

ELEMENTIS

Elementis plc

Interim Results | Six months ended 30 June 2009

A GLOBAL SPECIALTY CHEMICALS COMPANY

Key Messages

Specialty Products and Chromium profitable in weak markets

Strong balance sheet, financing in place until July 2011

Dividend maintained at 1.5p

Strengthened Asia Pacific infrastructure will support growth in Specialty Products

Restructured Chromium will reduce cyclicalities

Actions taken to adjust cost base and restore margins

Interim Results

£ millions	2009	2008
Revenue	172.2	186.9
Before exceptional items:		
Operating profit	5.6	28.3
Profit before tax	2.2	26.8
EPS	0.4p	5.2p
Reported (loss)/profit before tax	(30.2)	26.8
Reported EPS	(6.9p)	5.2p

Interim Results: Operating Performance

£ millions	Sales		Operating Profit	
	2009	2008	2009	2008
Specialty Products	94.6	81.5	6.0	16.6
Chromium	52.9	79.8	2.9*	13.9
Surfactants	24.7	25.6	-	0.5
	172.2	186.9	8.9*	31.0
Central costs	-	-	(3.3)*	(2.7)
	172.2	186.9	5.6*	28.3

* Before exceptional items

Sales Volume Analysis

£ millions	Specialty Products	Surfactants	Chromium	Total
H1 2008 Sales	81.5	25.6	79.8	186.9
Currency effect	21.1	4.6	25.0	50.7
Adjusted H1 2008 Sales	102.6	30.2	104.8	237.6
H1 2009 Sales	94.6	24.7	52.9	172.2
Acquisitions	23.4	-	-	23.4
Adjusted H1 2009 Sales	71.2	24.7	52.9	148.8
Volume decline	(29%)	(21%)	(55%*)	

* Based on sales for the continuing business

Exceptional Items

£ millions	P&L charge		Cash flow	
	2009		2009	2010
Chromium				
Eaglescliffe site closure costs	27.7		11.3	9.8
Release of site working capital	-		(7.0)	-
Total	27.7		4.3	9.8
Central costs				
H1 over-hedging costs	4.7		4.7	-
Total exceptional items	32.4		9.0	9.8

Interim Results: Cash Flow

£ millions	2009	2008
EBITDA*	12.4	33.8
Working capital	(17.7)	(21.1)
Capital expenditure	(5.2)	(4.4)
Pensions	(1.9)	(3.7)
Dividend	(6.2)	(6.2)
Interest, tax, other	(3.1)	(0.5)
Currency translation	14.7	0.5
Exceptional items	(5.5)	-
Change in net debt	(12.5)	(1.6)

* Before exceptional items

Interim Results: Net Debt

£ millions	2009	2008	2008
	June 30	Dec 31	June 30
Net debt	76.4	63.9	17.8
Debt ratios			
Net debt: EBITDA	1.8	1.0	0.3
Interest cover	12.2	20.0	13.7

Debt will **reduce** in second half of 2009

Operating well **within** banking covenants

Acquisitions increased debt by **£46 million** since June 2008

Main borrowing facility in place until **July 2011**

Currency Hedging

Up to 80% of currency exposures hedged each year, usually during third quarter

Sharp decline in demand during Q4 of 2008 and closure of UK Chrome plant led to an excess of hedging contracts

Excess contracts cancelled in Q1 2009, treated as one time exceptional costs

Excluding these, H2 2009 earnings are hedged at:

- Euro 1.26
- USD 1.81
- At current exchange rates, FY 2009 hedging costs represent 0.9 pence per share

Interim Results: Tax Charge

£ millions	2009	2008
Tax charge on operating profit*	0.4	3.7
Tax credit on exceptional items	(0.1)	-
Net tax charge	0.3	3.7

Estimated tax rate for full year 2009 is 30%

Rate very sensitive to mix of profits due to UK tax rate of zero

* Before exceptional items

Interim Results: Retirement Plans

£ millions	30 June 2009	31 Dec 2008
Net deficit	71.2	49.3

Deficit **increased** in first half due to fall in bond yields and increase in inflation expectations

Contributions **consistent** with previous year

Funding discussions in progress for UK plan

Interim Results: Dividend

	2009	2008
Per share	1.5p	1.5p

Interim dividend **maintained**

Supported by **balance sheet** and **strategy**

Improving the Cost Base

Cost base addressed in response to global economic downturn

Management action has reduced annualised costs by **£16 million**

Achieved through combination of:

- Workforce reduction
- Salary and hiring freeze
- Plant cutbacks
- Controls on non-essential spending

Benefit by business:

- Specialty Products: **£9 million**
- Chromium: **£5 million**
- Surfactants/Central: **£2 million**

Timing:

- H1 2009: **25%**
- FY 2009: **75%**
- H1 2010: **100%**

Cost to implement: **£1 million**

Chromium

Eliminated high cost non-differentiated capacity

- Volatility created by oversupply and vulnerability to low cost competition

Closure program is progressing well

- Kiln ceased operation in June
- No surprises

Restructured Chrome model

- Proven incremental capacity
- Only US based producer
- Substantial domestic market
- Supply chain benefits
- Broad product offering
- Flexible manufacturing facilities

Reduced sensitivity to cyclical fluctuations

- Operating margin 10 - 15%
- Operating cash flow 10 - 15% of sales
- ROCE 15 - 20%

Specialty Products

Serving fundamental, global and increasingly complex needs

Market share and contribution margins maintained →

Platform for growth

- Strong global team
- Aligned with market leaders
- Technologies and product range
- Excellent technical service and application support
- Balanced geographic footprint

Relatively modest volume recovery will improve profit margins



	Margin progression	
Volume compared to 2008	-30%	-20%
H1 2009 operating margin	6%	
Effect of currency hedging	2%	
Full benefit of cost reductions	3%	
Adjusted operating margin	11%	15+%

Specialty Products: Asia Pacific

World's largest region for coatings consumption

- China is largest consumer of coatings additives in Asia Pacific
- Rmb 4 trillion Chinese government stimulus package

Step change in Asia Pacific infrastructure

- 6 facilities/60 people to 19 facilities/600 people

Deuchem performing well and meeting acquisition expectations

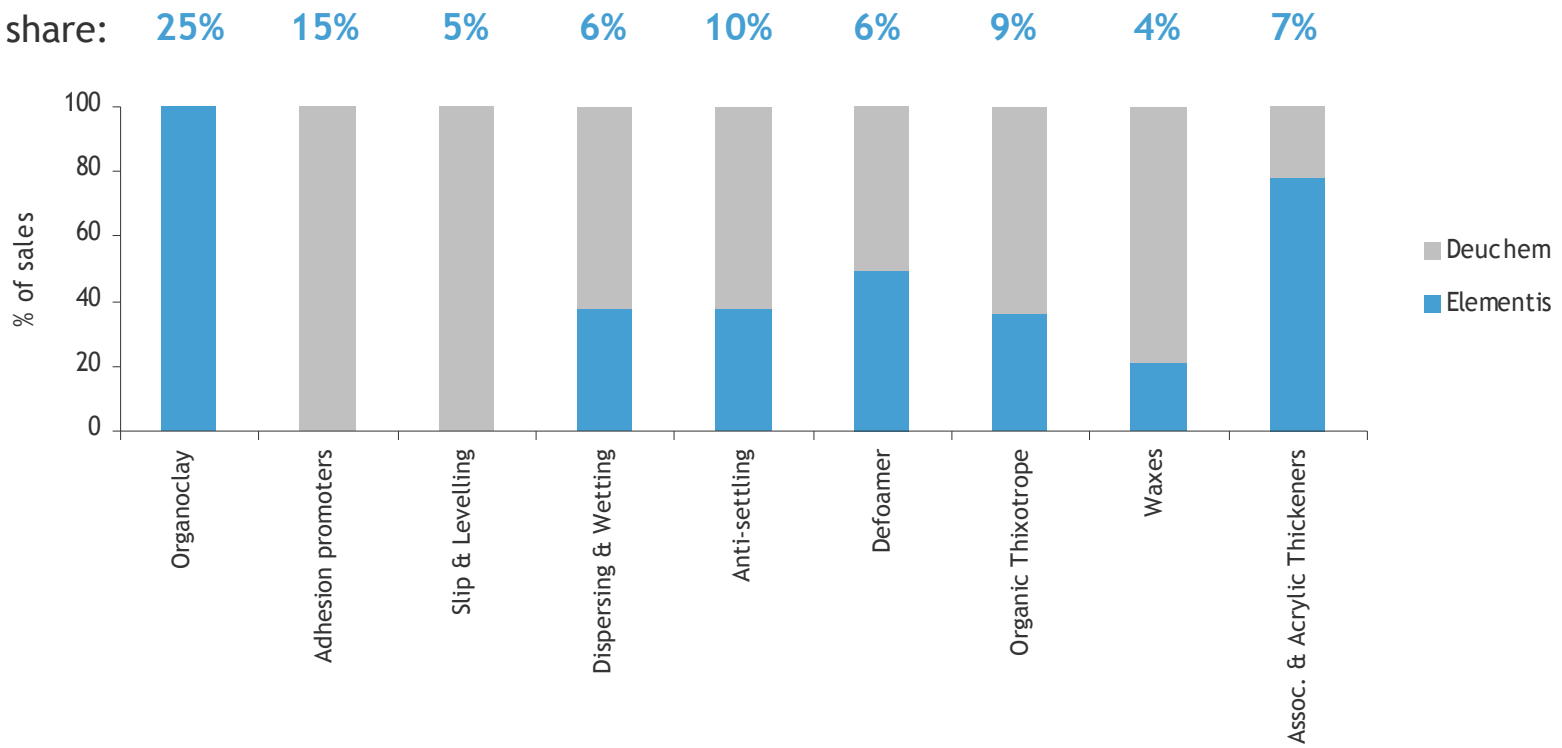
- Best performing region

Combined technologies and product ranges creating global growth opportunities

- Deuchem adhesion promoters technology
- Dispersants and defoamers

Elementis / Deuchem Product Synergy

Asia Pacific
market share:



Excellent product portfolio with small share of growing market

Summary

Challenging global environment

Strict cost management culture in place

Strong balance sheet, banking facilities in place until July 2011

Dividend maintained

Strategic issues addressed in Chromium

Specialty Products:

- Contribution margins and market share maintained
- Anticipate volume driven margin recovery
- Investment in Asia Pacific delivering

Outlook

Uncertain economic environment

Emerging signs of stabilisation

Trading in line with our expectations

Confident in our ability to make progress in the medium term

ELEMENTIS

Thank you

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