28 July 2015

ELEMENTIS

ELEMENTIS plc

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

Elementis plc (ELM.L) ("Elementis", the "Company" or the "Group"), a Global Specialty Chemicals Company, announces its results for the six months ended 30 June 2015.

HIGHLIGHTS

- Results in line with recent trading update
- Continued progress in leveraging strong market positions, geographic diversity and innovative products
- Specialty Products adversely impacted by low oilfield activity
  - Coatings sales up 1 per cent*
    - North American decorative coatings sales up 8 per cent
    - Sales in Asia Pacific lower by 1 per cent* due to Q2 slowdown in China
    - European coatings sales up 4 per cent*
  - Personal care sales performance slightly higher than previous period*
  - Oilfield revenues down by 30 per cent* as low oil prices impact activity
- Chromium
  - Generating consistent operating profit in line with strategy
- Group operating margin stable at 19 per cent
- Net balance sheet cash position increased to $16.1 million
- Interim dividend maintained at 2.70 cents

* constant currency

FINANCIAL SUMMARY

	2015	2014
Sales	**$360.4m**	$400.0m
Operating profit	**$68.6m**	$76.8m
Operating margin	**19%**	19%
Profit before tax	**$65.3m**	$72.4m
Diluted earnings per share	**11.2c**	12.7c
Net cash	**$16.1m**	$5.0m
Interim dividend to shareholders	**2.70c**	2.70c
Basic earnings per share	**11.3c**	12.8c

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

"In the first half of the year, Elementis continued to leverage its strong market positions, geographic diversity and innovative products to deliver growth in most markets. However, as previously indicated, our performance was negatively impacted by the ongoing weakness in oil prices and the subsequent reduction in drilling and exploration in North America, as well as some destocking in China in advance of an anticipated market slowdown. Despite these external dynamics we saw strong underlying revenue growth from new and IP-protected products and, importantly, improved contribution margins in our Specialty Products business. We have also continued to invest in the future growth of our Specialty Products business, while balancing near term profitability and future value creation. Though these investments require additional costs to be absorbed in the near term, they are the fundamental building blocks that will drive long term profitable growth.

We will continue to pursue our strategic vision which has delivered the exemplary performance that our shareholders have come to expect, driving our Specialty Products business to the next level of market leadership. In an environment of economic uncertainty Elementis' strong global market position, combined with its robust business model and track record of generating strong profits and cash flow, is a distinct advantage and gives us confidence that the Group can continue to make progress in the medium term."

– ENDS –

Enquiries

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Chairman's statement

Following five years of significant earnings improvement, 2015 is turning out to be a more challenging year for Elementis. The much publicised reduction in drilling activity in the oilfield sector combined with signs of a general economic slowdown in China have negatively impacted the Group's results for the first six months of the year. In an environment in which currency movements have also been less than helpful, the Group is finding it difficult to achieve earnings that are ahead of the previous year.

The Group's strategy is built upon leveraging and evolving our strong market positions in our chosen markets, a differentiated service and technical capability to our customers and a broad based geographic platform. Underpinning this is a cash generative operating model that provides the flexibility to finance growth while also delivering attractive returns to our shareholders. As such, the Board remains firmly of the opinion that this strategy is the appropriate one to ensure the Group's continued success.

Financial results

Revenues in the period were $360.4 million, compared to $400.0 million in the same period last year, which is a reduction of 10 per cent or, 4 per cent excluding currency movements. Group operating margins remained at 19 per cent and operating profit was $68.6 million, compared to $76.8 million in the first six months of last year, representing a reduction of 11 per cent, or 8 per cent excluding currency. Diluted earnings per share in the period was 11.2 cents compared to 12.7 cents.

Balance sheet

Strong cash flow generation and attractive returns on operating capital continue to be important features of the Group's performance. The first six months of the year typically experience higher cash outflows than the second half, due to seasonal increases in working capital associated with the coatings market and the fact that the final and special dividends are paid out in this period. It is therefore a testament to the Group's ability to generate positive cash flow that, despite these outflows in the period being reported, the Group balance sheet is in an improved net cash position of $16.1 million, as at 30 June 2015, and this is expected to increase as the year progresses.

Pensions

During the period the deficit, under IAS 19, on the Group's post retirement plans improved by $47.5 million to a net position of $18.3 million. This was largely as a result of increases in corporate bond yields and contributions from the Company. In addition, the latest triennial valuation of the Group's UK pension scheme, conducted as of 30 September 2014, resulted in a lower than anticipated funding deficit and a revised funding agreement is expected to be concluded by the end of the year.

Governance

Following the announcement earlier this year that our Chief Executive, David Dutro, has decided to retire in 2016, the Board has been actively engaged in a process to identify his replacement. Good progress is being made and the Board expects to be in a position to announce a successor sometime during the second half of the year.

Interim dividend

The Board is declaring an interim dividend of 2.70 cents per share, the same as in the previous year, which will be paid on 2 October 2015, in pounds sterling at an exchange rate of $1.5626:£1.00 (equivalent to a sterling amount of 1.7279 pence per share), to shareholders on the register on 11 September 2015.

Health, safety and environment

Our performance in this important aspect of our business is fundamental to our sustainability and the relationship with our customers, employees and the communities in which we operate. Incident rates continue to be well below recognised industry averages. However we are firmly of the view that even one incident, however minor, is one too many, hence our processes and performance targets are designed around continuous improvement with an ultimate goal of zero incidents.

People

In more challenging periods such as these, we rely even more heavily on the skills and hard work of our employees around the world. On behalf of the Board, I would therefore like to thank them and their families for their hard work and dedication.

Outlook

Despite a more challenging period of trading, Elementis remains well positioned to benefit from a number of significant global trends, is confident of its strategy and has a sound platform from which to create value for our shareholders.

Andrew Duff
Chairman
28 July 2015

Business review

Group Chief Executive's report
During the first half of the year, Specialty Products continued to leverage its strong market positions, geographic diversity and innovative products to deliver growth in most markets. However performance was negatively impacted by the ongoing weakness of oil prices and the subsequent reduction in drilling and exploration in North America, as well as some destocking by our customers in China in advance of an anticipated market slowdown. Outside these areas Specialty Products delivered strong underlying revenue growth from new and IP-protected products and, importantly, improved its contribution margins.

We have continued to invest in the future growth of our Specialty Products business, while balancing near term profitability and future value creation. Although in the near term such investments will require some additional costs to be absorbed, they are the fundamental building blocks that will drive the long term profitable growth of Elementis.

These investments have been funded by the strong cash generation that continues to be a key feature of the Group's performance. We anticipate being in a net cash position at the end of the year and therefore would pay a further special dividend under the terms of our dividend policy.

2015 first half highlights

- Continued progress in leveraging strong market positions, geographic diversity and innovative products
- Specialty Products adversely impacted by low oilfield activity
  - Coatings sales up 1 per cent*
    - North American decorative coatings sales up 8 per cent
    - Sales in Asia Pacific lower by 1 per cent* due to Q2 slowdown in China
    - European coatings sales up 4 per cent*
  - Personal care sales performance slightly higher than previous period*
  - Oilfield revenues down by 30 per cent* as low oil prices impact activity
- Chromium
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* constant currency

Specialty Products
The Specialty Products business provides a strong growth platform from its balanced geographic exposure across both mature and emerging economies, strong technology base and strategic market diversification. The business 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. We help our customers improve the performance of their products, lower their costs or improve regulatory compliance by introducing additives that represent a low percentage of the formula cost but are critical to product performance. Our differentiated, innovative product offering is supported by best in class process technology and tightly held manufacturing know how.

Sales of coatings additives in North America were unchanged from the prior year as 8 per cent growth in decorative coatings, driven by the recent expansion of our New Martinsville facility product portfolio, was offset by softer industrial coatings demand. Constant currency sales in Latin America were 4 per cent higher as a result of ongoing synergy projects from the previously acquired Watercryl business and improved pricing. In Europe, constant currency sales grew by 4 per cent with strong industrial coatings demand despite a mixed economic environment. Constant currency sales in Asia Pacific were 1 per cent below prior year as softness in China's manufacturing sector and a decline in Chinese exports resulted in customers destocking during the second quarter. Overall sales of coatings additives, on a constant currency basis, finished the first half 1 per cent higher than prior year.

In Personal care, constant currency sales were slightly higher than prior year as continued solid growth in our traditional North American and European personal care applications, and expansion through new product sales and improved distribution in Asia, were offset by lower sales in Latin America. Significant local currency weakness in Latin America resulted in the business opting to cease supply to a number of applications where returns had fallen below an acceptable threshold. In the meantime we are taking action to address this competitive dynamic.

In Oilfield, constant currency sales were 30 per cent below the prior year due to a significant reduction in North America drilling activity, with US rig counts at their lowest level in over a decade. Sales in the first half were negatively impacted by an earlier than usual end to the Canadian winter drilling season and a significant decline in US shale gas and oil drilling. Fortunately, conditions in this market appear to have stabilised more recently, with less volatility in oil prices and some increase in rig counts.

Innovation remains a vital platform from which to drive our continued success. Our R&D pipeline is bigger than ever and most importantly our new products are delivering real value to our customers and contributing to our bottom line. Our ability to consistently deliver innovative products has been a critical component of the Group's growth strategy. Elementis believes in and executes a collaborative approach to customer innovation. Under this approach we work very closely with our customers to develop products and technologies that will add immediate value for them, as well as investing in customer driven projects to enable the development of new products for tomorrow. While these market driven projects allow our customers to be more successful, it is equally important that these also position Elementis as their trusted and indispensable partner.

We are committed to continually expanding our portfolio of specialty chemicals. In addition to Specialty Products' organic growth strategy, Elementis continues to look for appropriate bolt on acquisitions. We are interested in businesses with value added technologies that participate in our chosen market segments, with a particular focus on higher growth regions.

Surfactants

Consistent with our strategy we continue to improve the quality and breadth of the product portfolio of our Surfactants business. This business, which is located at our Delden facility in the Netherlands, shares its production facility with the Specialty Products business. The goal remains to utilise more of the facility's capacity to support the higher margin product range of our Specialty Products business. The Delden facility is a large and well invested site and we are pleased to have this capacity to support the Specialty Products growth strategy.

Chromium

The Chromium business strategy is focused on reducing cyclical fluctuations and consistently delivering high quality earnings and cash flow. The business operates at high rates of capacity utilisation and serves a diverse number of customers, geographies and applications, allowing it to quickly shift products and resources towards those markets with the greatest opportunity.

As the only North American based manufacturer of chromium chemicals, the business is able to provide its 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 offers a long term competitive advantage. The business has a significant share of chromium chemical sales in North America with 58 per cent of its sales coming from customers in this region in the first half of the year.

Elementis Chromium has again demonstrated its ability to leverage its flexible production platform and efficient operational base to respond to shifts in market demand. This saw the business deliver first half operating profit of $27 million, in line with prior year performance, despite currency driven competitive behaviour outside of North America and a pedestrian global economy. Contribution margins were sustained, in line with prior year, as shifts in pricing were offset by improved raw material costs and operating efficiencies at our plants. We successfully grew the operating margin as a result of tightly controlled fixed costs and a one time fixed cost benefit related to the successful resolution of a legacy legal issue.

As ever, we will continue to pursue our strategic vision which has delivered the exemplary performance that our shareholders have come to expect, through our strategy to drive our Specialty Products business to the next level of market leadership. Despite the uncertain economic environment our strong global market position, combined with a robust business model and track record of generating strong profits and cash flow, is a distinct advantage and gives us confidence that Elementis can continue to make progress in the medium term.

David Dutro
Group Chief Executive
28 July 2015

Finance report

Revenue for the six months ended 30 June	Revenue 2014 $million	Effect of exchange rates $million	(Decrease)/ increase 2015 $million	**Revenue 2015 $million**
Specialty Products	**268.5**	(16.3)	(8.1)	**244.1**
Chromium	**103.2**	-	(11.3)	**91.9**
Surfactants	**34.2**	(6.4)	1.9	**29.7**
Inter-segment	**(5.9)**	-	0.6	**(5.3)**
	400.0	(22.7)	(16.9)	**360.4**

Operating profit for the six months ended 30 June	Operating profit 2014 $million	Effect of exchange rates $million	Decrease 2015 $million	**Operating profit 2015 $million**
Specialty Products	**52.6**	(3.4)	(4.4)	**44.8**
Chromium	**27.7**	0.2	(0.9)	**27.0**
Surfactants	**3.2**	(0.6)	(0.2)	**2.4**
Central costs	**(6.7)**	1.7	(0.6)	**(5.6)**
	76.8	(2.1)	(6.1)	**68.6**

Group results

Group revenue was $360.4 million in the first half of 2015, compared to $400.0 million in the same period last year, representing a decrease of 10 per cent, or 4 per cent excluding currency. Group operating profit was $68.6 million, compared to $76.8 million in the same period last year, which is a reduction of 11 per cent, or 8 per cent on a constant currency basis. Currency movements impacted Group operating profit by $2.1 million due to the euro weakening against both the US dollar and sterling. The largest impact occurred in Specialty Products which has a significant proportion of its sales and costs in euro and sterling. Currency reduced operating profit in that business by $3.4 million, net of hedging gains. Operating profit in Surfactants was also reduced by $0.6 million due to currency movements, while there was no material impact in Chromium as it is largely a US dollar based business. These costs were offset by $1.7 million of translational gains on sterling based central costs and positive contributions from Group treasury activities. Group operating margin was stable at 19 per cent between the two reporting periods.

Specialty Products

Revenue in Specialty Products for the first half of 2015 was $244.1 million, compared to $268.5 million in the same period last year, representing a decrease of 9 per cent, or 3 per cent excluding currency movements. The remainder of this business commentary refers to constant currency sales.

In coatings additives, global sales improved by 1 per cent on 5 per cent higher volumes as the business continued to benefit from its broad geographic presence, alignment with the leading coatings companies and the introduction of new products for decorative coatings, particularly in North America. Sales in North America were at a similar level to the same period last year on 5 per cent higher volumes. Decorative coatings products, particularly from the recently constructed plant in New Martinsville, made a positive contribution. Additives for decorative coatings applications have similar margins to industrial coatings products, but often have lower selling prices. Hence the shift towards decorative coatings products naturally led to the growth in sales volumes being higher than sales revenue. Sales in industrial coatings were impacted by a reduction in customer orders for export sales as a result of the stronger US dollar. In Asia Pacific, sales were 1 per cent lower than the previous year on 4 per cent higher volumes as the business experienced a slowdown in demand and customer destocking in China, which impacted more on some higher margin applications. In Europe, sales increased by 4 per cent on 8 per cent higher volumes, as the weaker Euro appeared to be stimulating increased customer demand for exported products. Sales in Latin America were 4 per cent higher than the previous year on 5 per cent lower volumes, as the business continued to successfully expand sales outside of Brazil and improve margins in response to local currency weakness.

Sales of personal care products were similar to the previous year on 8 per cent lower volumes as the business continued to expand through new product sales and investments into new geographies. However, sales in Latin America were impacted by significant local currency weakness, which resulted in the business opting to cease supplying to a number of applications where returns had fallen to an unacceptable level. This action reduced sales volumes but improved the sales mix. Otherwise, the business continued to make good progress, particularly in North America and Asia Pacific.

Sales in oilfield drilling were 30 per cent lower than the previous year, with volumes lower by 42 per cent. The well publicised trend of declining activity in North American oilfield projects was a prominent feature during the first six months of the year, leading to lower sales volumes. However there was an improvement in the sales mix as lower margin applications, such as dry process bentonite organoclays for shallow and vertical drilling, declined at a faster rate.

Operating profit for the period was $44.8 million, compared to $52.6 million in the previous year, which is a reduction of $7.8m. Currency movements reduced operating profit by $3.4 million, while lower sales of oilfield products largely accounted for the remainder. Pricing and raw material costs were relatively stable between the two periods and contribution margins improved due to several margin enhancement initiatives. However operating margin was impacted by lower sales and was therefore 120 basis points below the previous period at 18.4 per cent.

Chromium

Revenue in Chromium was $91.9 million compared to $103.2 million in the same period last year, with currency translation having no material impact. Sales volumes were 5 per cent lower than the same period last year as demand for refractory grade oxide in North America, which was particularly strong in 2014, returned to more normal levels following completion of a number of significant customer projects. Pricing and mix effects accounted for the balance of the reduction in revenue, as markets outside of North America continued to be strongly influenced by currency related pricing trends.

Operating profit for the period was $27.0 million compared to $27.7 million in the same period last year, with no material impact from currency movements. Operating margin improved from 27 per cent in the previous period to 29 per cent as the business was able to offset the effect of lower sales with plant optimisation savings, lower raw material costs and a favourable outcome to a legacy legal case.

Surfactants

Revenue in Surfactants was $29.7 million in the first half of 2015, compared to $34.2 million in the same period last year, which is a reduction of 13 per cent. Adjusting for currency movements, sales increased by 6 per cent and sales volumes increased by 13 per cent. The strategy for Surfactants is to transition the Delden, Netherlands facility, where surfactants are produced, towards manufacturing more higher margin additives for Specialty Products. Hence sales volumes in Surfactants will generally decrease over time. Despite this, some shorter term opportunities in the first six months of the year resulted in a temporary reversal of this trend with an increase in sales volumes for the period. The period saw prices reduce but remain in line with lower raw material costs.

Operating profit for the period was $2.4 million compared to $3.2 million, with $0.6 million of the reduction arising from currency movements.

Central costs

Central costs are costs that are not identifiable as expenses of a particular business and comprise the Board of Directors and corporate offices in the UK and US. Costs for the first half of 2015 were $5.6 million compared to $6.7 million in the same period last year. Currency gains of $1.7 million were the main source of the reduction in costs and consisted of positive translation gains from the sterling component of central costs, as well gains from Group treasury activities. Otherwise, costs were relatively stable between the two periods.

Other expenses
Other expenses are administration costs incurred and paid by the Group's pension schemes, which relate primarily to former employees of legacy businesses, and were $1.0 million in the current period compared to $1.1 million in the previous year.

Net finance costs

	30 June 2015 $million	30 June 2014 $million
Finance income	**0.1**	0.1
Finance cost of borrowings	**(0.7)**	(0.7)
	(0.6)	(0.6)
Net pension finance expense	**(1.0)**	(1.7)
Discount on provisions	**(0.7)**	(1.0)
	(2.3)	(3.3)

Net finance costs in the first half of 2015 were $2.3 million compared to $3.3 million in the same period last year. Net interest costs were the same in each year, at $0.6 million, and consisted mostly of amortised fees on the Group’s borrowing facilities. Net pension finance expenses were $0.7 million lower than the previous period, at $1.0 million, due to a decrease in the IAS 19 deficit between the two periods. Discount charges on provisions were $0.3 million lower than the previous period, at $0.7 million, due to a reduction in discount rate in line with lower market yields.

Tax
The provision for tax on profits was $13.2 million, or 20.2 per cent, in the first half of 2015 (2014: $13.5 million, or 18.7 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. The rate for the first half of the year benefited from prior year credits, hence the estimated rate for the full year is 20 per cent – 22 per cent. The rate is sensitive to the mix of profits from different jurisdictions.

Earnings per share
Basic and diluted earnings per share for the first half of 2015, calculated on the reported earnings of $52.1 million (2014: $58.9 million), were 11.3 cents and 11.2 cents, respectively, compared to 12.8 cents and 12.7 cents in the same period last year.

Cash flow
Cash flow is summarised below:

	30 June 2015 $million	30 June 2014 $million
Earnings before interest, tax, exceptionals, depreciation and amortisation (EBITDA)	**82.0**	89.3
Change in working capital	**(30.9)**	(25.9)
Capital expenditure	**(16.0)**	(17.7)
Other	**(0.8)**	(0.7)
Operating cash flow	**34.3**	45.0
Pension deficit payments	**(12.4)**	(30.6)
Interest and tax	**(9.3)**	(8.0)
Other	**(1.2)**	1.2
Free cash flow	**11.4**	7.6
Dividends	**(58.7)**	(52.4)
Acquisitions	**-**	(4.1)
Currency fluctuations	**(0.8)**	(0.2)
Movement in net cash	**(48.1)**	(49.1)
Net cash at start of period	**64.2**	54.1
Net cash at end of period	**16.1**	5.0

Net cash expended in the first six months of 2015 was $1.0 million lower than the same period last year at $48.1 million. EBITDA in the period was $7.3 million lower than the previous year, while working capital outflows increased by $5.0 million largely due to payment patterns towards the end of the period. Working capital cash flows are seasonal due to the Group's participation in the global coatings market so a significant part of the outflow experienced in the first six months of the year will reverse by the end of the year. Capital expenditure in the period was $1.7 million lower than last year at $16.0 million, due to completion in 2014 of the new Specialty Products additives facility for decorative coatings in New Martinsville, US. Capital expenditure for the whole of 2015 is expected to be approximately $30 million (2014: $34.9 million). Pension deficit payments in the period were $18.2 million lower than the previous year due to a significant reduction in contributions to the UK scheme, following a one time payment to the UK scheme of $15.2 million in 2014. Otherwise, contributions consist of regular annual payments mainly to the Group's UK and US schemes. Dividend payments were $58.7 million in the period compared to $52.4 million in the first six months of 2014, the increase being the result of increases in both the final and special dividends for 2014, as announced in February 2015. Acquisition spending in the first six months of 2014 was $4.1 million and related to the acquisition of a minority interest in a majority owned business in China. Overall, the Group had a net cash position on its balance sheet of $16.1 million at the end of the period.

Working capital

Working capital days	**30 June 2015**	30 June 2014	31 Dec 2014
Inventory	**95**	91	92
Debtors	**56**	53	49
Creditors	**63**	60	74
Average working capital to sales (per cent)	**22.2**	21.0	21.0

Inventory days were higher at the end of the period than they were at the same time last year. Inventory days increased from the comparable period last year due to lower sales during the latter part of the first half. Adjusted production rates in the second half of the year are likely to reduce inventory days back towards previous levels. Overall, working capital remained tightly controlled and the net difference between debtor and creditor days remained stable between the two periods at 7 days, while the average working capital to sales ratio temporarily increased to 22.2 per cent due to higher inventory days.

Balance sheet

	30 June 2015 $million	30 June 2014 $million
Property, plant and equipment	**213.4**	211.2
Other net assets	**430.8**	332.4
Net cash	**16.1**	5.0
Equity	**660.3**	548.6

Property, plant and equipment increased by $2.2 million compared to the previous period, due to capital spending between the two dates of $33.4 million and depreciation of $26.1 million, with the balance largely coming from currency movements. Other net assets increased by $98.4 million due mainly to the recognition of UK advance corporation tax credits in the second half of 2014 ($42.0m) and a reduction in retirement benefit obligations of $59.7 million. Equity increased by $111.7 million as a result of profit for the intervening period of $168.6 million, dividends paid of $71.0 million and $24.5 million of pension actuarial gains net of tax.

The main dollar currency exchange rates in the period were:

	2015 30 June	**2015 Average**	2014 30 June	2014 Average
Sterling	**0.64**	**0.65**	0.58	0.60
Euro	**0.90**	**0.89**	0.73	0.73

Pensions and post retirement plans

	Total $million
Movement in net deficit	
Net deficit in schemes at 1 January 2015	(65.8)
Current service cost	(0.8)
Contributions	13.2
Administration costs	(1.0)
Net interest expense	(1.0)
Actuarial gain	36.1
Currency translation differences	1.0
Net deficit in schemes at 30 June 2015	**(18.3)**

During the period the deficit, under IAS 19, on the Group's pension and post retirement medical plans improved by $47.5 million to $18.3 million. The improvement was largely the result of contributions from the Group, increases in real corporate bond yields and positive experience adjustments from the latest triennial valuation of the UK scheme, as at 30 September 2014. Contributions totalled $14.0 million (2014: $32.1 million) of which $12.4 million (2014: $30.6 million) related to deficit reduction payments. Most of the deficit payments in the period related to the UK scheme (2014: $28.0 million) and were significantly lower than the same period last year due to an additional one time payment in 2014 of $15.2 million. Total deficit contributions for the whole of 2015 are expected to be approximately $24 million. Actuarial gains of $36.1 million (2014: loss of $5.2 million) were largely a result of increases in real corporate bond yields and positive experience adjustments from the UK triennial valuation. Asset returns in the period were approximately 0.4 per cent (2014: 7.3 per cent) and 5.6 per cent (2014: 10.7 per cent), respectively, in the UK and US schemes.

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, business failure or which threaten the safety of our employees. The following is a summary of the principal risks faced by the Group that could impact the second half of the year: global economic conditions deteriorate and/or competitive pressure in the marketplace increases; growth opportunities and product innovation may not materialise; disruption to key raw materials, supply chain and/or infrastructure; major regulatory enforcement action; litigation and/or other claims arising from products and/or historical and ongoing operations; UK pension fund deficit deteriorates; increased regulation and/or technological advances erode our competitiveness; business disruption due to a major event or catastrophe (eg IT failure or operations incident); disruption to business payment practices due to failings in the global or regional banking systems; and increasing scrutiny of corporate tax affairs due to the current political and financial environment. A full description of these risks and the mitigating actions taken by the Company can be found in the 2014 Annual report and accounts on pages 18 to 19.

Cautionary statement
The Elementis plc interim results announcement for the half year ended 30 June 2015, 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 2015, 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 2015) (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 2014 Annual report and accounts on page 92.

Directors' responsibility statement
A full list of the directors can be found on the Elementis corporate website at: www.elementisplc.com. These directors are also shown on page 26 of the Company's 2014 Annual report and accounts.

The directors confirm that to the best of their knowledge:

- The condensed set of financial statements setout 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 2014 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 28 July 2015 and signed on its behalf by:

David Dutro Group Chief Executive 28 July 2015	Brian Taylorson Finance Director 28 July 2015

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 2015 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 Conduct Authority (the 'UK FCA'). 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 FCA.

As disclosed in note 2, 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 2015 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Lynton Richmond
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL
28 July 2015

Condensed consolidated income statement
for the six months ended 30 June 2015

	Note	**2015 Six months ended 30 June $million**	2014 Six months ended 30 June $million	2014 Year ended 31 December $million
Revenue	4	**360.4**	400.0	790.4
Cost of sales		**(220.5)**	(242.9)	(486.1)
Gross profit		**139.9**	157.1	304.3
Distribution costs		**(45.5)**	(47.2)	(92.3)
Administrative expenses		**(25.8)**	(33.1)	(61.9)
Operating profit before exceptional items		**68.6**	76.8	150.1
Exceptional items		**-**	-	6.3
Operating profit	4	**68.6**	76.8	156.4
Other expenses		**(1.0)**	(1.1)	(1.9)
Finance income	5	**0.1**	0.1	0.3
Finance costs	6	**(2.4)**	(3.4)	(6.6)
Profit before income tax	4	**65.3**	72.4	148.2
Tax before exceptionals		**(13.2)**	(13.5)	(26.3)
Exceptional items		**-**	-	53.5
Tax	7	**(13.2)**	(13.5)	27.2
Profit for the period		**52.1**	58.9	175.4
Attributable to equity holders of the parent		**52.1**	58.9	175.4
Earnings per share				
Basic (cents)	8	**11.3**	12.8	38.1
Diluted (cents)	8	**11.2**	12.7	37.7

Condensed consolidated statement of comprehensive income
for the six months ended 30 June 2015

	2015 Six months ended 30 June $million	2014 Six months ended 30 June $million	2014 Year ended 31 December $million
Profit for the period	**52.1**	58.9	175.4
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gain / (loss) on pension and other post retirement schemes	**36.1**	(5.2)	(18.5)
Deferred tax associated with pension and other post retirement schemes	**(10.8)**	1.6	14.1
	25.3	(3.6)	(4.4)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	**(5.6)**	(1.4)	(11.6)
Effective portion of changes in fair value of cash flow hedges	**1.1**	0.7	0.1
Fair value of cash flow hedges transferred to income statement	**(0.1)**	(0.3)	(0.3)
Tax benefit associated with exercise of share options	**-**	-	2.8
	(4.6)	(1.0)	(9.0)
Other comprehensive income, net of tax	**20.7**	(4.6)	(13.4)
Total comprehensive income for the period	**72.8**	54.3	162.0
Attributable to:			
Equity holders of the parent	**72.8**	54.3	162.0
Total comprehensive income for the period	**72.8**	54.3	162.0

Condensed consolidated balance sheet
at 30 June 2015

	2015 30 June $million	2014 30 June $million	2014 31 December $million
Non-current assets			
Goodwill and other intangible assets	**369.6**	383.4	373.0
Property, plant and equipment	**213.4**	211.2	211.7
ACT recoverable	**42.0**	-	42.0
Deferred tax assets	**1.6**	8.4	14.4
Employee retirement benefits	**13.4**	-	-
Total non-current assets	**640.0**	603.0	641.1
Current assets			
Inventories	**134.5**	134.8	137.5
Trade and other receivables	**135.9**	147.9	121.4
Derivatives	**1.8**	1.0	0.7
Cash and cash equivalents	**69.8**	56.3	73.7
Total current assets	**342.0**	340.0	333.3
Total assets	**982.0**	943.0	974.4
Current liabilities			
Bank overdrafts and loans	**(13.4)**	(15.1)	(8.1)
Trade and other payables	**(103.8)**	(113.6)	(122.0)
Derivatives	**(0.1)**	-	(0.2)
Current tax liabilities	**(5.2)**	(15.8)	(5.1)
Provisions	**(6.7)**	(6.8)	(6.7)
Total current liabilities	**(129.2)**	(151.3)	(142.1)
Non-current liabilities			
Loans and borrowings	**(40.3)**	(36.2)	(1.4)
Employee retirement benefits	**(31.7)**	(78.0)	(65.8)
Deferred tax liabilities	**(95.7)**	(98.4)	(92.7)
Provisions	**(24.8)**	(30.4)	(28.3)
Government grants	**-**	(0.1)	-
Total non-current liabilities	**(192.5)**	(243.1)	(188.2)
Total liabilities	**(321.7)**	(394.4)	(330.3)
Net assets	**660.3**	548.6	644.1
Equity			
Share capital	**44.4**	44.3	44.4
Share premium	**19.2**	17.8	18.7
Other reserves	**113.4**	130.4	116.4
Retained earnings	**483.3**	356.1	464.6
Equity attributable to equity holders of the parent	**660.3**	548.6	644.1
Total equity and reserves	**660.3**	548.6	644.1

Condensed consolidated cash flow statement
for the six months ended 30 June 2015

	2015 Six months ended 30 June $million	2014 Six months ended 30 June $million	2014 Year ended 31 December $million
Operating activities:			
Profit for the period	**52.1**	58.9	175.4
Adjustments for:			
Other expenses	**1.0**	1.1	1.9
Finance income	**(0.1)**	(0.1)	(0.3)
Finance costs	**2.4**	3.4	6.6
Tax	**13.2**	13.5	(27.2)
Depreciation and amortisation	**13.4**	12.5	25.2
Decrease in provisions	**(2.6)**	(2.4)	(2.8)
Pension contributions net of current service cost	**(12.4)**	(30.6)	(49.5)
Share based payments	**1.8**	1.6	2.5
Exceptional items	**-**	-	(6.3)
Cash flow in respect of exceptional items	**(1.5)**	-	(3.1)
Operating cash flows before movements in working capital	**67.3**	57.9	122.4
Decrease/(increase) in inventories	**2.4**	(6.2)	(12.7)
Increase in trade and other receivables	**(16.0)**	(21.3)	(0.1)
(Decrease)/increase in trade and other payables	**(17.3)**	1.6	17.1
Cash generated by operations	**36.4**	32.0	126.7
Income taxes paid	**(8.8)**	(7.4)	(12.0)
Interest paid	**(0.6)**	(0.7)	(1.6)
Net cash flow from operating activities	**27.0**	23.9	113.1
Investing activities:			
Interest received	**0.1**	0.1	0.3
Disposal of property, plant and equipment	**0.3**	0.3	0.9
Purchase of property, plant and equipment	**(15.7)**	(17.7)	(35.4)
Purchase of business	**-**	(4.1)	(4.1)
Acquisition of intangibles	**(0.6)**	(0.2)	(0.4)
Net cash flow from investing activities	**(15.9)**	(21.6)	(38.7)
Financing activities:			
Issue of shares	**0.3**	1.2	2.1
Dividends paid	**(58.7)**	(52.4)	(64.7)
Receipt of unclaimed dividends	**-**	-	0.2
Increase/(decrease) in borrowings	**44.2**	41.1	(0.3)
Net cash used in financing activities	**(14.2)**	(10.1)	(62.7)
Net (decrease)/increase in cash and cash equivalents	**(3.1)**	(7.8)	11.7
Cash and cash equivalents at beginning of period	**73.7**	64.5	64.5
Foreign exchange on cash and cash equivalents	**(0.8)**	(0.4)	(2.5)
Cash and cash equivalents at end of period	**69.8**	56.3	73.7

Condensed consolidated statement of changes in equity for the six months ended 30 June 2015

	Share capital $million	Share premium $million	Other reserves $million	Retained earnings $million	Total $million	Non-controlling interest $million	Total equity $million
At 1 January 2015	44.4	18.7	116.4	464.6	644.1	-	644.1
Profit for the period	-	-	-	52.1	52.1	-	52.1
Other comprehensive income:							
Exchange differences	-	-	(5.6)	-	(5.6)	-	(5.6)
Movement in cash flow hedges	-	-	1.0	-	1.0	-	1.0
Actuarial gain on pension scheme	-	-	-	36.1	36.1	-	36.1
Deferred tax adjustment on pension scheme deficit	-	-	-	(10.8)	(10.8)	-	(10.8)
Transactions with owners:							
Issue of shares	-	0.5	(0.2)	-	0.3	-	0.3
Share based payments	-	-	1.8	-	1.8	-	1.8
Dividends paid	-	-	-	(58.7)	(58.7)	-	(58.7)
Changes of ownership interests in subsidiaries							
Acquisition of non-controlling interest	-	-	-	-	-	-	-
At 30 June 2015	**44.4**	**19.2**	**113.4**	**483.3**	**660.3**	**-**	**660.3**

	Share capital $million	Share premium $million	Other reserves $million	Retained earnings $million	Total $million	Non-controlling interest $million	Total equity $million
At 1 January 2014	44.1	16.7	129.9	353.2	543.9	1.6	545.5
Profit for the period	-	-	-	58.9	58.9	-	58.9
Other comprehensive income:							
Exchange differences	-	-	(1.4)	-	(1.4)	-	(1.4)
Movement in cash flow hedges	-	-	0.4	-	0.4	-	0.4
Actuarial loss on pension scheme	-	-	-	(5.2)	(5.2)	-	(5.2)
Deferred tax adjustment on pension scheme deficit	-	-	-	1.6	1.6	-	1.6
Transactions with owners:							
Issue of shares	0.2	1.1	(0.1)	-	1.2	-	1.2
Share based payments	-	-	1.6	-	1.6	-	1.6
Dividends paid	-	-	-	(52.4)	(52.4)	-	(52.4)
Changes of ownership interests in subsidiaries							
Acquisition of non-controlling interest	-	-	-	-	-	(1.6)	(1.6)
At 30 June 2014	44.3	17.8	130.4	356.1	548.6	-	548.6

Notes to the interim financial statements for the six months ended 30 June 2015

1 General Information

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

2 Accounting policies

Basis of preparation

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 2014, except when new or revised accounting standards have been applied.

The following amendments to published standards and interpretations are effective for the Group for the half year ended 30 June 2015:

Defined Benefit Plan: Employee Contributions – Amendments to IAS 19
The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties.

The comparative figures for the financial year ended 31 December 2014 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.

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 2014.

3 Going concern

After making appropriate enquiries, the directors consider that the Group has adequate resources to remain in operational existence for the foreseeable future and have therefore continued to adopt the going concern basis for preparing the interim financial statements.

4 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 2015			Six months ended 30 June 2014			Year ended 31 December 2014		
	Gross	**Inter-segment**	**External**	Gross	Inter-segment	External	Gross	Inter-segment	External
	$million	**$million**	**$million**	$million	$million	$million	$million	$million	$million
Revenue									
Specialty Products	**244.1**	**-**	**244.1**	268.5	-	268.5	519.7	-	519.7
Surfactants	**29.7**	**-**	**29.7**	34.2	-	34.2	67.1	(0.2)	66.9
Chromium	**91.9**	**(5.3)**	**86.6**	103.2	(5.9)	97.3	216.5	(12.7)	203.8
	365.7	**(5.3)**	**360.4**	405.9	(5.9)	400.0	803.3	(12.9)	790.4

All revenues relate to the sale of goods

	2015 Six months ended 30 June $million	2014 Six months ended 30 June $million	2014 Year ended 31 December $million
Operating profit			
Specialty Products	**44.8**	52.6	100.1
Surfactants	**2.4**	3.2	8.2
Chromium	**27.0**	27.7	56.8
Central costs	**(5.6)**	(6.7)	(8.7)
	68.6	76.8	156.4
Other expenses	**(1.0)**	(1.1)	(1.9)
Finance income	**0.1**	0.1	0.3
Finance costs	**(2.4)**	(3.4)	(6.6)
Profit before tax	**65.3**	72.4	148.2

5 Finance income

	2015 Six months ended 30 June $million	2014 Six months ended 30 June $million	2014 Year ended 31 December $million
Interest on bank deposits	**0.1**	0.1	0.3

6 Finance costs

	2015 Six months ended 30 June $million	2014 Six months ended 30 June $million	2014 Year ended 31 December $million
Interest on bank loans	**0.7**	0.7	1.6
Unwind of discount on provisions	**0.7**	1.0	1.9
Pension and other post-retirement liabilities	**1.0**	1.7	3.1
	2.4	3.4	6.6

7 Tax

The provision for tax on profits of $13.2 million (2014: $13.5 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 21 per cent to 20 per cent.

8 Earnings per share

	2015 Six months ended 30 June $million	2014 Six months ended 30 June $million	2014 Year ended 31 December $million
Earnings for the purposes of basic earnings per share	**52.1**	58.9	175.4
Exceptional items net of tax	**-**	-	(59.8)
Adjusted earnings	**52.1**	58.9	115.6

	Number(m)	Number(m)	Number(m)
Weighted average number of shares for the purposes of basic earnings per share	**461.8**	460.0	460.7
Effect of dilutive share options	**4.5**	4.9	4.7
Weighted average number of shares for the purposes of diluted earnings per share	**466.3**	464.9	465.4

	2015 Six months ended 30 June cents	2014 Six months ended 30 June cents	2014 Year ended 31 December cents
Earnings per share:			
Basic	**11.3**	12.8	38.1
Diluted	**11.2**	12.7	37.7
Basic before exceptional items	**11.3**	12.8	25.1
Diluted before exceptional items	**11.2**	12.7	24.8

9 Dividends

The following dividends were declared and paid by the Group:

	2015 Six months ended 30 June $million	2014 Six months ended 30 June $million	2014 Year ended 31 December $million
Dividends paid on ordinary shares	**58.7**	52.4	64.7

An interim dividend of 2.70 cents per share (2014: 2.70 cents) has been declared by the Board of Directors and will be paid on 2 October 2015 to shareholders on the register at 11 September 2015. The interim dividend will be paid in sterling at an exchange rate of $1.5626:£1.00.

10 Pension

Valuations for IAS 19 purposes were conducted as of 30 June 2015. The valuation of the UK pension scheme used updated membership data that had been utilised during the triennial valuation as at 30 September 2014, which will form the basis of the revised funding agreement for the scheme and which is expected to be agreed by the end of 2015. The Group is reporting a net deficit on its combined retirement benefit obligations of $18.3 million at the end of June 2015, compared to balances of $78.0 million at the same time last year and $65.8 million at the end of December 2014.

11 Movement in net cash/(borrowings)

	2015 Six months ended 30 June $million	2014 Six months ended 30 June $million	2014 Year ended 31 December $million
Change in net cash/(borrowings) resulting from cash flows			
(Decrease)/increase in cash and cash equivalents	**(3.1)**	(7.8)	11.7
(Increase)/decrease in borrowings	**(44.2)**	(41.1)	0.9
	(47.3)	(48.9)	12.6
Currency translation differences	**(0.8)**	(0.2)	(2.5)
(Decrease)/increase in net cash	**(48.1)**	(49.1)	10.1
Net cash at beginning of period	**64.2**	54.1	54.1
Net cash at end of period	**16.1**	5.0	64.2

12 Financial risk management

The Group has exposure to the following financial risks:

- credit risk,
- liquidity risk,
- market risk.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group's Audit Committee, assisted by Internal Audit, oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. These interim financial statements do not include all the financial risk management information and disclosures that are required in the Annual report and accounts and should be read in conjunction with the financial statements for the year ended 31 December 2014. The Group's risk management policies have not changed since the year end.

The Group measures fair values in respect of financial instruments in accordance with IFRS 13, using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly or indirectly.

Level 3: Valuation techniques using significant unobservable inputs.

The Group categorises its trade and other receivables and payables, excluding derivatives, within level 3 and all other financial instruments, including cash, loans and derivatives within level 1. At both 30 June 2015 and 31 December 2014 there was no difference between the carrying value and fair value of financial instruments.

13 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. No contingent liability was considered to be reportable at 30 June 2015.

14 Post balance sheet event

On 26 July 2015 Elementis through its wholly owned subsidiary, American Chrome & Chemicals Inc, signed an agreement with Magellan Terminals Holdings L.P. ("Magellan") to sell approximately 110 acres of its 424 acre site in Corpus Christi, Texas, for a cash consideration of $25 million. Net proceeds, after taxes, will be approximately $15 million. In addition, Magellan will pay American Chrome & Chemicals Inc $1 million per annum over a ten year period for access and related rights in relation to other land on the same site.

- ENDS -