

PRESS INFORMATION**28 July 2005****Elementis plc****INTERIM RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2005**

- Sales £223.6 million (2004: £176.8 million); \$421.5 million (2004: \$321.6 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 1.0 pence (2004: 0.7 pence)
- Net exceptional items £7.6 million (2004: £1.0 million)
- Operating profit £0.5 million (2004: £4.6 million), loss before tax £3.1 million (2004: profit of £2.0 million), loss per share 0.5 pence (2004: earnings of 0.6 pence)

- 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

Geoff Gaywood, Chief Executive of Elementis plc, said:

“All four Elementis businesses delivered good sales growth in the first half of 2005 compared to last year, despite softer demand for pigments and additives in the coatings sector. The Servo acquisition added £40.5 million in sales and £2.0 million in operating profit, while better Chromium pricing, net of strong ongoing variable cost inflation, generated a £2.4 million operating profit improvement. Higher volumes in Specialty Rubber delivered a £0.5 million operating profit uplift.

“Elementis will begin to benefit in the second half from cost reductions related to the scaling down of the East St Louis pigments plant, the Servo rationalisation and a Head Office reorganisation, all of which have been previously announced.

“However, external inflationary cost pressures of the kind that significantly impacted 2004 performance, particularly energy and raw materials, remain a concern, and a recovery of demand in the coatings sector is unlikely in the short term.”

– Ends –

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An interview with Geoff Gaywood in video/audio format can be viewed on www.elementis.com and www.cantos.com from 0700 hours GMT.

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Chairman's Statement

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.

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 Strategic and Operating Review

Strategic progress report

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.

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.

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	2005	2005	2004	2004	2004
	Revenue £million	Operating profit before exceptional items £million	Operating profit/(loss) after exceptional items £million	Revenue £million	Operating profit/(loss) before exceptional items £million	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.

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 1.0p (2004: 0.7p) 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 0.5p (2004: earnings of 0.6p).

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.

	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

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.

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

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.

The cash flow is summarised below:

	2005	2004
	£million	£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)

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	2004
	£million	£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	2005	2004	2004
	30 June	Average	30 June	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).

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

* 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 income statement (continued)

	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

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 December £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 December £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 December £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

	<i>Note</i>	2005 Six months ended 30 June £million	2004 Six months ended 30 June £million	2004 Year ended 31 December £million
Cash flow from operating activities	8	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

for the six months ended 30 June 2005

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 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.

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

3 Segment reporting (continued)

	Year ended 31 December 2004			Year ended 31 December 2004		
	Revenue			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

4 Net finance costs

	2005 Six months ended 30 June £million	2004 Six months ended 30 June £ million	2004 Year ended 31 December £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 December £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)

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 December £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 share for the purposes of diluted earnings per share	441.1	438.5	438.3
	Pence	Pence	Pence
Basic and diluted earnings per share			
(Loss)/earnings per share	(0.5)	0.6	0.8
Earnings per share before exceptional items	1.0	0.7	1.3

8 Net cash flow from operating activities

	2005 Six months ended 30 June £million	2004 Six months ended 30 June £million	2004 Year ended 31 December £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

9 Movement in net borrowings

	2005 Six months ended 30 June £million	2004 Six months ended 30 June £million	2004 Year ended 31 December £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)

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 intends to appeal against this ruling and intends to continue to vigorously defend the claim, which amounts to approximately £5.2 million.