02 August 2016

ELEMENTIS plc

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

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 2016.

HIGHLIGHTS

- Results in line with recent trading update.
- Continued progress in leveraging strong market positions, geographic diversity and developing innovative products.
- Robust performance in Specialty Products, underpinned by coatings and personal care.
  - Adjusted operating margin stable at 18 per cent.
  - Coatings sales up 1 per cent*.
    - North American decorative coatings sales up 11 per cent.
    - Sales in Asia Pacific up 1 per cent* - China up 6 per cent*.
    - European coatings sales up 3 per cent*.
  - Personal care sales up 7 per cent*.
  - Oilfield revenues down 26 per cent.
    - More stable since first half of 2015.
- Chromium sales down 11 per cent.
  - North American business stable.
  - Export sales impacted by strong US dollar.
- Net balance sheet cash position increased to $37.5 million.
  - Year end net cash balance expected to be ahead of previous year.
- Interim dividend maintained at 2.70 cents.
- Management expectations for the full year unchanged.

* constant currency

FINANCIAL SUMMARY

	2016	2015
Sales	**$334.0m**	$360.4m
Adjusted operating profit	**$50.7m**	$68.6m
Adjusted operating margin	**15%**	19%
Profit before tax	**$44.7m**	$65.3m
Diluted adjusted earnings per share	**8.4c**	11.2c
Net cash	**$37.5m**	$16.1m
Interim dividend to shareholders	**2.70c**	2.70c
Basic earnings per share	**7.9c**	11.3c

Adjusted performance measures are explained on page 8

Commenting on the results, Group Chief Executive, Paul Waterman said:

“In my first six months as Chief Executive of Elementis I have been impressed by the quality of our people, their dedication to safe, reliable operations and their enthusiasm to provide high quality products and services to our customers. The leadership team has been reorganised into a flatter structure that will support improved engagement, faster decision making and better execution. Our headline first half results are somewhat overshadowed by the market downturn in oilfield drilling and the impact of the dollar on Chromium sales outside of North America.

However, many of our core strengths, in terms of market position, growth opportunities and margin stability, remain firmly in evidence.

Specialty Products is a high quality business offering distinctive, value adding products and outstanding technical support to its customers. The operating margin stability that is evident in the first half results is an important indicator of the strong market positions and sustainability of this business. Going forward we will focus our attention in a few key areas of the business that have the greatest potential to deliver medium term growth. These include accelerating our innovation pipeline, a more structured approach to key account management, opportunities to further enhance our extensive geographic position in coatings and a review of how we can better resource the many growth opportunities we have in personal care.

Our strategy for the Chromium business has been well founded, focussing on our structurally advantaged North American business. The recent sharp changes in currencies have highlighted the risks associated with the ROW market and we will continue to seek ways to mitigate this impact.

Overall, I am excited to be leading a high quality company like Elementis. Its combination of strong market positions, loyal customers and consistent, material cash generation provide the perfect platform to deliver profitable growth and attractive returns to our shareholders."

– ENDS –

Enquiries

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Chairman's statement

While the overall environment remains challenging, the first six months of 2016 have shown a return to stability in a number of our key markets. In Specialty Products, sales into the oilfield sector have recently been more stable and coatings sales in China appear to have returned to growth following the destocking that took place in the first half of 2015. This has allowed our core strengths to become more apparent, with good growth evident in personal care, decorative coatings and new products. Our Chromium sales outside of North America have been impacted by a stronger dollar, but our business in North America continues to demonstrate a good degree of stability. Our new executive team, led by Paul Waterman, will be fully in place by the end of the year and will focus on leveraging these core strengths to generate profitable growth.

Financial results

Sales in the period were $334.0 million, compared to $360.4 million in the same period last year, which is a reduction of 7 per cent, or 6 per cent excluding currency movements. Group adjusted operating profit was $50.7 million, compared to $68.6 million in the first six months of last year, representing a reduction of 26 per cent, or 25 per cent excluding currency movements. Diluted adjusted earnings per share in the period was 8.4 cents compared to 11.2 cents. The Group is reporting adjusting items in the period of $3.6 million (2015: $nil), before tax. Further details are included in the Finance report. Consequently, profit before tax was $44.7 million (2015: $65.3 million) and basic earnings per share for the period was 7.9 cents, compared to 11.3 cents in the same period last year.

Balance sheet

The Group's balance sheet continues to be strong, with the net cash balance increasing to $37.5 million at 30 June 2016, from $16.1 million at the same time last year. Improvements in working capital and lower pension payments made positive contributions to the net cash balance. The latter is a direct consequence of the good progress the Group is making in addressing its pension deficits which, despite a volatile market environment, continue to show improvement.

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 30 September 2016, in pounds sterling at an exchange rate of $1.3147:£1.00 (equivalent to a sterling amount of 2.0537 pence per share), to shareholders on the register on 9 September 2016.

Health, safety and environment

In this important aspect of our business I am pleased to report that our overall performance continues to be of a high standard compared to the industry. However, we also recognise that continuous improvement and an ultimate goal of zero incidents are absolutely essential to our philosophy. As regulators around the world rightly demand ever increasing engagement in this area, we will continue to be cooperative and proactive, while striving always to exceed their expectations.

People

I am delighted to have our new executive team in place. We announced on 27 June 2016 the appointment of Ralph Hewins as CFO-Designate to succeed Brian Taylorson when he steps down from the role. We will make a further announcement to confirm when these changes will take place in due course. In addition, our progress is, in no small part, due to the continued efforts and talents of our employees and, on behalf of the Board, I would like to give them my sincere thanks.

Outlook

While the general economic environment remains challenging, the Board is confident that Elementis has attractive underlying growth prospects in its core markets, technologies and customer relationships. Our new executive team is fully engaged in prioritising these opportunities in order to deliver profitable medium term growth to our shareholders. We look forward to providing further updates on how this will be achieved in the coming months, including a London based capital markets day in November 2016.

Andrew Duff
Chairman
2 August 2016

Business review

Group Chief Executive's report

In my first six months as Chief Executive of Elementis I have been impressed by the quality of our people, their dedication to safe, reliable operations and their enthusiasm to provide high quality products and services to our customers. I am working closely with my senior team to deliver sustainable profitable growth to our shareholders and have already taken action to reorganise the leadership team into a flatter structure that will support improved engagement, faster decision making and better execution.

Specialty Products is a high quality business offering distinctive products to customers in three different markets: coatings, personal care and oilfield drilling. In 2015 the downturn in North American oilfield activity and what now appears to have been a short term de-stocking in the China coatings market, have overshadowed the underlying growth potential of the Specialty Products business.

I am pleased to report that coatings delivered good sales growth in North American decorative applications, Europe and China in the first six months of 2016. Our coatings operations are truly global, serving major customers around the world. Going forward, we will implement a more structured, systematic approach to key account management to deliver additional growth and a more valuable service to our customers.

Personal care provides high value, differentiated rheology modifiers to customers in the cosmetics, hair and skin care markets, based on our proprietary hectorite and technical know how. It delivered impressive sales and margin growth in the first half of 2016, based on a combination of new product offerings, innovation and geographic expansion. A great deal has been achieved with a relatively small but high quality team and we plan to devote additional resources to fully leverage its obvious growth potential.

In terms of both customer loyalty and contribution margins, oilfield drilling has shown remarkable stability since the market downturn in 2015. This demonstrates the underlying value of the products we provide and, going forward, I am confident that this business will return to delivering valuable growth, once demand in the oil and gas sector returns.

The Surfactants business has been challenging in the first half of 2016 as key end market demand was lower than expected. Our strategy has been to reduce our activities in this area over time in order to utilise the Delden facility for more value added products. We will continue to explore ways of accelerating this process in order to maximise the value of this business while, at the same time, managing the cost base to reflect the current mix of sales.

Our strategy for the Chromium business has been well founded, focussing on our structurally advantaged North American business. The recent sharp changes in currencies have highlighted the risks associated with the ROW market and we will continue to seek ways to mitigate this impact.

I am excited to be leading a high quality company like Elementis. Its combination of strong market positions, loyal customers and consistent, material cash generation provide the perfect platform to deliver profitable growth and attractive returns to our shareholders.

Specialty Products

Sales in Specialty Products for the first half of 2016 were $237.4 million, compared to $244.1 million in the same period last year, representing a decrease of 3 per cent, or 1 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 3 per cent higher volumes as the business benefited from a return to growth in China and the ongoing introduction of new decorative products in North America. Coatings sales to the Asia Pacific region improved by 1 per cent compared to the previous year, with sales in China improving by 6 per cent. In Europe, coatings sales were 3 per cent higher than the same period last year as the business continued to leverage its strong customer base and new decorative products to deliver growth in an economic environment that continues to be lacklustre. In North America, sales in decorative coatings continued to make good progress based on the new product range produced at the recently built New Martinsville plant, with sales 11 per cent higher than the previous year. Customer demand in industrial coatings continued to be influenced by the effect of the strong dollar on US exports. Hence sales were 5 per cent lower in the period. In Latin America, which is our smallest region accounting for less than 5 per cent of coatings sales, the weak economic environment, particularly in Brazil, remains the most significant influence and resulted in sales being 8 per cent lower.

In personal care, sales improved by 7 per cent as the business made excellent progress in new product and geographic growth. New product sales benefited from the recently launched Meadowderm®, a new skin cream additive with anti-ageing properties. Geographic sales were particularly strong in Asia Pacific, where additional commercial resources have been introduced, and in Europe, where the business benefited from our strong, well established customer relationships.

In oilfield drilling, where there was a significant downturn in sales during the first quarter of 2015 due to the well-publicised reduction in North American drilling activity, sales were more stable during the first six months of 2016. With the first quarter of 2015 being a difficult comparator period, sales volumes for the first six months of 2016 were 20 per cent lower than the previous year. However, volumes in the second quarter were only 6 per cent lower and recent improvements in the North America rig count data provide further evidence that the market is at least stabilising.

Adjusted operating profit for the first six months of 2016 was $41.8 million, compared to $44.8 million in the previous year, representing a reduction of 7 per cent, or 5 per cent excluding currency movements. Lower oilfield sales reduced operating profit by approximately 7 per cent and were therefore the main influence when comparing the two periods. Adjusted operating margin for the period was 17.6 per cent, compared to 18.4 per cent in the previous period, and contribution margins improved from 45.1 per cent to 47.2 per cent in the current period, indicating that overall pricing and market shares remained stable.

Surfactants
Consistent with the Group's strategy to reduce sales of surfactants over time and utilise more of the Delden, Netherlands, facility for the Specialty Products business, sales in the first six months of 2016 were 27 per cent lower than the same period last year, or 26 per cent lower excluding currency movements. The decline in sales was, however, exacerbated by weaker demand in textile, leather and oilfield production applications resulting in a lower operating profit for the period. The adjusted operating result for the period was a modest loss of $0.2 million, compared to a profit of $2.4 million in the previous period.

Chromium
Sales in Chromium for the first six months of the year were $82.2 million compared to $91.9 million in the previous year, with the reduction taking place primarily outside of North America. Sales in North America were at the same level as the previous year. Significant weakness in currencies outside of North America against the US dollar resulted in overall pricing declining by 6 per cent and volumes by 5 per cent, as competitive pressures on both price and volume intensified. This was most prominent in non-US dollar economies, whilst sales in North America were relatively stable in the period.

Adjusted operating profit for the first six months of the year was $14.5 million compared to $27.0 million in the previous year. Last year's result included one-time items totalling approximately $3.0 million, mostly due to the resolution of a legacy legal case. Hence, excluding this, operating profit was $9.5 million lower than the previous year, primarily due to the changes in pricing and volumes. While these changes were more prominent outside of North America, the export business nevertheless continued to make a positive contribution to the Group.

Paul Waterman
Group Chief Executive
2 August 2016

Finance report

Revenue for the six months ended 30 June	Revenue 2015 $million	Effect of exchange rates $million	Decrease 2016 $million	**Revenue 2016 $million**
Specialty Products	244.1	(4.8)	(1.9)	**237.4**
Chromium	91.9	-	(9.7)	**82.2**
Surfactants	29.7	(0.3)	(7.6)	**21.8**
Inter-segment	(5.3)	-	(2.1)	**(7.4)**
	360.4	(5.1)	(21.3)	**334.0**

Adjusted operating profit for the six months ended 30 June	Adjusted operating profit* 2015 $million	Effect of exchange rates $million	(Decrease)/ increase 2016 $million	**Adjusted operating profit* 2016 $million**
Specialty Products	**44.8**	(0.6)	(2.4)	**41.8**
Chromium	**27.0**	**-**	(12.5)	**14.5**
Surfactants	**2.4**	-	(2.6)	**(0.2)**
Central costs	**(5.6)**	(0.6)	0.8	**(5.4)**
	68.6	(1.2)	(16.7)	**50.7**

***** Adjusted performance measures are explained on page 8

Group results

Group sales for the first six months of 2016 was $334.0 million, compared to $360.4 million in the same period last year, representing a decrease of 7 per cent, or 6 per cent excluding currency movements. Lower sales in Chromium outside of North America, Surfactants and oilfield drilling in Specialty Products were the main contributors to the reduction, while good growth was evident in the key coatings markets and personal care. Group adjusted operating profit was $50.7 million, compared to $68.6 million in the same period last year, which is a reduction of 26 per cent, or 25 per cent excluding currency movements. Lower operating profit was primarily the result of lower sales, plus some 2015 one time income items in Chromium.

The Group continues to enter into hedging transactions in order to reduce the impact of currency movements on earnings. In 2016 these transactions added a cost of $1.8 million (2015: income of $1.3 million) to the Specialty Products business.

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 2016 were slightly lower at $5.4 million, compared to $5.6 million in the same period last year. Reduced costs relating to self-insured risks and executive pensions were partly offset by currency movements.

Adjusting items

In calculating the profitability measures by which management assesses the performance of the Group a number of items are excluded from operating profit as reported in accordance with IFRS. The Board believes that the adjusted measures assist shareholders in better understanding the underlying performance of the business. These excluded items were previously reported as non-recurring items.

	2016 Six months ended 30 June $million	2015 Six months ended 30 June $million	2015 Year ended 31 December $million
Reported operating profit	**47.1**	68.6	128.1
Adjusting items:			
Land sale	**-**	-	(17.0)
Restructuring	**1.7**	-	4.2
Business review	**1.9**	-	-
Other	**-**	-	7.2
Net adjusting items	**3.6**	-	(5.6)
Adjusted operating profit	**50.7**	68.6	122.5

Adjusted operating margin is the ratio of Adjusted operating profit to sales. Contribution margin is defined as sales less all variable costs, divided by sales, expressed as a percentage and is unaffected by the adjusting items recorded above.

In 2015 the Group took actions to reduce the workforce and commenced reorganising its management structure including the recruitment of a new Group Chief Executive. This restructuring has continued into 2016 with the recruitment of a new Chief Financial Officer and reorganisation of the leadership team. Costs associated with this exercise are $1.7m to 30 June 2016. In the first half of 2016 a business review was undertaken by a third party to support development of the long term strategy for Elementis. The one time cost of this exercise was $1.9m.

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 $0.8 million in the period compared to $1.0 million in the previous year.

Net finance costs

	30 June 2016 $million	30 June 2015 $million
Finance income	**0.1**	0.1
Finance cost of borrowings	**(0.6)**	(0.7)
	(0.5)	(0.6)
Net pension finance expense	**(0.4)**	(1.0)
Discount on provisions	**(0.7)**	(0.7)
	(1.6)	(2.3)

Net finance costs for the first six months of the year were $0.7 million lower at $1.6 million. Net interest costs were slightly lower than the same period last year at $0.5 million and consist mostly of amortised fees on the Group’s borrowing facilities. Net pension finance costs in the period were $0.6 million lower at $0.4 million, in line with the decline in the Group’s net IAS 19 pension deficit. Discount on provisions relates to the time value cost of certain environmental provisions, which are calculated on a discounted cash flow basis. The charge for the period was equivalent to the same period last year, as there were no material changes in the forecast cash flows or discount rates.

Tax
The provision for tax on profits excluding adjusting items was $9.3 million, or 19.3 per cent, in the first half of 2016 (2015: $13.2 million, or 20.2 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 estimated rate for the full year is 18.5 per cent including $2.2 million of prior year adjustments. The rate is sensitive to the mix of profits from different jurisdictions. The inclusion of a tax credit of $1.0m on adjusting items results in a reported tax charge for the period of $8.3 million (2015: $13.2 million).

Earnings per share
Basic and diluted adjusted earnings per share for the first half of 2016, calculated on the adjusted earnings of $39.0 million (2015: $52.1 million), were both 8.4 cents compared to 11.3 cents and 11.2 cents respectively in the same period last year.

Cash flow
Cash flow is summarised below:

	30 June 2016 $million	30 June 2015 $million
Profit before interest, tax, exceptionals, depreciation and amortisation (EBITDA)	**64.7**	82.0
Change in working capital	**(10.6)**	(30.9)
Capital expenditure	**(15.7)**	(16.0)
Other	**(0.2)**	(0.8)
Operational cash flow	**38.2**	34.3
Pension deficit payments	**(3.1)**	(12.4)
Interest and tax	**(3.2)**	(9.3)
Other	**(3.8)**	(1.2)
Free cash flow	**28.1**	11.4
Dividends	**(63.7)**	(58.7)
Currency fluctuations	**(0.9)**	(0.8)
Movement in net cash	**(36.5)**	(48.1)
Net cash at start of period	**74.0**	64.2
Net cash at end of period	**37.5**	16.1

Net cash expended in the first six months of 2016 was $11.6 million lower than the same period last year, at $36.5 million. EBITDA in the period was $17.3 million lower, in line with the changes in operating profit, while working capital outflows were $20.3 million lower than the same period last year. This reduction in working capital flows was largely a result of lower sales in Chromium and lower chrome ore purchases in the period. In addition, customer and supplier payment patterns towards the end of 2015 were more favourable than at the same time in the previous year. Capital expenditure in the period was $0.3 million lower than the previous year at $15.7 million. Of this, spending in Specialty Products was $7.1 million, compared to $6.7 million in the previous year, and included growth investments in product expansions in Asia Pacific, enhancements to the New Martinsville facility and R&D. Capital spending for the year as a whole is expected to be approximately $30 million (2015: $31.3 million). Pension deficit payments in the period were $9.3 million lower than the previous year, at $3.1 million, due to lower requirements from the most recent UK funding agreement as a result of progressive improvements in the UK plan deficit. Total contributions for the year as a whole are expected to be below $10.0 million. Interest and tax payments in the period were $6.1 million lower than the previous year, mostly due to lower tax payments in the US as a result of lower Chromium earnings. Dividend payments were $63.7 million compared to $58.7 million in the first six months of 2015, with the increase being the result of an increase in the special dividend for 2015, as announced in March 2016. Overall, the Group had a net cash position on its balance sheet of $37.5 million at the end of the period.

Working capital

Working capital days	**30 June 2016**	30 June 2015	31 December 2015
Inventory	**102**	95	93
Debtors	**53**	56	50
Creditors	**61**	63	55
Average working capital to sales (per cent)	**24.7**	22.2	24.8

Total working capital for the Group was $22.6 million lower at the end of June 2016 than at the same time last year. Debtor days showed an improving trend at 53 days, compared to 56 days last year, more than offsetting a minor decrease in creditor days from 63 days to 61 days. Inventory levels were $8.2 million lower compared to the end of June 2015. However, structural changes in inventory holdings, caused by lower sales in Chromium and oilfield drilling, resulted in a higher level of inventory days between the two reporting dates. This is being addressed by lowering certain strategic levels of raw materials. Average working capital levels were relatively stable in the period at 24.7 per cent, but higher than at the same time last year for the same reason.

Balance sheet

	30 June 2016 $million	30 June 2015 $million
Property, plant and equipment	**213.7**	**213.4**
Other net assets	**376.4**	**430.8**
Net cash	**37.5**	**16.1**
Equity	**627.6**	**660.3**

Property, plant and equipment increased by $0.3 million compared to the previous period end with net capital spending of $27.6 million exceeding depreciation of $24.2m and the impact of FX movements. Other net assets reduced by $54.4 million due mainly to working capital being $22.6 million lower, overall tax balances reducing by $16.4 million and a net decline in pensions and provisions liabilities of $10.3 million. Equity decreased by $32.7 million as a result of profit for the intervening period of $79.6 million offset by dividends paid of $76.1 million, actuarial losses net of tax of $9.3 million and negative exchange movements of $23.7 million.

The main dollar currency exchange rates in the period were:

	2016 30 June	**2016 Average**	2015 30 June	2015 Average
Sterling	**0.75**	**0.69**	0.64	0.65
Euro	**0.90**	**0.90**	0.90	0.89

Pensions and post retirement plans

	UK $million	US/Other $million	**Total $million**
Movement in net deficit			
Net asset/(deficit) in schemes at 1 January 2016	6.7	(35.7)	(29.0)
Current service cost	(0.4)	(0.3)	(0.7)
Contributions	3.3	0.5	3.8
Administration costs	(0.5)	(0.2)	(0.7)
Net interest expense	0.2	(0.7)	(0.5)
Actuarial gain	12.8	(8.5)	4.3
Currency translation differences	(2.0)	0.2	(1.8)
Net asset/(deficit) in schemes at 30 June 2016	**20.1**	**(44.7)**	**(24.6)**

During the period the deficit, under IAS 19, on the Group's pension and post retirement medical plans improved by $4.4 million to $24.6 million. The improvement was achieved in spite of real corporate bond yields in both the UK and US falling by approximately 70 basis points. The negative impact of lower bonds yields was offset in the UK Scheme by a significant amount of interest rate hedging that forms a key part of the investment strategy. As a result the UK assets had an annualised return of 25 per cent (2015: 0.4 per cent) for the first half of the year, while the liabilities increased by 22 per cent (2015: decreased by 7 per cent) on the same basis. The US plans, which represent approximately 17 per cent of total liabilities, have less interest rate protection and therefore the deficit increased during the period. The net impact is represented by the actuarial gain of $4.3 million (2015: $36.1 million) shown in the above table. Contributions in the period totalled $3.8 million (2015: $13.2 million) and were mostly made to the UK plan. Included in this amount was $0.7 million (2015: $0.8 million) to fund current service costs and $3.1 million (2015: $12.4 million) for deficit reduction. Deficit contributions are lower than for the same period last year due to revisions to the UK funding plan, which were made following completion of the last triennial valuation, as of 30 September 2014. The new plan reflected the fact that the deficit at that date showed significant improvement.

Cautionary statement

The Elementis plc interim results announcement for the half year ended 30 June 2016, 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 2016, 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 2016) (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 2015 Annual report and accounts on page 89.

Directors' responsibility statement

A full list of the directors can be found on the Elementis corporate website at: www.elementisplc.com.

The directors confirm that to the best of their knowledge:

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

- the Condensed set of Consolidated Financial Statements, which has been prepared in accordance with the applicable set of accounting standards, gives a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer, or the undertakings included in the consolidation as a whole as required by DTR 4.2.4R; and

- 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 2015 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 2 August 2016 and signed on its behalf by:

Paul Waterman Group Chief Executive 2 August 2016	Brian Taylorson Chief Financial Officer 2 August 2016

INDEPENDENT REVIEW REPORT TO ELEMENTIS PLC

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 2016 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 notes 1 to 14. 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 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. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review 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 formed.

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 Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this Half yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

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 United Kingdom. A review of interim financial information consists of making inquiries, 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 2016 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
2 August 2016

Condensed consolidated income statement for the six months ended 30 June 2016

	Note	**2016 Six months ended 30 June $million**	2015 Six months ended 30 June $million	2015 Year ended 31 December $million
Revenue	4	**334.0**	360.4	678.8
Cost of sales		**(211.1)**	(220.5)	(418.8)
Gross profit		**122.9**	139.9	260.0
Distribution costs		**(39.5)**	(45.5)	(85.8)
Administrative expenses		**(36.3)**	(25.8)	(63.1)
Profit on property disposal		**-**	-	17.0
Operating profit	4	**47.1**	68.6	128.1
Other expenses		**(0.8)**	(1.0)	(2.1)
Finance income	5	**0.1**	0.1	0.2
Finance costs	6	**(1.7)**	(2.4)	(4.4)
Profit before income tax	4	**44.7**	65.3	121.8
Tax	7	**(8.3)**	(13.2)	(26.5)
Profit for the period		**36.4**	52.1	95.3
Attributable to equity holders of the parent		**36.4**	52.1	95.3
Earnings per share				
Basic (cents)	8	**7.9**	11.3	20.6
Diluted (cents)	8	**7.8**	11.2	20.4

Condensed consolidated statement of comprehensive income for the six months ended 30 June 2016

	2016 Six months ended 30 June $million	2015 Six months ended 30 June $million	2015 Year ended 31 December $million
Profit for the period	**36.4**	**52.1**	95.3
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gain on pension and other post retirement schemes	**4.3**	**36.1**	17.4
Deferred tax associated with pension and other post retirement schemes	**0.9**	**(10.8)**	(6.6)
	5.2	**25.3**	10.8
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	**(7.6)**	**(5.6)**	(21.7)
Effective portion of changes in fair value of cash flow hedges	**(2.9)**	**1.1**	(0.9)
Fair value of cash flow hedges transferred to income statement	**0.9**	**(0.1)**	(0.1)
	(9.6)	**(4.6)**	(22.7)
Other comprehensive income, net of tax	**(4.4)**	**20.7**	(11.9)
Total comprehensive income for the period	**32.0**	**72.8**	83.4
Attributable to:			
Equity holders of the parent	**32.0**	**72.8**	83.4
Total comprehensive income for the period	**32.0**	**72.8**	83.4

Condensed consolidated balance sheet
at 30 June 2016

	2016 30 June $million	2015 30 June $million	2015 31 December $million
Non-current assets			
Goodwill and other intangible assets	**364.5**	369.6	362.5
Property, plant and equipment	**213.7**	213.4	211.2
ACT recoverable	**26.4**	42.0	34.0
Deferred tax assets	**13.9**	1.6	14.2
Employee retirement benefits	**20.1**	13.4	6.7
Total non-current assets	**638.6**	640.0	628.6
Current assets			
Inventories	**126.3**	134.5	119.5
Trade and other receivables	**120.7**	135.9	103.8
Derivatives	**-**	1.8	-
Cash and cash equivalents	**56.3**	69.8	79.1
Total current assets	**303.3**	342.0	302.4
Total assets	**941.9**	982.0	931.0
Current liabilities			
Bank overdrafts and loans	**(3.7)**	(13.4)	(5.1)
Trade and other payables	**(98.1)**	(103.8)	(79.9)
Derivatives	**(3.2)**	(0.1)	(0.3)
Current tax liabilities	**(2.8)**	(5.2)	(0.6)
Provisions	**(9.3)**	(6.7)	(9.5)
Total current liabilities	**(117.1)**	(129.2)	(95.4)
Non-current liabilities			
Loans and borrowings	**(15.1)**	(40.3)	-
Employee retirement benefits	**(44.7)**	(31.7)	(35.7)
Deferred tax liabilities	**(111.2)**	(95.7)	(113.0)
Provisions	**(26.2)**	(24.8)	(28.9)
Total non-current liabilities	**(197.2)**	(192.5)	(177.6)
Total liabilities	**(313.4)**	(321.7)	(273.0)
Net assets	**627.6**	660.3	658.0
Equity			
Share capital	**44.4**	44.4	44.4
Share premium	**20.7**	19.2	20.2
Other reserves	**84.6**	113.4	93.0
Retained earnings	**477.9**	483.3	500.4
Equity attributable to equity holders of the parent	**627.6**	660.3	658.0
Total equity and reserves	**627.6**	660.3	658.0

Condensed consolidated cash flow statement
for the six months ended 30 June 2016

	2016 Six months ended 30 June $million	2015 Six months ended 30 June $million	2015 Year ended 31 December $million
Operating activities:			
Profit for the period	**36.4**	52.1	95.3
Adjustments for:			
Other expenses	**0.8**	1.0	2.1
Finance income	**(0.1)**	(0.1)	(0.2)
Finance costs	**1.7**	2.4	4.4
Tax	**8.3**	13.2	26.5
Depreciation and amortisation	**14.0**	13.4	26.9
Decrease in provisions	**(1.2)**	(2.6)	(5.0)
Pension contributions net of current service cost	**(3.1)**	(12.4)	(22.8)
Share based payments	**1.0**	1.8	2.1
Adjusting items	**3.6**	-	(5.6)
Cash flow in respect of adjusting items	**(3.9)**	(1.5)	(7.7)
Operating cash flows before movements in working capital	**57.5**	67.3	116.0
(Increase)/decrease in inventories	**(7.8)**	2.4	14.7
(Increase)/decrease in trade and other receivables	**(19.8)**	(16.0)	11.8
Increase/(decrease) in trade and other payables	**17.1**	(17.3)	(39.4)
Cash generated by operations	**47.0**	36.4	103.1
Income taxes paid	**(2.8)**	(8.8)	(12.7)
Interest paid	**(0.5)**	(0.6)	(1.2)
Net cash flow from operating activities	**43.7**	27.0	89.2
Investing activities:			
Interest received	**0.1**	0.1	0.2
Disposal of property, plant and equipment	**0.1**	0.3	24.0
Purchase of property, plant and equipment	**(14.4)**	(15.7)	(30.3)
Acquisition of intangibles	**(1.4)**	(0.6)	(1.1)
Net cash flow from investing activities	**(15.6)**	(15.9)	(7.2)
Financing activities:			
Issue of shares	**0.5**	0.3	1.4
Dividends paid	**(63.7)**	(58.7)	(71.1)
Purchase of shares by the ESOT	**(0.4)**	-	(0.6)
Increase/(decrease) in borrowings	**13.7**	44.2	(3.9)
Net cash used in financing activities	**(49.9)**	(14.2)	(74.2)
Net (decrease)/increase in cash and cash equivalents	**(21.8)**	(3.1)	7.8
Cash and cash equivalents at beginning of period	**79.1**	73.7	73.7
Foreign exchange on cash and cash equivalents	**(1.0)**	(0.8)	(2.4)
Cash and cash equivalents at end of period	**56.3**	69.8	79.1

Condensed consolidated statement of changes in equity for the six months ended 30 June 2016

	Share capital $million	Share premium $million	Other reserves $million	Retained earnings $million	Total equity $million
At 1 January 2016	44.4	20.2	93.0	500.4	658.0
Profit for the period	-	-	-	36.4	36.4
Other comprehensive income:					
Exchange differences	-	-	(7.6)	-	(7.6)
Movement in cash flow hedges	-	-	(2.0)	-	(2.0)
Actuarial gain on pension scheme	-	-	-	4.3	4.3
Deferred tax adjustment on pension scheme deficit	-	-	-	0.9	0.9
Transactions with owners:					
Issue of shares	-	0.5	-	-	0.5
Purchase of shares				(0.4)	(0.4)
Share based payments	-	-	1.2	-	1.2
Dividends paid	-	-	-	(63.7)	(63.7)
At 30 June 2016	**44.4**	**20.7**	**84.6**	**477.9**	**627.6**

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

Notes to the interim financial statements for the six months ended 30 June 2016

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 2015, except when new or revised accounting standards have been applied.

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 2015.

The information for the year ended 31 December 2015 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor’s report on those accounts was not qualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

3 Going concern

The directors have assessed the Group as a going concern, having given consideration to its business plans and financial forecasts, as well as to the risks and material uncertainties to the Group's trading performance arising therefrom. The Group is in a net cash position at the end of 30 June 2016 and has facilities available in excess of $100 million.

The directors are satisfied that, after considering all of the above, the Group has adequate resources to remain in operational existence for the foreseeable future, that it is appropriate for the Group to adopt the going concern basis of accounting in preparing these interim financial statements, and that there are no material uncertainties to the ability of the Group and Company to continue to do so over a period of at least twelve months from the date of approval of 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 2016			Six months ended 30 June 2015			Year ended 31 December 2015		
	Gross $million	**Inter-segment $million**	**External $million**	Gross $million	Inter-segment $million	External $million	Gross $million	Inter-segment $million	External $million
Revenue									
Specialty Products	**237.4**	**-**	**237.4**	244.1	-	244.1	453.2	(0.1)	453.1
Surfactants	**21.8**	**-**	**21.8**	29.7	-	29.7	53.8	-	53.8
Chromium	**82.2**	**(7.4)**	**74.8**	91.9	(5.3)	86.6	182.7	(10.8)	171.9
	341.4	**(7.4)**	**334.0**	365.7	(5.3)	360.4	689.7	(10.9)	678.8

All revenues relate to the sale of goods

	2016 Six months ended 30 June $million	2015 Six months ended 30 June $million	2015 Year ended 31 December $million
Adjusted operating profit			
Specialty Products	**41.8**	44.8	80.0
Surfactants	**(0.2)**	2.4	4.5
Chromium	**14.5**	27.0	48.9
Central costs	**(5.4)**	(5.6)	(10.9)
	50.7	68.6	122.5
Adjusting items	**(3.6)**	-	5.6
Operating profit	**47.1**	68.6	128.1
Other expenses	**(0.8)**	(1.0)	(2.1)
Finance income	**0.1**	0.1	0.2
Finance costs	**(1.7)**	(2.4)	(4.4)
Profit before tax	**44.7**	65.3	121.8

5 Finance income

	2016 Six months ended 30 June $million	2015 Six months ended 30 June $million	2015 Year ended 31 December $million
Interest on bank deposits	**0.1**	0.1	0.2

6 Finance costs

	2016 Six months ended 30 June $million	2015 Six months ended 30 June $million	2015 Year ended 31 December $million
Interest on bank loans	**0.6**	0.7	1.2
Unwind of discount on provisions	**0.7**	0.7	1.4
Pension and other post-retirement liabilities	**0.4**	1.0	1.8
	1.7	2.4	4.4

7 Tax

The provision for tax on profits of $8.3 million, or 18.6 per cent (2015: $13.2 million, or 20.2 per cent) is based on the likely tax charge in those jurisdictions where profits arise. Within this figure is a tax credit of $1.0m in respect of adjusting items.

8 Earnings per share

	2016 Six months ended 30 June $million	2015 Six months ended 30 June $million	2015 Year ended 31 December $million
Earnings for the purposes of basic earnings per share	**36.4**	52.1	95.3
Adjusting items net of tax	**2.6**	-	1.6
Adjusted earnings	**39.0**	52.1	96.9

	Number(m)	Number(m)	Number(m)
Weighted average number of shares for the purposes of basic earnings per share	**463.1**	461.8	462.2
Effect of dilutive share options	**2.6**	4.5	4.0
Weighted average number of shares for the purposes of diluted earnings per share	**465.7**	466.3	466.2

	2016 Six months ended 30 June cents	2015 Six months ended 30 June cents	2015 Year ended 31 December cents
Earnings per share:			
Basic	**7.9**	11.3	20.6
Diluted	**7.8**	11.2	20.4
Adjusted earnings per share:			
Basic	**8.4**	11.3	21.0
Diluted	**8.4**	11.2	20.8

9 Dividends

The following dividends were declared and paid by the Group:

	2016 Six months ended 30 June $million	2015 Six months ended 30 June $million	2015 Year ended 31 December $million
Dividends paid on ordinary shares	**63.7**	58.7	71.1

An interim dividend of 2.70 cents per share (2015: 2.70 cents) has been declared by the Board of Directors and will be paid on 30 September 2016 to shareholders on the register at 9 September 2016. The interim dividend will be paid in sterling at an exchange rate of $1.3147:£1.00.

10 Pension

Valuations for IAS 19 purposes were conducted as of 30 June 2016. The Group is reporting a deficit on its combined retirement benefit obligations of $24.6 million at the end of June 2016, compared to balances of $18.3 million at the same time last year and $29.0 million at the end of December 2015. Additional commentary is included on page 11.

11 Movement in net cash/(borrowings)

	2016 Six months ended 30 June $million	2015 Six months ended 30 June $million	2015 Year ended 31 December $million
Change in net cash/(borrowings) resulting from cash flows			
(Decrease)/increase in cash and cash equivalents	**(21.8)**	(3.1)	7.8
(Increase)/decrease in borrowings	**(13.7)**	(44.2)	3.9
	(35.5)	(47.3)	11.7
Currency translation differences	**(1.0)**	(0.8)	(1.9)
(Decrease)/increase in net cash	**(36.5)**	(48.1)	9.8
Net cash at beginning of period	**74.0**	64.2	64.2
Net cash at end of period	**37.5**	16.1	74.0

12 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 leadership 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 and competitive pressure in the marketplace (including from currency movement); growth opportunities (including acquisitions) and product innovation may not materialise; business interruption caused by supply chain failure of key raw materials; major regulatory enforcement action, litigation and/or other claims arising from products and/or historical and ongoing operations; increased regulation/technological obsolescence; business interruption caused by a major event or natural catastrophe (e.g. operations/HSE, IT or transport incident caused by process/system failure or human error, or by fire, storm and/or flood); cyber security incident; energy sector volatility resulting from geopolitical dynamics; and succession planning. A full description of these risks and the mitigating actions taken by the Company can be found in the 2015 Annual report and accounts on pages 15 to 19.

In addition, in response to the outcome of the vote in the British referendum on membership of the European Union on 23 June 2016, the Board reviewed the risks to the Company of ‘Brexit’ and has considered there to be no immediate impact on the principal risks faced by the Group. This position will be monitored and more details will be included in the 2016 Annual report and accounts when it is published next year.

13 Financial risk management

The Group has exposure to the following financial risks:

- credit risk;
- liquidity risk; and
- 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 2015. 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 2016 and 31 December 2015 there was no difference between the carrying value and fair value of financial instruments.

14 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 2016.

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