

ELEMENTIS

Elementis plc

Preliminary Results | Year ended 31 December 2009

A GLOBAL SPECIALTY CHEMICALS COMPANY

Key Messages

- Operating profit and margins improved sequentially in H2
- Cost savings achieved at an annualised rate of £16m
- Specialty Products
 - Strong performance in Asia Pacific
 - Acquired new product line in personal care
- Chromium restructuring on schedule
- Year end debt position consistent with previous year
- Full year dividend maintained at 2.9p

Preliminary Results

£ millions	H1	H2	FY 2009	FY 2008
Revenue	172.2	191.5	363.7	400.5
Before exceptional items:				
Operating profit	5.6	17.8	23.4	52.0
Profit before tax	2.2	16.1	18.3	48.5
EPS	0.4p	2.4p	2.8p	9.1p
Net debt			66.0	63.9
Reported (loss)/profit before tax	(30.2)	(6.8)	(37.0)	19.8
Reported EPS	(6.9)p	(1.4)p	(8.3)p	4.5p

Preliminary Results: Operating Performance

£ millions	Sales		Operating Profit	
	2009	2008	2009	2008
Specialty Products	194.6	181.5	18.4	29.1
Chromium	119.9	167.9	10.5*	27.7*
Surfactants	49.2	51.1	0.1	0.5
	363.7	400.5	29.0*	57.3
Central costs	-	-	(5.6)*	(5.3)
	363.7	400.5	23.4*	52.0

* Before exceptional items

Preliminary Results: Exceptional Items

£ millions	P&L charge		Cash flow	
	2009		2009	2010
Chromium				
Provision announced at half year	27.7		10.0	10.4
Pension adjustment	1.0			
Release of site working capital	-		(7.0)	-
Total Eaglescliffe closure costs	28.7		3.0	10.4
Central costs				
Pension adjustment	(5.5)		-	-
H1 over-hedging costs	4.7		4.7	-
EU fine	21.6		-	21.6
Total	20.8		4.7	21.6
Total exceptional items	49.5		7.7	32.0

EU Fine – Heat Stabilisers

Fines imposed on 10 European companies

- Fines range from zero to €68 million
- Alleged cartel activities in the 80's and 90's

Elementis fine relates to a business sold in 1998

- Wholly owned by Harrisons & Crosfield until 1993
- 50:50 JV with Akzo from 1993 to 1998, then sold to Akzo

Amount of Elementis fine

- €14.3 million - 100% relating to H&C ownership period
- €18.3 million - joint and several with Akzo
- Percentage share of "joint" fine still to be determined
- Provision made in 2009 accounts for €23.5 million (£21.6 million)
 - €14.3m + 50% of "joint" fine
- Payment due date Feb 19, 2010

Vigorous appeal launched

- Action to annul filed with EU General Court

Preliminary Results: Cash Flow

£ millions		2009		2008
EBITDA*		36.6		64.4
Working capital	H1 : (17.7) H2: 22.9	5.2		(4.5)
Capital expenditure		(8.7)		(12.8)
Pensions		(6.9)		(7.1)
Interest, tax, other		(6.7)		(3.4)
Dividend		(12.9)		(12.8)
Acquisitions		(5.6)		(46.3)
Currency translation		11.6		(25.2)
Exceptional items		(14.7)		-
Change in net debt		(2.1)		(47.7)

* Before exceptional items

Preliminary Results: Net Debt

£ millions	2009	2009	2008
	Dec 31	June 30	Dec 31
Net debt	66.0	76.4	63.9
Debt ratios			
Net debt: EBITDA	1.8	1.8	1.0
Interest cover	14.7	12.2	20.0

Debt **reduced** in second half of 2009

Operating well **within** banking covenants

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

Plan to refinance during 2010

Preliminary Results: Tax Charge

£ millions	2009	2008
Before exceptional items	6.0	8.2
Tax credit on exceptional items	(0.2)	-
Net tax charge	5.8	8.2

Tax rate for full year 2009* is 33% (2008: 16.9%)

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

Cash tax rate 22%

* Before exceptional items

Preliminary Results: Retirement Plans

£ millions	IAS 19 Deficit		Contributions	
	31 Dec 2009	31 Dec 2008	2009	2008
UK	43.1	12.7	6.6	6.2
US	19.4	29.0	0.3	0.2
Other	6.9	7.6	0.5	0.6
Net deficit	69.4	49.3	7.4	7.0

UK deficit showed net increase due to increase in inflation expectations and reduction in bond yields

UK and US plans benefited from 2009 recovery in financial markets

Funding discussions in progress for UK plan

- Based on valuation at Sept 30, 2008 (Funding deficit of £100 - 125m)
- Company has offered to increase contributions to £8m in 2010

Preliminary Results: Dividend

	2009	2008
Per share	2.9p	2.9p

Full year dividend **maintained**

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

Dollar reporting

Board has decided to change the Group's reporting currency to US dollars in 2010

More closely aligns reporting currency with profile of the Group

- Business planning and management reporting already in US dollars
- Majority of sales and earnings originate in US dollars or US dollar linked currencies

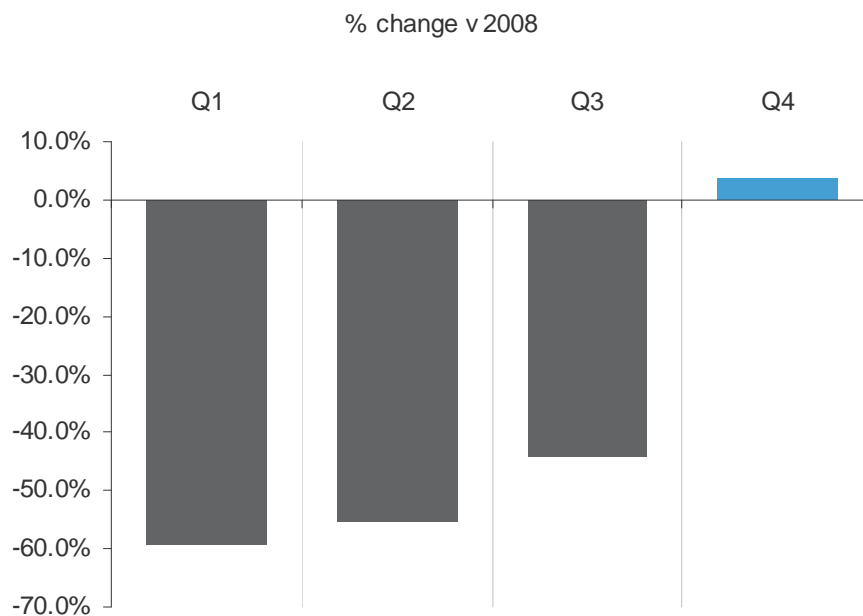
Future dividends will be determined in US dollars and paid in sterling at the exchange rate prevailing on the date of announcement

First results to be published in US dollars will be 2010 Interims

Press release with restated numbers for 2009 will be made at the time of the AGM (April 22, 2010)

Chromium

Yr on yr quarterly volume comparison



H2 volume improved as destocking subsided

Markets

Timber

benefiting from Govt. stimulus

Metal finishing

impacted by auto and equipment markets, but relatively strong in China

Pigments

follows deco and industrial coating markets

Refractory

weak in 2009 but will benefit from delayed maintenance spend

Leather

stable, linked to beef consumption

Chromium

Strategy

- Reduce sensitivity to cyclical fluctuations by serving higher value markets and utilising our flexible, cost effective manufacturing base to respond to market changes
- Utilise cash flow to preferentially invest in Specialty Products

Actions

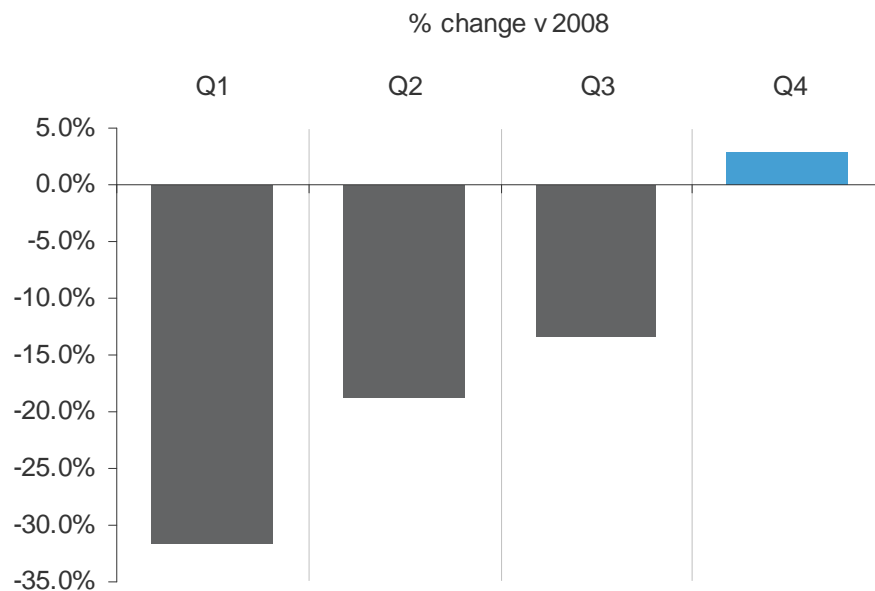
- Energy and key raw materials locked in for 2010
- Flexible energy project initiated at Castle Hayne manufacturing site
- Eaglescliffe facility closed in July 2009 - restructuring on schedule

Robust business model

- Flexible/efficient manufacturing base
- Differentiated product offering
- Diverse global markets

Specialty Products

Sales volumes have recovered from weak Q1 2009



volumes adjusted for 2008 acquisitions

Sales volumes **17% lower**, yr on yr

Maintained contribution margins and market share

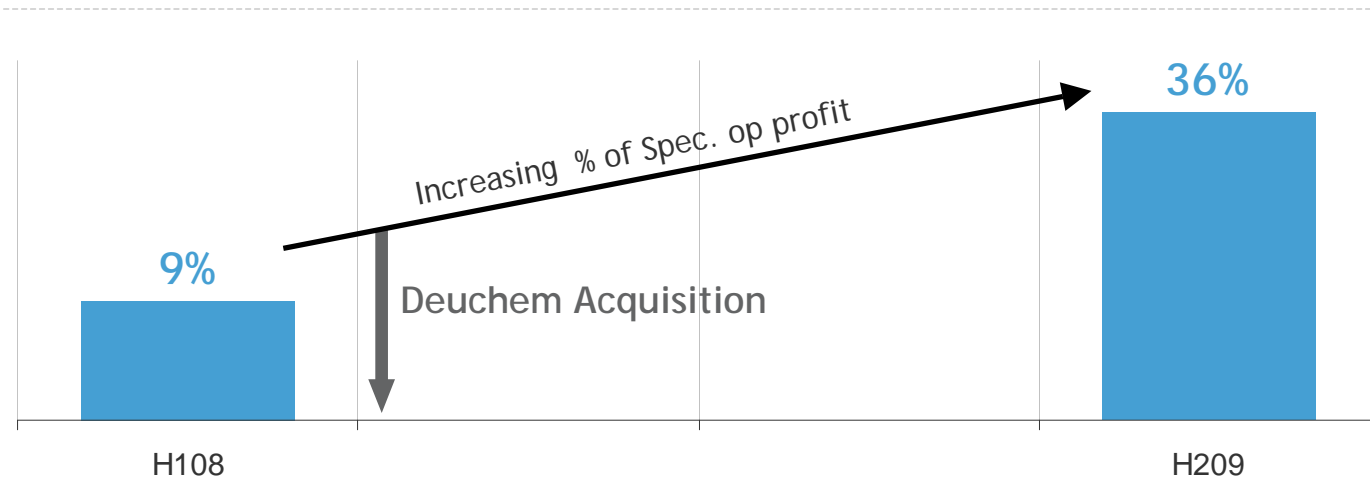
Strong performance in **Asia Pacific**

Acquired new **personal care** product line

8% of sales from **new product** introduction

Specialty Products: Asia Pacific

Asia Pacific operating profit development



Increased exposure to [Asia Pacific](#)

Deuchem fully [integrated](#) into AP organisation

- [Step change in AP earnings](#)

Excellent product portfolio / strong relationships / growing market

- [Cross selling synergies](#)

Fancor acquisition

Purchased in December 2009 for

£5.6 million

Sales in 2009

£7.9 million

US based business supplying specialty additives to the personal care industry

- Eco certified plant oil derivatives for skin and hair applications
- Largest lanolin supplier in North America
- Wide patent portfolio
- Strong reputation for technical service and quality products
- Growth constrained by lack of geographic presence and capital

Enhances Elementis existing business in personal care

- Significant customer overlap
- Expands product portfolio
- Leverage Elementis global platform to accelerate growth

Going forward

Strong start to the year

- Customer restocking evident

Anticipate continued progress in Asia Pacific

Margins improving as volumes recover

Cautious until underlying economic activity becomes clear

- Govt. stimulus plans expiring
- Customer restocking impact

Remain confident in our business model and market position

- Strengthened by actions taken in 2009

ELEMENTIS

Thank you

A GLOBAL SPECIALTY CHEMICALS COMPANY