12.8c	11.5c	+11%

## Highlights

### Specialty Products – sales up 4%

- North America coatings up 5%
- Asia Pacific coatings up 6%
- Personal Care up 21%
- Operating margin stable at 20%

### Chromium

- Optimising product mix to produce stable earnings and cash flow

Net balance sheet cash position

Interim dividend increased by 5%

## Chromium

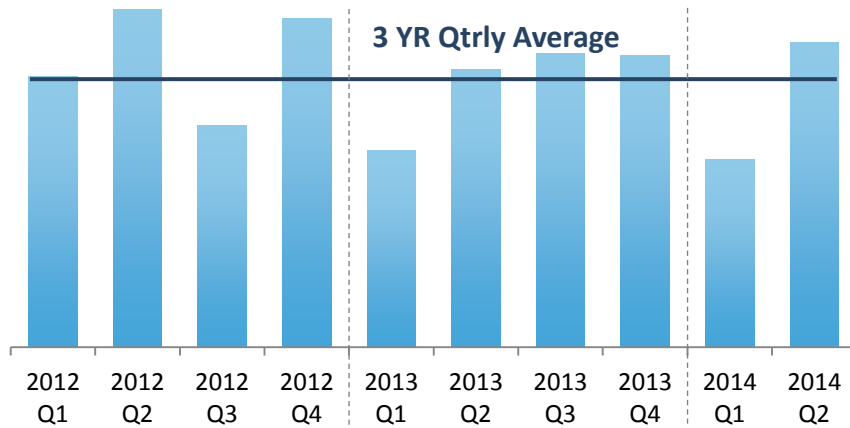
\$ millions	H1 2014	H1 2013
Sales	103.2	103.4
Operating profit	27.7	25.3
Operating margin	27%	24%

### Resilient financial performance

- Margins improved by enhanced product mix
- Q1 volumes impacted by US weather

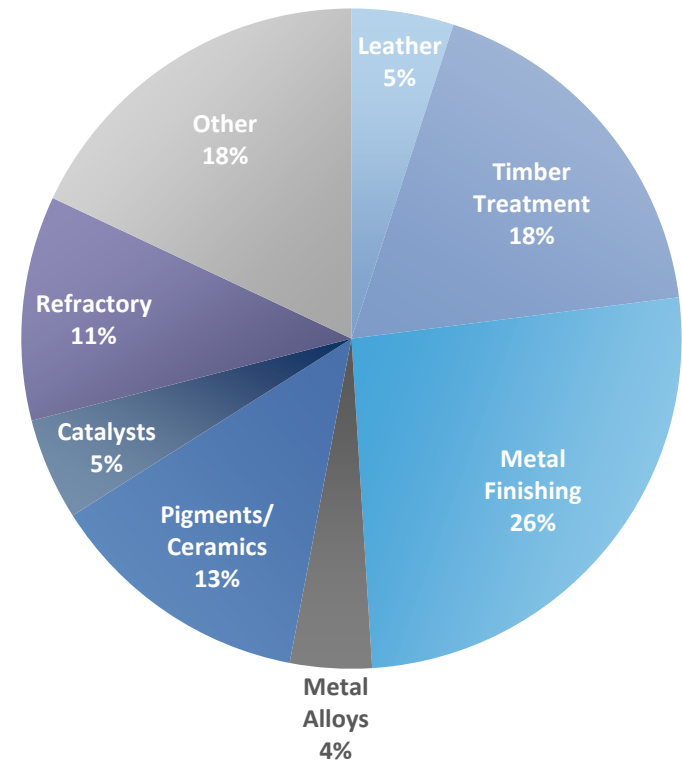
## Chromium – Flexing the Model

### Sales Volumes



- First half volumes consistent with previous year
- Margins benefited from robust demand in refractory and timber treatment markets

### Markets



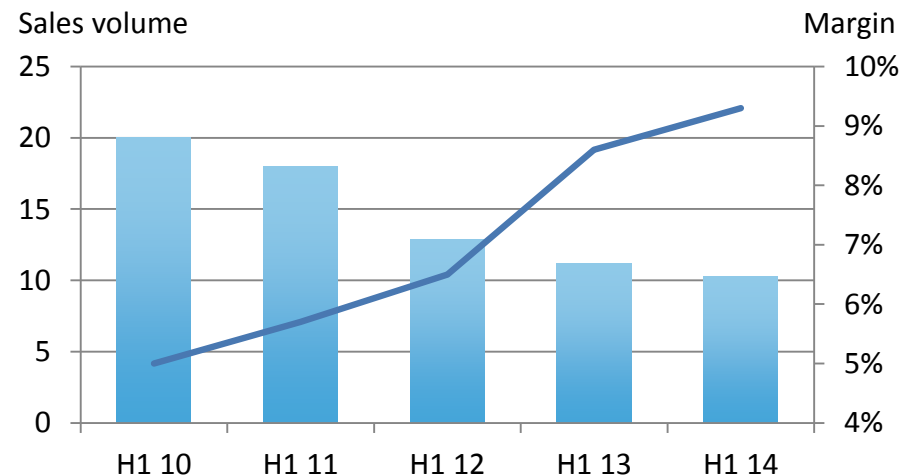
## Surfactants

\$ millions	H1 2014	H1 2013
Sales	34.2	33.8
Operating profit	3.2	2.9
Operating margin	9%	9%

Surfactants volumes reduced and margins improved as product mix is optimised

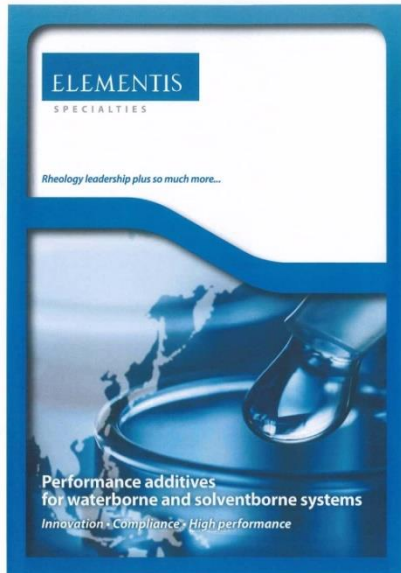
Successfully transitioning Delden facility to higher value coatings additives

Strategy provides significant capacity to support Specialty Products' growth



## Specialty Products

\$ millions	H1 2014	H1 2013
Sales	268.5	257.7
Operating profit	52.6	51.6
Operating margin	20%	20%



Broad based growth platform reduced the impact of Q1 US weather issues

### Sales up 4%

- Personal Care up 21%
- Asia Pacific coatings up 6%
- North America coatings up 5%

## Specialty Products – Investment Update

### NA Acrylic thickener facility

- Phase 1 (CVS/NiSats) completed and customer sales progressing well
- Phase 2 (acrylics and dispersants) to be completed by end of this year
- Completed facility will support ~ \$30m of high value, IP protected additives sales

### Watercryl (Brazil)

- Coatings additives volumes increased by 14%
- Gaining traction in other Latin American countries
- Provides a strong regional base for personal care and oilfield

### Hi-Mar (US)

- Technology being successfully transferred
- New defoamer sales in Europe, supplied from Delden



## Oilfield Drilling – Positive Dynamics

New oilfield headquarters and additional resources located in Houston, Texas

Slow start to the year but underlying trends still very positive:

- US energy cost advantage will continue to drive demand
- Canadian energy sector has received \$40bn of investments from China
- China intensifying shale development in Sichuan province
  - Organising local resources under new global management team
- Brazil continues to make progress in offshore exploration and development
- Mexico expanding activities with foreign oil service companies

## Specialty Products – Personal Care Growth Drivers

### Geographic expansion

- Additional resources in Asia Pacific and Latin America driving sales  
Brazil +58% | Argentina +151% | China +36% | India +107% | South Korea +21%

### Customer alignment – uniquely positioned

- Multi-nationals
  - Strong existing relationships
    - Global yet nimble, highly customised approach
  - Further enhanced by
    - Expanded innovative product portfolio
    - Leveraging global manufacturing platform
- Regional players
  - Essential to have dedicated local resources
  - Ready to use/proven technologies make them successful with less technical resource

## Specialty Products – Innovation Driven Growth

### Bentone Gel® OLV-V

- Natural oil based hectorite gel for baby care products

### Hair care products

- Uni-Embase range - vegetable based wax successfully introduced into the Brazilian market
- Meadowquat® conditioning product for India

### Rheoluxe® range

- Polymeric thickener with wide range of applications
- Highly valued non-temperature dependent rheology properties

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## Tax Charge

\$ millions	H1 2014	H1 2013
<b>Tax charge</b>	<b>13.5</b>	<b>15.3</b>
Tax rate	18.7%	22.7%
Cash tax rate	10%	12%

Tax rate lower due to one-time items in 2013 and geographic mix

Estimated tax rate for full year 2014 is approximately 19%

Cash tax rate remaining low but likely to increase going forward

## Capital Spending

\$ millions	H1 2014	H1 2013
New plants	5.5	5.8
Maintenance & productivity	4.6	2.9
<b>Total Specialty Products</b>	<b>10.1</b>	<b>8.7</b>
Maintenance & productivity	6.1	4.7
<b>Total Chromium</b>	<b>6.1</b>	<b>4.7</b>
Other	1.5	3.3
<b>Group total</b>	<b>17.7</b>	<b>16.7</b>
Depreciation	12.5	11.5

New plant spending in Specialty Products – mostly New Martinsville

Excluding growth spending, capex is in line with depreciation

## Operating Cash Flow

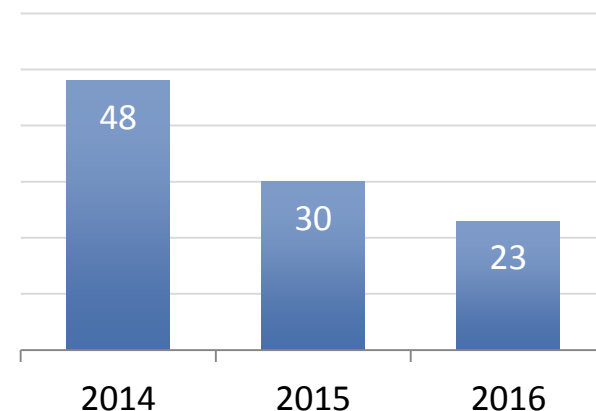
\$ millions	H1 2014	H1 2013
EBITDA	89.3	84.3
Working capital	(25.9)	(20.2)
Capital expenditure	(17.7)	(16.7)
Other	(0.7)	(0.7)
<b>Operating cash flow</b>	<b>45.0</b>	<b>46.7</b>

Working capital outflows are consistent with seasonal trading patterns and higher sales

## Retirement Plans

\$ millions	H1 2014	H1 2013	FY 14 Est.
Net deficit	78.0	93.5	
Deficit contributions			
UK plan - one time	15.3	-	15.3
- annual	12.7	9.2	26.4
US/other	2.6	1.8	6.7
	<b>30.6</b>	<b>11.0</b>	<b>48.4</b>

### Future contributions



IAS 19 deficits continue to come down

2014 contributions include a one-time payment to the UK scheme

Contributions will decline after 2014 – positive impact on future free cash flow

Next UK triennial valuation – 30 September 2014



## Cash Flow

\$ millions	H1 2014	H1 2013
<b>Operating cash flow</b>	<b>45.0</b>	<b>46.7</b>
Pensions	(30.6)	(11.0)
Interest, tax, other	(6.8)	(7.5)
Dividend - Final	(25.3)	(24.3)
- Special	(27.1)	(22.0)
Acquisitions	(4.1)	(32.8)
Currency	(0.2)	(1.6)
<b>Net cash flow</b>	<b>(49.1)</b>	<b>(52.5)</b>
<b>Net balance sheet cash/(debt)</b>	<b>5.0</b>	<b>(8.5)</b>

Net cash flow similar to previous year

## Dividend

	2014 Interim	2013 Interim
Per share	2.70c	2.57c

Interim dividend increased by 5%

Dividend policy remains unchanged

- Full year ordinary dividend of approximately one third of 2014 EPS
- Special dividend payment based on 50% of net cash position at end of 2014

## Summary

### Chromium

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Sustainable, predictable earnings and cash flow

### Specialty Products

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Significant growth opportunities, attractive margins

### Cash Generative Business Model

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Anticipate year end net cash position

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**Thank you**

