



ELEMENTIS



Elementis plc Interim Report
2005

Elementis – a global specialty
chemicals company



Elementis at a glance




Specialties

H1 2005:
Sales £92.9 million
Operating profit £6.4 million²
Business Elementis Specialties
Global headquarters Hightstown, New Jersey, US
Managing Director Neil Carr
Principal products Rheological additives, colourants, waxes, other specialty additives
Principal customer segments Coatings, oil drilling, inks, personal care, adhesives
Growth drivers Product innovation, customer service, globalisation of customer base, growth of aqueous based additives



Pigments

H1 2005:
Sales £46.6 million
Operating profit £0.3 million²
Business Elementis Pigments
Global headquarters East St Louis, Illinois, US
Managing Director David Dutro
Principal products Iron oxide pigments, chromic oxide pigments, carboxylates, zinc products
Principal customer segments Coatings, construction, chemicals, automotive, consumer products
Growth drivers Globalisation of customer base, niche product development, customer service



Chromium

H1 2005:
Sales £62.0 million¹
Operating profit £1.1 million²
Business Elementis Chromium
Global headquarters Eaglescliffe, Stockton-on-Tees, UK
Managing Director Greg McClatchy
Principal products Sodium dichromate, chromic sulphate, chromic acid, chromic oxide, chromic hydrate, sodium sulphate
Principal customer segments Leather tanning, timber treatment, metal finishing, metal alloys, pigments, ceramics
Growth drivers Operational excellence, price/cost competitiveness, customer service



Specialty Rubber

H1 2005:
Sales £24.0 million
Operating profit £0.3 million²
Business Linatex, Bergmann
Global headquarters Yateley, UK
Managing Director Neil Macleod
Principal products Abrasion resistant rubber, sheet mouldings, fabricated products, linings, screens
Principal customer segments Minerals processing, sand and gravel, defence and security, transportation
Growth drivers Product innovation, brand recognition, product quality and cost effectiveness, customer services

¹ Before elimination of inter-company sales ² Before exceptional items

Highlights

26 per cent sales growth from Servo acquisition and price increases

45 per cent higher operating profit before exceptional items

Chromium prices up 17 per cent on first half 2004 – further increases announced

Coatings volume down on soft consumer demand and slowing of Chinese growth

New TaiCang Pigments plant on stream, East St Louis operations scaling down

Servo rationalisation and head office reorganisation – benefits in second half

Sales

£223.6 million

(2004: £176.8 million)

Operating profit before exceptional items

£8.1 million

(2004: £5.6 million)

Profit before tax and exceptional items

£4.5 million

(2004: £3.0 million)

Earnings per share

before exceptional items

1.0p

(2004: 0.7p)

Operating profit

£0.5 million

(2004: £4.6 million)

(Loss)/profit before tax

£(3.1) million

(2004: £2.0 million)

Chairman's statement

Edward Bramson

Chairman

Overview

Sales for the first half of 2005 rose by £46.8 million compared to the same period of last year to £223.6 million, due to the acquisition of Sasol Servo on 30 June 2004 and improved pricing, particularly in chromium chemicals. Soft global demand in the coatings sector and unfavourable currency movements negatively impacted sales by £8.0 million.

Operating profit for the period, before exceptional items, was £8.1 million, an improvement of £2.5 million, as a result of the Servo acquisition and prices moving ahead of raw material and energy cost inflation.

There was a net charge of £7.6 million for exceptional items, which comprised £4.6 million from the sale of the Hardman adhesives business completed in June, offset by charges of £7.1 million for the rationalisation of the East St Louis pigments plant, £4.0 million for the rationalisation of the Servo operations, and a £1.1 million head office restructuring charge.

The newly constructed pigments production facility in TaiCang, China, is now producing a full range of products, and operations at the East St Louis plant will be scaled down during the second half of the year as production is transferred to other manufacturing sites including TaiCang. The Company expects that these moves will result in an improvement in margins for its pigments business in 2006 when they will have been implemented fully.

Chairman's statement (continued)

Dividends and issue of redeemable B shares

The Board has not declared an interim ordinary dividend. Instead it will continue with its programme of issuing and redeeming redeemable B shares. The Board intends to issue further redeemable B shares to ordinary shareholders on the register on 27 October 2005, such that they receive redeemable B shares with a total nominal share value of 1.1 pence for each ordinary share held. The issue will be coupled with an offer to redeem the new shares for cash at their nominal value on 2 November 2005. A further offer will also be made to

existing holders of redeemable B shares to redeem these shares for cash at their nominal value on the same date. A circular providing full details of the issue and redemption of redeemable B shares will be posted to all ordinary shareholders on 22 September 2005.

Current trading and outlook

The Board of Elementis, which was reconstituted in June 2005, is reviewing the Company's strategy and the operations of each of its business units. The Company will provide an update of the plans resulting from this process during the second half.

Excluding any changes that may result from the Board's review, the Company's current trading performance is in line with its expectations for continued improvement in the second half of the year.



Edward Bramson
Chairman

28 July 2005

Chief Executive's review

Geoff Gaywood
Chief Executive

Overview

All four Elementis businesses delivered good sales growth in the first half of 2005 compared to the same period last year, with most of the 26 per cent improvement coming from the Servo acquisition and recovery in the chromium chemicals business.

A 45 per cent improvement in operating profit before exceptional items was largely driven by continued progress in the restoration of chromium chemicals pricing. Inflationary cost pressure has continued, but the effects have been offset by improved pricing in all businesses. The demand for pigments and specialty additives in decorative paints was estimated to be 5–6 per cent below prior year due to weaker consumer demand in the US and Europe, and the effects of Chinese government action to halt speculation in the construction sector. There was good growth in sales of Servo

products and to other targeted Specialties markets. Specialty Rubber has continued to show good top line growth and further improvement in operating profit.

Specialties

Sales net of the Servo acquisition declined by 6 per cent due to soft demand in the coatings sector. The Servo acquisition, which is now fully integrated, added £33.0 million of sales and £1.3 million of operating profit, and related cost rationalisation measures previously announced will begin to take effect in the second half of 2005. Overall operating profit before exceptional items declined by 10 per cent due to the coatings volume shortfall and an increased overhead cost allocation. Growth was good in the oilfield and personal care markets, and progress in the introduction of new technologies and product platforms continues in line with expectations.

Chief Executive's review (continued)

Pigments

The soft coatings market caused Elementis Pigments sales in this sector to decline by 5 per cent compared to the prior year. However, improved pricing and the benefits of the additional sales of driers from the Servo acquisition offset the downside, so that overall sales rose by 17 per cent, and operating profit for the period improved. Sales to the construction industry have been flat, while production of a new range of pigments for the plastics sector has commenced. Start-up of the new world scale plant at TaiCang, China, has proceeded as expected, and a full range of pigments is now being manufactured there in accordance with specifications. Production at the Elementis Pigments East St Louis plant will be scaled down in the second half of the year, as production increases at other facilities, including TaiCang.

Chromium

Chromium chemicals pricing in US Dollars rose by 19 per cent compared to the same period in 2004, and US Dollar sales grew by 21 per cent, which translates to a 17 per cent increase in Sterling. Global production capacity rationalisation in the Far East progressed further, while demand remained good in all market sectors. Prices were increased in January, April and July, and will be selectively increased again on 1 October. Cost inflation from freight, energy and raw materials has continued, but the tightening supply/demand situation is supporting progressive operating profit recovery.



Chief Executive's review (continued)

Specialty Rubber

Sales of Linatex brand rubber products to the mining and construction materials industries have continued to grow strongly in the first half of the year in all market sectors, and operating profit has risen accordingly. A new joint venture started up in Chile, further adding to growth momentum. This business is currently under strategic review.

Safety and environmental

Corporate safety performance, as measured by recordable incidents and lost time accidents, has continued on a favourable trend, and is now at the level of the top quartile of the world's chemical companies.

Board changes

I am delighted to welcome Edward Bramson as the new Chairman of Elementis plc, and his fellow non-executive directors Matthew Peacock, Ken Minton and Ian Brindle. The new Board is highly experienced and has a fine track record of delivering shareholder value, which creates a favourable environment for the enhancement of performance at Elementis.



Geoff Gaywood
Chief Executive

28 July 2005

Financial review of operations

for the six months ended 30 June 2005

	2005 Revenue £million	2005 Operating profit before exceptional items £million	2005 Operating profit/(loss) after exceptional items £million	2004 Revenue £million	2004 Operating profit/(loss) before exceptional items £million	2004 Operating profit/(loss) after exceptional items £million
Specialties	92.9	6.4	6.6	64.0	7.1	7.1
Pigments	46.6	0.3	(7.0)	40.0	–	–
Chromium	62.0	1.1	0.7	53.1	(1.3)	(2.3)
Specialty Rubber	24.0	0.3	0.2	22.7	(0.2)	(0.2)
Inter-group	(1.9)	–	–	(3.0)	–	–
	223.6	8.1	0.5	176.8	5.6	4.6

IFRS

The consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) in issue and expected to be endorsed by the European Union by 31 December 2005. Comparative results for 2004 have been restated accordingly.

As allowed by IFRS, significant transactions primarily in relation to restructuring and business disposals have been separately identified in the financial statements to enable users to understand these items and the business results excluding these significant items. These significant transactions have collectively been described as exceptional items.

Financial results

Revenue in the first half of 2005 was £46.8 million higher than the same period in 2004 at £223.6 million. The acquisition of the Servo

business in June 2004 added £40.5 million to revenue, while currency movements reduced sales by 2 per cent. On a constant currency basis and excluding acquisitions and disposals, revenue increased by 6 per cent, with Chromium up 19 per cent, Specialty Rubber up 5 per cent, Specialties lower by 2 per cent and Pigments essentially flat.

Sales volumes were 2 per cent lower with increases in Chromium and Specialty Rubber offset by declines in Specialties and Pigments. In terms of geography, volumes in North America were higher than the previous year, with strong sales in Chromium to the industrial CCA and refractory markets more than offsetting soft demand in coatings. Volumes in Asia Pacific were generally lower due to a slowdown in the Chinese construction sector and a softer coatings market, although volumes sold to Japan by Chromium increased due to plant closures there. European volumes were more or less flat.

Financial review of operations (continued)

	2004 Revenue six months ended 30 June £million	Effect of exchange rates £million	Acquisitions/ disposals £million	Increase/ (decrease) £million	2005 Revenue six months ended 30 June £million
Specialties	64.0	(2.2)	32.3	(1.2)	92.9
Pigments	40.0	(0.6)	7.5	(0.3)	46.6
Chromium	53.1	(1.3)	–	10.2	62.0
Specialty Rubber	22.7	0.1	–	1.2	24.0
Inter-company	(3.0)	0.1	–	1.0	(1.9)
	176.8	(3.9)	39.8	10.9	223.6

Operating profit before exceptional items was £2.5 million higher than last year at £8.1 million. The Servo acquisition contributed £2.0 million and price increases, particularly in Chromium, contributed close to £14.0 million. Energy costs increased by £3.3 million while other costs, particularly raw materials and freight, increased by around £9.0 million with much of the inflation in costs having taken place during the second half of 2004.

Profit before tax and exceptional items was £4.5 million compared to £3.0 million in the first half of 2004. Basic earnings per share before exceptional items increased to 1.0 pence (2004: 0.7 pence) due to the increase in operating profits, partly offset by higher finance costs and taxation.

Exceptional items were a net charge before tax of £7.6 million giving an overall loss before tax of £3.1 million (2004: profit of £2.0 million). Earnings per share after exceptional items was a loss of 0.5 pence (2004: earnings of 0.6 pence).

Specialties

Revenue at Specialties was £28.9 million higher than the previous year at £92.9 million. The Servo acquisition added £33.0 million to revenue while currency movements reduced it by £2.2 million. Excluding the effects of currency and acquisitions, revenue was 2 per cent lower than the previous year. Prices improved by 4 per cent versus the first half of 2004, but volumes were around 6 per cent lower due to softer demand in the coatings sector in both Europe and North America.

Operating profit before exceptional items was £0.7 million lower than the first half of 2004 at £6.4 million. Lower sales volumes were compensated by higher prices and the Servo acquisition added £1.3 million to operating profit. In addition, the revaluation of Hectorite ore at its mine in California contributed £0.8 million to its result in the first half of 2005. Fixed costs were higher than the previous year and this will be addressed in the second half of 2005 by the announced rationalisation at Servo and the reduction in central administration costs.

Financial review of operations (continued)

Pigments

Revenue at Pigments for the first half of 2005 was £6.6 million higher than the previous year at £46.6 million. Excluding the Servo acquisition, which added £7.5 million of sales and the effects of currency, revenue was essentially flat. Prices improved by around 6 per cent but were offset by lower volumes due to softer demand in the coatings sector in both Europe and North America.

Operating profit before exceptional items was £0.3 million higher than the first half of 2004 at £0.3 million. Higher selling prices more than offset the effects of lower volumes, but energy and raw material cost inflation, which was particularly evident in the second half of 2004, had a dampening effect. The Servo acquisition contributed around £0.7 million to operating profit.

Chromium

Revenue at Chromium increased by £8.9 million versus the first half of 2004 to £62.0 million, largely driven by strong selling price momentum that increased sales by 17 per cent. Volumes were up 2 per cent with increases in most higher margin products, offset by reduced volumes in lower margin dichromate and chrome sulphate. Overall, revenues on a constant currency basis were 19 per cent higher than the first half of 2004.

Operating profit before exceptional items improved by £2.4 million versus the first half of 2004 to £1.1 million. Improvements in pricing and volumes were offset by an increase of £2.4 million in energy costs and other cost increases of £4.4 million, mostly in raw materials, freight and maintenance.

Specialty Rubber

Revenue at Specialty Rubber increased by £1.3 million versus the first half of 2004 to £24.0 million. The improvement came in equal amounts from increased volumes and higher prices. Volume increases were particularly prominent in Europe and also in Chile, where a new joint venture was recently formed to serve that market.

Operating profit before exceptional items was £0.3 million versus a loss of £0.2 million in the first half of 2004. Improved sales more than offset cost inflation.

Exceptional items

IFRS requires separate disclosure of material items of income and expense. These items are considered to be most appropriately described as exceptional.

	2005 £million
Rationalisation of East St Louis Pigments plant	(7.1)
Rationalisation of Servo business	(4.0)
Central restructuring costs	(1.1)
Sale of Hardman business	4.6
Total	(7.6)

The Group announced on 30 June 2005 that the majority of its Pigments plant at East St Louis would cease operation and that production would be transferred to other sites, including the newly constructed facility at TaiCang. The charge of £7.1 million comprises an asset impairment of £4.8 million and redundancy and decommissioning costs of £2.3 million.

Financial review of operations (continued)

The charge of £4.0 million in respect of the Servo business comprises redundancies and the cost of transferring the Group's Oosterhout plant to the Servo plant at Delden, Netherlands.

In addition, as part of management's continued focus on cost control and due to the significant progress that the Group has made in resolving legacy legal issues, a central restructuring has been implemented at a cost of £1.1 million.

The sale of the Group's Hardman epoxy and urethane products business was completed on 13 June 2005 for a cash consideration of £7.8 million, which resulted in a gain on disposal of £4.6 million.

Interest

£million	2005	2004
On net borrowings	2.8	1.7
Pension finance charge	0.5	0.4
Discount on provisions	0.3	0.5
Total	3.6	2.6

Interest payable on net borrowings was £1.1 million higher than the previous year due to increased borrowings following the acquisition of Servo in June 2004.

Interest cover (the ratio of operating profit before exceptional items to interest on net borrowings) was 3.1 times (2004: 7.1 times).

Taxation

Tax (charge)/credit	£million	Effective rate
Before exceptional items	(0.1)	2.6%
Exceptional items	1.3	17.1%
Total	1.2	-

The Group's tax rate on profit before exceptional items was 2.6 per cent and is lower than the standard UK corporation tax rate primarily due to the utilisation of brought forward losses and the resolution of open issues from prior periods.

Earnings per share

Earnings per share before exceptional items was 1.0 pence (2004: 0.7 pence) due to the £2.5 million increase in operating profit, which was partially offset by increased finance costs and taxation. Earnings per share after exceptional items was a loss of 0.5 pence (2004: earnings of 0.6 pence).

Cash flow

The cash flow is summarised below:

	2005 £million	2004 £million
Earnings before interest, exceptionals, depreciation and amortisation	16.9	12.6
Change in working capital	(9.0)	(18.8)
Other	(5.8)	(4.5)
Capital expenditure	(9.0)	(9.7)
	(6.9)	(20.4)
Redemption of B shares	(4.6)	(4.6)
Acquisitions and disposals	7.8	(34.8)
Reclassification of B shares	(2.5)	-
Currency translation on net borrowings	(4.7)	0.5
	(10.9)	(59.3)
Net borrowings at start of period	(90.2)	(46.9)
Net borrowings at end of period	(101.1)	(106.2)

Financial review of operations (continued)

Net borrowings increased by £10.9 million in the period to 30 June 2005 to £101.1 million. This included £2.5 million in relation to B shares which, due to their preferential rights, have been transferred to net borrowings in accordance with IAS 39.

Working capital increased by £9.0 million (2004: £18.8 million) reflecting seasonal trading. The increase is less than the same period last year due to improvements in working capital following the implementation of the Group's ERP system in three of the businesses and the creation of Shared Service Centres in North America and Europe. Currency fluctuations also caused borrowings to increase by £4.7 million.

Capital expenditure

Capital expenditure on fixed assets was £8.7 million (2004: £9.7 million). This included £1.3 million on the construction of the Pigments plant in TaiCang, China. Excluding this project capital expenditure was 84 per cent of depreciation (2004: 84 per cent).

Balance sheet

	2005 £million	2004 £million
Tangible fixed assets	174.2	171.8
Other net assets	151.5	183.5
	325.7	355.3
Equity attributable to parent	224.6	249.1
Net borrowings	101.1	106.2
	325.7	355.3
Gearing ¹	31%	30%

¹ The ratio of net borrowings to equity attributable to parent plus net borrowings.

Equity attributable to the parent was lower than at 30 June 2004 due to changes in deferred tax and actuarial losses associated with pension and other post retirement schemes of £13.6 million and the redemption of B shares totalling £9.2 million.

The main Sterling currency exchange rates in the period were:

	2005 30 June	2005 Average	2004 30 June	2004 Average
US Dollar	1.79	1.87	1.81	1.82
Euro	1.48	1.45	1.49	1.48

There was no significant impact on the Group's balance sheet as a result of changes in the period end exchange rates. In terms of average exchange rates for the first six months of 2005 and the equivalent period last year, the Euro was 2 per cent stronger against the Pound Sterling in the current period, while the US Dollar was 3 per cent weaker. Average exchange rate movements in the first six months of 2005 caused revenue to be £3.9 million lower than last year and operating profit to be £1.1 million higher than last year.

Working capital

Inventories were £7.6 million higher than at the same time last year. This was primarily due to a strategic inventory build in the Pigments business in anticipation of the closure and transfer of production from the East St Louis plant. Debtor days at the end of the period were 56 compared to 61 days at 30 June 2004 and creditor days had increased by 8 days to 69 (2004: 61).

Financial review of operations (continued)

Pensions and other post retirement benefits

The pension liability was £81.8 million at 30 June 2005 compared to £81.4 million at 31 December 2004. The pension schemes were not revalued at 30 June 2005 and the net liability calculated by the Group's actuaries at 31 December 2004 has been updated for contributions paid and amounts expensed in the six months ended 30 June 2005.

In the first half £3.4 million (2004: £3.0 million) was charged to the profit and loss account including £0.5 million (2004: £0.4 million) of finance charges and £5.1 million (2004: £3.9 million) was paid in contributions.



Brian Taylorson
Finance Director

28 July 2005

Consolidated interim income statement for the six months ended 30 June 2005

	Note	Six months ended 30 June 2005			Six months ended 30 June 2004		
		Before exceptional items £million	Exceptional items* £million	After exceptional items £million	Before exceptional items £million	Exceptional items* £million	After exceptional items £million
Revenue	3	223.6	–	223.6	176.8	–	176.8
Cost of sales		(154.8)	–	(154.8)	(117.8)	–	(117.8)
Gross profit		68.8	–	68.8	59.0	–	59.0
Other operating income		–	4.6	4.6	–	–	–
Distribution costs		(35.2)	–	(35.2)	(30.5)	–	(30.5)
Administrative expenses		(25.4)	(12.2)	(37.6)	(22.9)	(1.0)	(23.9)
Share of loss of associates		(0.1)	–	(0.1)	–	–	–
Operating profit	3	8.1	(7.6)	0.5	5.6	(1.0)	4.6
Net finance costs	4	(3.6)	–	(3.6)	(2.6)	–	(2.6)
Profit/(loss) before income tax		4.5	(7.6)	(3.1)	3.0	(1.0)	2.0
Tax	6	(0.1)	1.3	1.2	0.2	0.2	0.4
Profit for the period		4.4	(6.3)	(1.9)	3.2	(0.8)	2.4
Attributable to:							
Equity holders of the parent		4.2	(6.3)	(2.1)	3.2	(0.8)	2.4
Minority interests		0.2	–	0.2	–	–	–
		4.4	(6.3)	(1.9)	3.2	(0.8)	2.4
Earnings per share							
Basic and diluted	7	1.0	–	(0.5)	0.7	–	0.6

	Note	Year ended 31 December 2004		
		Before exceptional items £million	Exceptional items* £million	After exceptional items £million
Revenue	3	389.2	–	389.2
Cost of sales		(264.1)	–	(264.1)
Gross profit		125.1	–	125.1
Other operating income		–	2.6	2.6
Distribution costs		(66.5)	–	(66.5)
Administrative expenses		(47.1)	(5.2)	(52.3)
Operating profit	3	11.5	(2.6)	8.9
Net finance costs	4	(5.6)	–	(5.6)
Profit before income tax		5.9	(2.6)	3.3
Tax	6	(0.1)	0.2	0.1
Profit for the period		5.8	(2.4)	3.4
Attributable to:				
Equity holders of the parent		5.8	(2.4)	3.4
Minority interests		–	–	–
		5.8	(2.4)	3.4
Earnings per share				
Basic and diluted	7	1.3	–	0.8

* IFRS requires separate disclosure of items of income and expense which are material by virtue of their nature and amount. These items are considered to be most appropriately disclosed as exceptional (see note 5).

Consolidated interim statement of recognised income and expense

for the six months ended 30 June 2005

	2005 Six months ended 30 June £million	2004 Six months ended 30 June £million	2004 Year ended 31 Dec £million
Exchange differences on translation of foreign operations	11.6	(1.1)	(11.8)
Actuarial loss on pension and other post retirement schemes	–	–	(4.7)
Deferred tax associated with pension and other post retirement schemes	–	–	(8.9)
Net income/(expense) recognised in equity	11.6	(1.1)	(25.4)
(Loss)/profit for the period	(2.1)	2.4	3.4
Total recognised income and expense for the period	9.5	1.3	(22.0)
Attributable to:			
Equity holders of the parent	9.3	1.3	(22.0)
Minority interests	0.2	–	–
	9.5	1.3	(22.0)

Consolidated interim statement of changes in equity

for the six months ended 30 June 2005

	2005 Six months ended 30 June £million	2004 Six months ended 30 June £million	2004 Year ended 31 Dec £million
Total recognised income and expense for the period	9.5	1.3	(22.0)
Transfer of B shares from equity to non-current liabilities	(2.5)	–	–
Issue of shares	0.6	–	–
Recognition of share-based payments	0.3	0.1	0.2
Redemption of redeemable B shares	(4.6)	(4.6)	(9.2)
Net increase/(decrease) in equity attributable to the parent	3.3	(3.2)	(31.0)
At beginning of financial period	221.3	252.3	252.3
At end of financial period	224.6	249.1	221.3

Consolidated interim balance sheet

at 30 June 2005

	2005 30 June £million	2004 30 June £million	2004 31 Dec £million
Non-current assets			
Goodwill	164.1	163.2	155.1
Intangible assets	0.5	0.6	0.6
Property, plant and equipment	174.2	171.8	173.0
Interests in associates and other investments	2.2	3.8	1.9
Deferred tax assets	17.6	26.0	16.9
Total non-current assets	358.6	365.4	347.5
Current assets			
Inventories	73.9	66.3	68.3
Trade and other receivables	95.6	91.9	84.0
Cash and cash equivalents	12.6	32.4	11.5
Assets classified as held for sale	-	6.7	3.7
Total current assets	182.1	197.3	167.5
Total assets	540.7	562.7	515.0
Current liabilities			
Bank overdrafts and loans	(6.2)	(8.7)	(4.4)
Trade and other payables	(84.5)	(65.4)	(79.8)
Provisions	(7.6)	(1.3)	(0.8)
Liabilities classified as held for sale	-	(1.3)	(1.3)
Total current liabilities	(98.3)	(76.7)	(86.3)
Non-current liabilities			
Bank loans	(107.5)	(129.9)	(97.3)
Retirement benefit obligations	(81.8)	(79.7)	(81.4)
Deferred tax liabilities	(1.8)	(0.9)	(2.9)
Provisions	(21.9)	(22.1)	(21.6)
Government grants	(2.3)	(2.4)	(2.4)
Total non-current liabilities	(215.3)	(235.0)	(205.6)
Total liabilities	(313.6)	(311.7)	(291.9)
Net assets	227.1	251.0	223.1
Equity			
Share capital	22.1	23.6	23.8
Share premium	1.2	1.2	1.2
Other reserves	75.9	65.8	59.7
Retained earnings	125.4	158.5	136.6
Equity attributable to equity holders of the parent	224.6	249.1	221.3
Minority equity interests	2.5	1.9	1.8
Total equity and reserves	227.1	251.0	223.1

Consolidated interim cash flow statement for the six months ended 30 June 2005

	Note	2005 Six months ended 30 June £million	2004 Six months ended 30 June £million	2004 Year ended 31 Dec £million
Cash flow from operating activities	9	1.3	(11.0)	13.5
Investing activities				
Interest received		0.3	0.3	1.4
Disposal of property, plant and equipment		–	–	5.8
Purchase of property, plant and equipment		(9.0)	(9.7)	(22.0)
Acquisition of business		–	(34.8)	(36.3)
Disposal of businesses		7.8	–	–
Net cash used in investing activities		(0.9)	(44.2)	(51.1)
Financing activities				
Issue of shares		0.6	–	–
Redemption of B shares		(4.6)	(4.6)	(9.2)
(Decrease) in borrowings due within one year		(3.0)	(0.6)	(0.8)
Increase in borrowings repayable after one year		2.7	65.6	35.8
Repayments of obligations under finance leases		(0.2)	–	(0.2)
Net cash (used in)/from financing activities		(4.5)	60.4	25.6
Net (decrease)/increase in cash and cash equivalents		(4.1)	5.2	(12.0)
Cash and cash equivalents at beginning of period		10.3	22.6	22.6
Foreign exchange		0.2	(0.8)	(0.3)
Cash and cash equivalents at end of period		6.4	27.0	10.3

Notes to the interim financial statements

1 General information

The comparative figures for the year ended 31 December 2004 are not the Company's statutory accounts for that financial year. Those accounts, which were prepared under UK Generally Accepted Accounting Practices, have been reported on by the Company's auditor and delivered to the Registrar of Companies. The auditor's report was unqualified and did not contain statements under section 237 (2) or (3) of the Companies Act 1985.

2 Accounting policies

Statement of compliance The consolidated interim financial statements of the Company comprise the Company and its subsidiaries (the "Group") and the Group's interest in associates. European Union (EU) law requires that the next annual consolidated financial statements of the Company, for the year ending 31 December 2005, be prepared in accordance with International Financial Reporting Standards (IFRS) adopted for use in the EU ("adopted IFRS"). This interim financial information has been prepared on the basis of the recognition and measurement requirements of IFRS in issue that either are endorsed by the EU and effective at 30 June 2005 or are expected to be endorsed and effective at 31 December 2005, the Group's first annual reporting date at which it is required to use adopted IFRSs. Based on these adopted and unadopted IFRSs, the directors have made assumptions about the accounting policies expected to be applied, which are as set out below, when the first annual IFRS financial statements are prepared for the year ending 31 December 2005.

In particular, the directors have assumed that the following IFRS issued by the International Accounting Standards Board will be adopted by the EU in sufficient time that it will be available for use in the annual IFRS financial statements for the year ending 31 December 2005:

Amendment to International Accounting Standard IAS 19 Employee Benefits: Actuarial Gains and Losses, Group Employee Plans and Disclosures

In addition, the adopted IFRSs that will be effective in the annual financial statements for the year ending 31 December 2005 are still subject to change and to additional interpretations and therefore cannot be determined with certainty. Accordingly, the accounting policies for that annual period will be determined finally only when the annual financial statements are prepared for the year ending 31 December 2005.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Group was published by the Company on 31 March 2005 and is available on its website at www.elementis.com.

Notes to the interim financial statements (continued)

Basis of preparation The financial statements have been prepared on the historical cost basis except that derivative financial instruments and financial investments held for trading or available for sale are stated at their fair value. Non-current assets held for sale are stated at the lower of carrying amount and realisable value less costs to sell. The accounting policies set out below have been applied consistently to all periods presented in these consolidated interim financial statements and in preparing an opening IFRS balance sheet at 1 January 2004 for the purposes of the transition to IFRS, other than in respect of IAS 32 and IAS 39 which, as allowed by IFRS 1, have been implemented from 1 January 2005.

Basis of consolidation The consolidated financial statements include the financial statements of the Company and its subsidiaries for the period. A subsidiary is an entity that is controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during a period are included in the consolidated financial statements from the date that control commences until the date that control ceases. In accordance with the transitional rules of IFRS 1, the Company has not restated business combinations that took place prior to 1 January 2004. As a consequence the Scheme of Arrangement entered into in 1998 whereby the Company acquired Elementis Holdings Limited and applied the true and fair override to account for the transaction as a merger has not been restated under IFRS.

Associates Associates are those entities in which the Group has significant influence, but not control over the financial and operating policies. The consolidated financial statements include the Group's share of the results and net assets of associates on an equity accounted basis. Where the Group's share of losses exceeds its investment in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred a legal or constructive obligation.

Foreign currency

- a) **Foreign currency transactions** Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities are translated using the exchange rate at the date of transaction.

Notes to the interim financial statements (continued)

- b) Financial statements of foreign operations** The assets and liabilities of foreign operations are translated at exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at the average rates of exchange ruling for the relevant period. As allowed by IFRS 1, exchange differences arising since 1 January 2004 from the translation of the net investment in foreign operations and of related hedges are taken to the translation reserve. They are recognised in the income statement upon disposal of the foreign operation. Where hedging is applied, the effective portion of the gain or loss on an instrument used to hedge a net investment is recognised in equity. Any ineffective portion of the hedge is recognised in the income statement.
- c) Derivative financial instruments** The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks. The Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments. Derivative financial instruments are recognised initially at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the income statement. However, where derivatives qualify for hedge accounting, gains and losses are initially recognised in equity and subsequently reclassified to the income statement as the hedged item impacts earnings.

Property, plant and equipment Items of property, plant and equipment are stated at cost less accumulated depreciation. Freehold land is not depreciated. Leasehold property is depreciated over the period of the lease. Freehold buildings, plant and machinery, vehicles, fixtures, fittings, tools and equipment are depreciated over their estimated useful lives on a straight line basis. No depreciation is charged on assets under construction until the asset is brought into use.

Estimates of useful lives of these assets are:

Buildings	10–50 years
Plant and machinery	2–20 years
Vehicles	2–10 years
Fixtures, fittings, tools and equipment	3–20 years

Leased assets Leases which result in the Group receiving substantially all of the risks and rewards of ownership of an asset are treated as finance leases. An asset held under a finance lease is recorded in the balance sheet and depreciated over the shorter of its estimated useful life and the lease term. Future instalments net of finance charges are included within borrowings. Rentals payable are apportioned between the finance element, which is charged to the income statement and the capital element which reduces the outstanding obligation included in borrowings. Rental costs arising from operating leases are charged on a straight line basis over the period of the lease.

Notes to the interim financial statements (continued)

Intangible assets

a) Goodwill

All business combinations since the transition to IFRS on 1 January 2004 are accounted for by applying the purchase method. In respect of business acquisitions that have occurred since the transition date, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. In respect of acquisitions prior to this date, goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous GAAP. On acquisitions made between 1 January 1998 and 31 December 2003, goodwill was capitalised and amortised over its expected useful life. The net book value of this goodwill at the transition date became its deemed cost. Goodwill on acquisitions prior to 1 January 1998 was charged directly to equity in the year of acquisition. Goodwill is no longer amortised but is tested annually for impairment.

b) Research and development

Expenditure on research is recognised in the income statement as an expense as incurred. Expenditure on development where research findings are applied to a plan or design for the production of new or substantially improved products and processes is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred.

c) Other intangible assets

Other intangible assets are stated at cost or when arising following a business combination, estimated fair value, less accumulated amortisation.

d) Amortisation

Amortisation is charged to the income statement on a straight line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with an indefinite useful life are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Patents and trademarks	10–20 years
Other intangible assets	1–5 years

Inventories Inventories are stated at the lower of cost and net realisable value. Cost includes expenditure incurred in acquiring stock and bringing it to its existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads attributable to manufacture.

Notes to the interim financial statements (continued)

Cash and cash equivalents Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Impairment The carrying amount of non-current assets other than deferred tax is compared to the asset's recoverable amount at each balance sheet date for any indication of impairment. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Any impairment loss is recognised in the income statement.

Preference shares Preference shares are classified as a non-current liability if they are redeemable on a specific date or at the option of the shareholder. Dividends on preference shares classified as liabilities are recognised under net finance charges in the income statement.

Revenue Revenue is based on the invoiced value from the sale of goods and services. It excludes sales between Group undertakings, VAT and similar sales based taxes. Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the customer. Revenue from services is recognised in the income statement in proportion to the stage of completion at the balance sheet date.

Pension and other post-retirement benefits In respect of the Group's defined benefit schemes, the full service cost of pension provision for the period, together with the cost of any benefits relating to past service is charged to the income statement. The expected increase in the present value of scheme liabilities and the long term expected return on assets based on the market value of the scheme assets at the start of the period, are included in the income statement under 'net finance charges'. The difference between the market value of the assets of the scheme and the present value of accrued pension liabilities is shown as an asset or liability on the balance sheet, and any related deferred tax is included within deferred tax assets and liabilities as appropriate. Any difference between the expected return on assets and that achieved is recognised in the statement of recognised income and expense together with the difference from experience or assumption changes. The Group also operates a small number of defined contribution schemes and the contributions payable during the year are recognised as incurred.

Notes to the interim financial statements (continued)

Share-based payments The fair value of share options granted to employees is recognised as an expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using a binomial model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

Provisions A provision is recognised in the balance sheet when the Group 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. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. In accordance with the Group's environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land is recognised when the land is contaminated.

Government grants Grants against capital expenditure from government and other bodies are shown as creditors in the balance sheet. Such grants are released to the profit and loss account over the same period for which the relevant assets are depreciated.

Income tax Income tax on the profit or loss for the period comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Notes to the interim financial statements (continued)

3 Segment reporting

Segment information is presented in the consolidated interim financial statements in respect of the business segments that reflect the Group's management and internal reporting structure.

	Six months ended 30 June 2005			Six months ended 30 June 2004		
	External £million	Eliminations £million	Total £million	External £million	Eliminations £million	Total £million
Revenue						
Specialties	92.9	-	92.9	64.0	-	64.0
Pigments	46.6	-	46.6	40.0	-	40.0
Chromium	62.0	(1.9)	60.1	53.1	(3.0)	50.1
Speciality Rubber	24.0	-	24.0	22.7	-	22.7
Inter-segment sales	(1.9)	1.9	-	(3.0)	3.0	-
	223.6	-	223.6	176.8	-	176.8

	Six months ended 30 June 2005			Six months ended 30 June 2004		
	Before exceptional items £million	Exceptional items £million	After exceptional items £million	Before exceptional items £million	Exceptional items £million	After exceptional items £million
Segment result						
Specialties	6.4	0.2	6.6	7.1	-	7.1
Pigments	0.3	(7.3)	(7.0)	-	-	-
Chromium	1.1	(0.4)	0.7	(1.3)	(1.0)	(2.3)
Speciality Rubber	0.3	(0.1)	0.2	(0.2)	-	(0.2)
	8.1	(7.6)	0.5	5.6	(1.0)	4.6
Net finance costs			(3.6)			(2.6)
(Loss)/profit before tax			(3.1)			2.0

	Year ended 31 December 2004 Revenue			Year ended 31 December 2004 Segment result		
	External £million	Eliminations £million	Total £million	Before exceptional items £million	Exceptional items £million	After exceptional items £million
Specialties	159.5	-	159.5	14.9	(3.9)	11.0
Pigments	78.7	-	78.7	0.1	-	0.1
Chromium	110.5	(5.4)	105.1	(3.8)	(1.3)	(5.1)
Speciality Rubber	45.9	-	45.9	0.3	2.6	2.9
Inter-segment sales	(5.4)	5.4	-	-	-	-
	389.2	-	389.2	11.5	(2.6)	8.9
Net finance costs						(5.6)
Profit before tax						3.3

Notes to the interim financial statements (continued)

4 Net finance costs

	2005 Six months ended 30 June £million	2004 Six months ended 30 June £million	2004 Year ended 31 Dec £million
a) Net interest payable:			
Interest payable	(2.9)	(2.0)	(4.5)
Interest receivable – bank	0.2	0.3	0.7
Interest on corporation tax refunds/(payments)	(0.1)	–	0.2
Net interest payable	(2.8)	(1.7)	(3.6)
b) Other finance charges:			
Pension and post-retirement liabilities	(0.5)	(0.4)	(1.1)
Unwind of discount on provisions	(0.3)	(0.5)	(0.9)
Other finance charges	(0.8)	(0.9)	(2.0)
Total finance costs	(3.6)	(2.6)	(5.6)

5 Exceptional items

	2005 Six months ended 30 June £million	2004 Six months ended 30 June £million	2004 Year ended 31 Dec £million
Central restructuring charge	(1.1)	–	–
Pigments East St Louis rationalisation	(7.1)	–	–
Restructure of Chromium	–	(1.0)	(1.3)
Rationalisation of Servo business	(4.0)	–	(1.6)
Impairment of joint venture	–	–	(2.3)
Profit on disposal of property	–	–	2.6
Profit on disposal of business	4.6	–	–
	(7.6)	(1.0)	(2.6)
Tax credit on exceptional items	1.3	0.2	0.2
	(6.3)	(0.8)	(2.4)

Notes to the interim financial statements (continued)

6 Tax

The tax charge on profit before exceptional items of £0.1 million (2004: credit of £0.2 million) is based on an estimated effective tax rate on profit before exceptional items for the year to 31 December 2005 of 2.6 per cent (2004: 21.0 per cent). The rate is lower than the standard UK corporation tax rate primarily due to the utilisation of losses and the resolution of open issues from prior periods. Tax on exceptional items was a credit of £1.3 million (2004: £0.2 million).

7 Earnings per share

	2005 Six months ended 30 June £million	2004 Six months ended 30 June £million	2004 Year ended 31 Dec £million
Earnings for the purposes of basic earnings per share	(2.1)	2.4	3.4
Exceptional items net of tax	6.3	0.8	2.4
Adjusted earnings	4.2	3.2	5.8
	Number (m)	Number (m)	Number (m)
Weighted average number of shares for the purposes of basic earnings per share	433.0	431.8	431.9
Effect of dilutive share options	8.1	6.7	6.4
Weighted average number of shares for the purposes of diluted earnings per share	441.1	438.5	438.3
Basic and diluted earnings per share	Pence	Pence	Pence
(Loss)/earnings per share	(0.5)	0.6	0.8
Earnings per share before exceptional items	1.0	0.7	1.3

8 Movement in net borrowings

	2005 Six months ended 30 June £million	2004 Six months ended 30 June £million	2004 Year ended 31 Dec £million
Change in net borrowings resulting from cash flows			
(Decrease)/increase in cash and cash equivalents	(4.1)	5.2	(12.0)
Decrease/(increase) in borrowings	0.4	(65.0)	(34.8)
	(3.7)	(59.8)	(46.8)
Transfer of B shares from equity	(2.5)	–	–
Currency translation differences	(4.7)	0.5	3.5
Increase in net borrowings	(10.9)	(59.3)	(43.3)
Net borrowings at beginning of period	(90.2)	(46.9)	(46.9)
Net borrowings at end of period	(101.1)	(106.2)	(90.2)

Notes to the interim financial statements (continued)

9 Net cash flow from operating activities

	2005 Six months ended 30 June £million	2004 Six months ended 30 June £million	2004 Year ended 31 Dec £million
Operating profit	0.5	4.6	8.9
Adjustments for:			
Depreciation of property, plant and equipment	8.8	6.9	15.4
Amortisation of intangible assets	0.1	–	0.1
Decrease in provisions	(1.5)	(1.4)	(2.4)
Pension contributions net of current service cost	(1.8)	(0.9)	(4.6)
Share-based payments	0.3	0.1	0.2
Exceptional items charged net of cash outflow	7.7	1.0	0.6
Operating cash flows before movements in working capital	14.1	10.3	18.2
Increase in inventories	(3.7)	(4.1)	(7.2)
Increase in debtors	(12.1)	(12.9)	(3.4)
Decrease/(increase) in creditors	6.8	(1.8)	5.5
Cash generated by operations	5.1	(8.5)	13.1
Income taxes (paid)/received	(0.7)	(0.5)	4.5
Interest paid	(3.1)	(2.0)	(4.1)
Net cash flow from operating activities	1.3	(11.0)	13.5

10 Contingent liabilities

Particulars of Claim were served on the Company on 2 April 2004 alleging breaches of warranties under the contract for the sale of Pauls Malt Limited, relating to the repayment of export refunds to the Department for Environment, Food and Rural Affairs. Elementis was notified on 20 July 2005 that the Commercial Court had ruled against the Company on a number of preliminary issues in relation to the claim. The Company is planning to appeal against this ruling and intends to continue to vigorously defend the claim, which amounts to approximately £5.2 million.

Independent review report by KPMG Audit Plc to Elementis plc

Introduction

We have been engaged by the Company to review the financial information set out on pages 13 to 26 and we have read the other information contained in the Interim Report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

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 Listing Rules of the Financial Services Authority. Our review has been undertaken so that we might state to the Company those matters we are required to state 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 Interim Report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Interim Report in accordance with the Listing Rules which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where they are to be changed in the next annual accounts in which case any changes, and the reasons for them, are disclosed.

As disclosed in note 2 to the financial information, the next annual financial statements of the Group will be prepared in accordance with IFRSs adopted for use in the European Union.

The accounting policies that have been adopted in preparing the financial information are consistent with those that the directors currently intend to use in the next annual financial statements. There is, however, a possibility that the directors may determine that some changes to these policies are necessary when preparing the full annual financial statements for the first time in accordance with those IFRSs adopted for use by the European Union. This is because, as disclosed in note 2, the directors have anticipated that certain standards, which have yet to be formally adopted for use in the European Union, will be so adopted in time to be applicable to the next annual financial statements.

Independent review report by KPMG Audit Plc to Elementis plc (continued)

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4: Review of interim financial information issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of Group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review, we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2005.

KPMG Audit Plc

Chartered Accountants
London

28 July 2005

Shareholder services

Registrars

Enquiries concerning shares or shareholdings such as the loss of a share certificate, consolidation of share certificates, amalgamation of holdings or dividend payments should be made to the Company's registrars:

Lloyds TSB Registrars

The Causeway
Worthing
West Sussex
BN99 6DA, UK

Telephone: +44 (0)870 600 3966

Facsimile: +44 (0)1903 854 031

Website: www.lloydstsb-registrars.co.uk

Registrars text phone

For shareholders with hearing difficulties:
Callers inside the UK telephone: 0870 600 3950
Callers outside the UK telephone:
+44 (0)121 415 7028

In any correspondence with the registrars, please refer to Elementis plc and state clearly the registered name and address of the shareholder. Please notify the registrars promptly of any change of address.

New issue of redeemable B shares

A further issue of redeemable B shares will be made to ordinary shareholders on the share register on 27 October 2005. Shareholders will have the opportunity to redeem these redeemable B shares for cash at their nominal value on 2 November 2005.

A circular providing full details of the issue and redemption of redeemable B shares and a redemption form will be posted to all ordinary shareholders on 22 September 2005.

Previously issued redeemable B shares

Any holders of previously issued redeemable B shares that have not yet redeemed them will have a further opportunity to redeem them for cash at their nominal value on 2 November 2005. The redemption form is on the reverse of the redeemable B share certificate.

Registrars helpline for redeemable B shares enquiries

Telephone: +44 (0)870 600 3966

Web-based enquiry service

www.shareview.co.uk

Shareholders using this service to obtain details of their shareholdings are required to enter their name, postcode and shareholder reference number which can be found on correspondence from the Registrars and also on share certificates.

Low-cost share dealing service

This service, arranged with the Company's stockbrokers JPMorgan Cazenove Limited, offers a low cost method of buying and selling Elementis shares. Full details of the service and dealing forms can be obtained from JPMorgan Cazenove Limited.
Telephone: +44 (0)20 7155 5155

Dividend re-investment plan

The dividend re-investment plan arrangements made with Lloyds TSB Registrars and JPMorgan Cazenove Limited will not operate whilst a cash dividend is not being paid.

Shareholder information

Company Secretary

Mark Prudden FCIS

Registered office

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TW18 4ES, UK

Telephone: +44 (0)1784 227000

Facsimile: +44 (0)1784 460731

Email: elementis.info@elementis-eu.com

Website: www.elementis.com

Registered number

3299608

Auditors

KPMG Audit Plc

Stockbrokers

JPMorgan Cazenove Limited
Hoare Govett Limited

Registrars

Lloyds TSB Registrars

Information for calculation of capital gains tax

	3 May 2005	2 November 2004	4 May 2004	3 November 2003	2 May 2003
First day of trading of redeemable B shares					
Number of redeemable B shares issued of 1 penny nominal value for each ordinary share held	1.1	1.1	1.1	1.1	1.1
Redeemable B share price on the first day of trading	0.852p	0.875p	0.875p	0.750p	0.750p
Ordinary share price on the same day	48.12p	32.75p	35.00p	37.37p	24.75p
Apportionment percentage for the calculation of capital gains tax:					
Ordinary shares	98.25%	97.14%	97.31%	97.84%	96.77%
Redeemable B shares (apportioned to the number of redeemable B shares issued for each ordinary share held)	1.74%	2.86%	2.69%	2.16%	3.23%

Financial calendar 2005

28 July	Announcement of interim results for the six months ended 30 June 2005
28 September	Ex-dividend date for dividend payable on redeemable B shares
30 September	Record date for dividend payable on redeemable B shares
27 October	Closing date for receipt of redeemable B share redemption forms Record date for further redeemable B share issue
2 November	Redemption date for redeemable B shares Payment date for redeemable B share dividend First day of trading of new issue of redeemable B shares
23 February 2006*	Preliminary announcement of results for the year ending 31 December 2005

* Provisional date

Notes

Notes

Visit the Elementis website at www.elementis.com

Printed on Mega Matt paper and board. Mega Matt has a content of 50% totally chlorine free pulp from sustainable forests and 50% recycled fibre. No film or film processing chemicals were used and 95% of the cleaning solvent was recycled. CO2 emissions only 2.8 tonnes per million sheets printed. The electricity was generated from renewable sources and vegetable based inks were used throughout. The printer meets Environmental Agency Standards. All waste and recycling processes are managed by contractors who are ISO 14001 registered. On average over 84% of any waste associated with this product will be recycled. The front cover is laminated with purelam, a biodegradable film lamination made from wood fibres obtained from a sustainable resource.

www.elementis.com

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