

ELEMENTIS

A global specialty chemicals company

Elementis plc **Preliminary Results**

Year ended 31 December 2014



Preliminary Results

\$ millions	2014	2013	% change
Sales	790.4	776.8	+2%
Operating profit*	150.1	146.6	+2%
Operating margin*	19.0%	18.9%	
Profit before tax*	141.9	136.0	+4%
Diluted EPS*	24.8c	23.0c	+8%
Net cash	64.2	54.1	+\$10.1m
Basic EPS	38.1c	23.3c	

* before exceptional items

Highlights

Specialty Products

- North America coatings up 7%
- Asia Pacific coatings up 5%
- Personal care up 8%
- Growth investments temporarily impacting margins

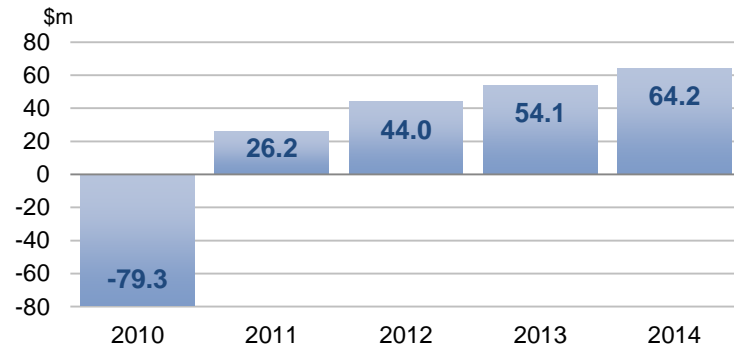
Chromium

- Optimising product mix to produce stable earnings and cash flow

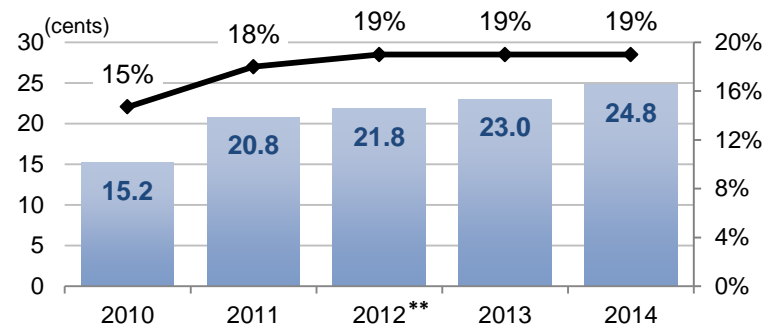
Group

- Earnings per share* increased by 8% to 24.8c
- Another year of excellent cash generation
 - Net cash position increased by \$10.1m to \$64.2m
- Total dividends increased by 11% to 15.40c
 - Special dividend increased by 19%

Net cash/(debt)



EPS* and Group operating margin*



* before exceptional items

** Restated following the adoption of revised IAS 19 Employee Benefits standard

Chromium – stable earnings and cash flow

\$ millions	2014	2013
Sales	216.5	214.8
Operating profit*	58.3	55.1
Operating margin*	26.9%	25.7%

Resilient financial performance

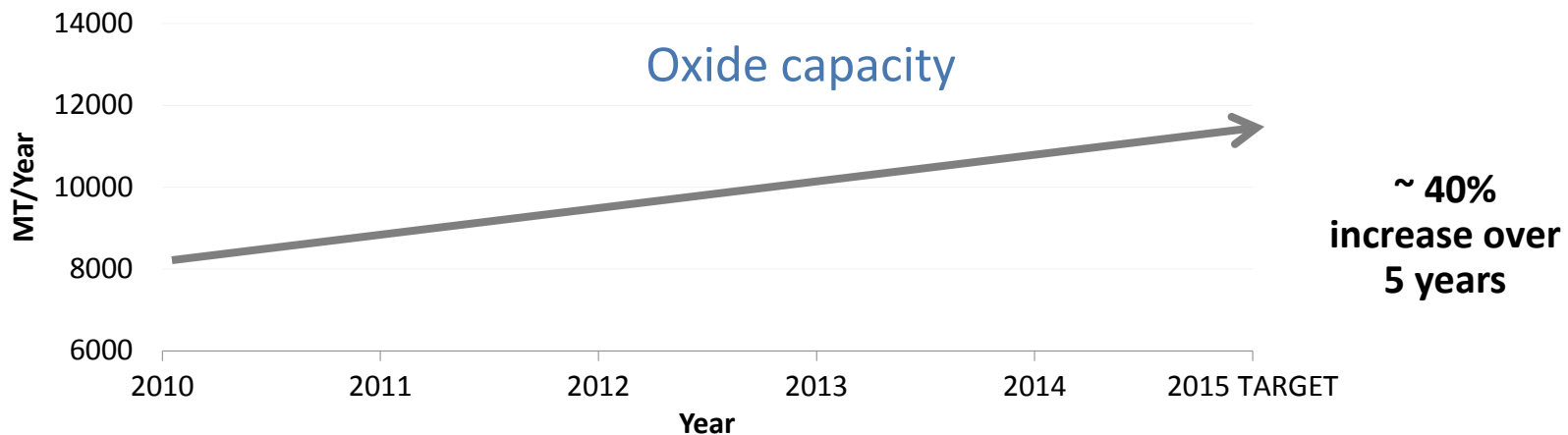
H2 benefited from very strong refractory market demand

Excellent cash conversion – 117% of operating profit

Product/Application Trends in 2015

Products	Major Applications	2015 Market Trends
Chrome Oxide	Kiln refractory	Refractory market improving – driven by coal gasification projects and fibreglass insulation
	Chrome metal	Chrome metal growing at ~3% due to aerospace demand
	Coatings, Colourant	Coatings/Colourants stable, GDP growth
Chromic Acid	Functional/ decorative plating	Functional plating increasing with auto demand, especially in N America
	Timber treatment	US demand showing modest growth, but weaker in Brazil and South Africa
Chrome Sulphate	Leather tanning	N America demand showing signs of improvement Increased demand from auto sector in Mexico
Dichromate	Pigments	Stable/GDP
	Catalyst	Potential upside in petrochemical applications due to low natural gas prices
	Merchant market	Supply/demand dynamics outside of N America intensifying competition

Chrome Oxide



Increased oxide capacity is supporting high margin sales

Chrome oxide is a higher margin, high value differentiated product

Oxide capacity increased from ~8.2kMT/year to 2015 target of 11.5kMT

Low capital requirement

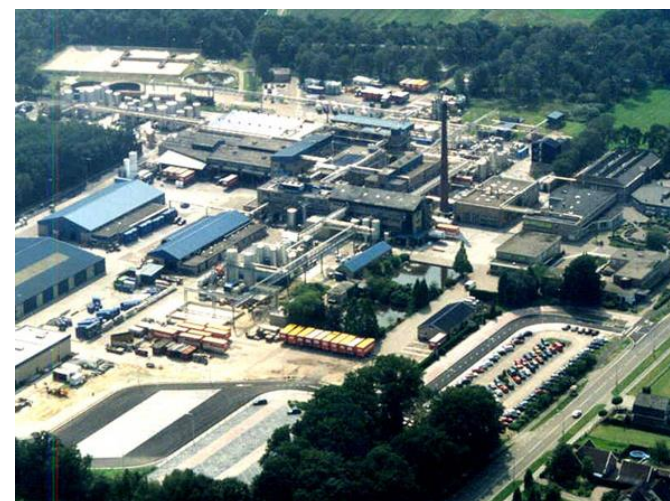
Surfactants – transitioning facility to Specialty Products

\$ millions	2014	2013
Sales	67.1	72.2
Operating profit*	4.9	5.6
Operating margin*	7.3%	7.8%

Strategy provides significant capacity to support growth in Specialty Products

Over half the Delden capacity is now utilised to support Specialty Products

Cost base should benefit from lower raw material pricing environment



Specialty Products

\$ millions	2014	2013
Sales	519.7	502.8
Operating profit*	98.5	99.1
Operating margin*	19.0%	19.7%

North America coatings up 7%

Asia Pacific coatings up 5%

Personal care up 8%

Strong performance in these sectors helped offset challenging European markets

Continuing investment in growth temporarily impacting margins



* before exceptional items

Growth through innovation

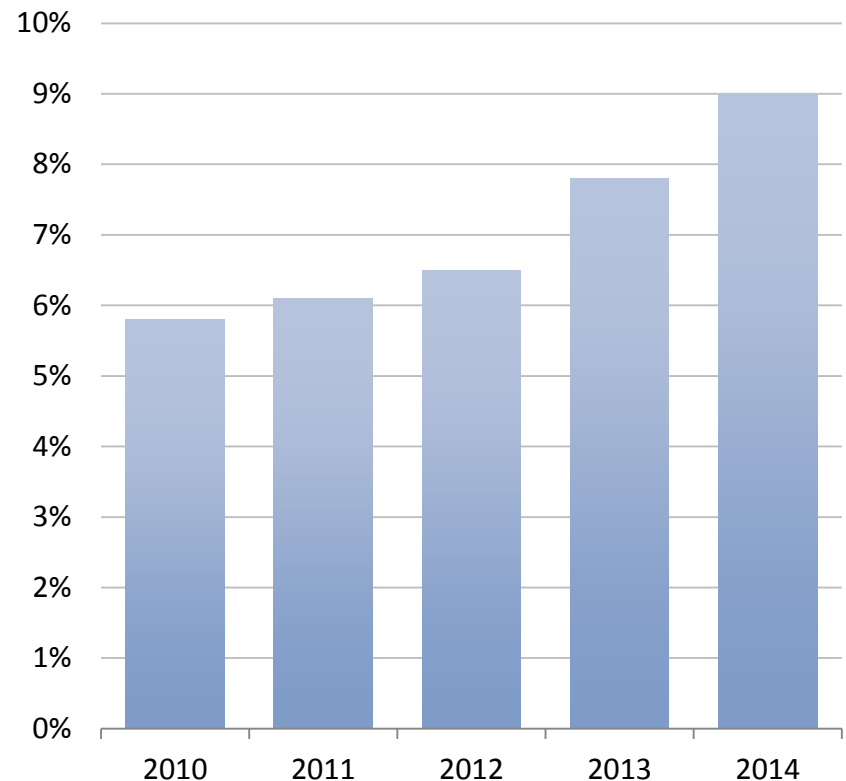
Innovation model is based on understanding customer needs, chemistry and application

Majority of new products are protected by intellectual property

New products represent 9% of total sales in 2014

Based on accelerating trend, internal target increased from 10% to 12%

New products as a % of sales



Oilfield – changing market dynamics

2014 ended on a positive note

- H2 sales up 9%

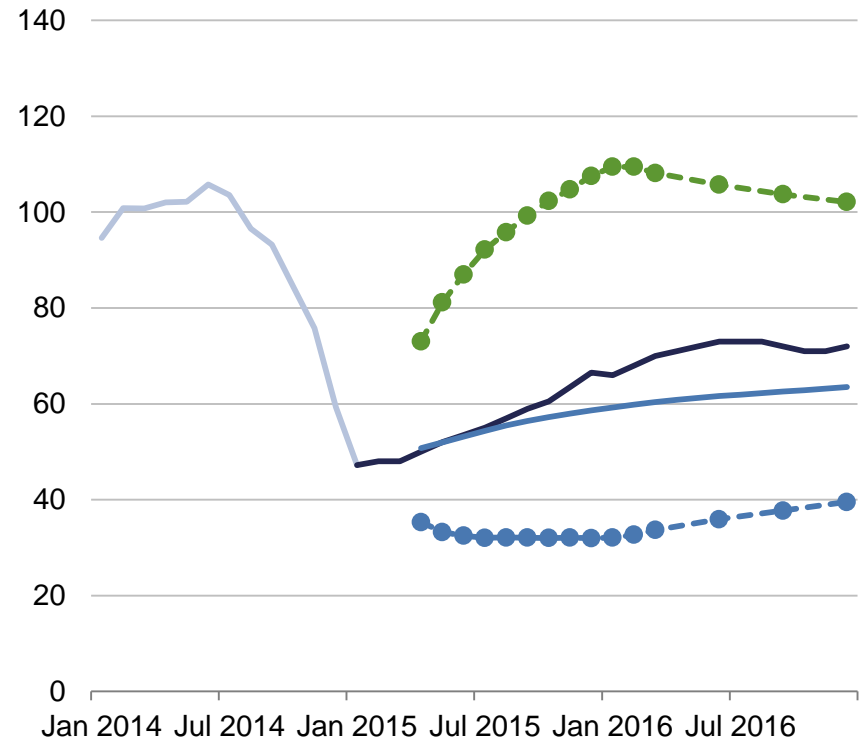
2015 market demand will be driven by oil price environment

Oilfield represents 9% of Group sales

- Historical spot price
- STEO price forecast
- NYMEX futures price
- 95% NYMEX futures lower confidence interval
- 95% NYMEX futures upper confidence interval

Crude Oil Price (WTI)

dollars per barrel



Oilfield – positive long term trends and market position

Global trends

North America oil and gas will continue to be a significant component of the global energy mix

Increasing global exploitation of unconventional oil and gas reserves e.g. shale in China

Continuing advancement in drilling technologies

Strategic positioning

- Leverage leadership position in organoclays for drilling applications
- Long term relationship with global majors

- Expand geographic capabilities to support global service providers
- Develop relationships with local players

- Continued R&D investment in unique Hectorite-based products for challenging environments
- Partner with industry leaders to develop new technology for drilling applications

New Martinsville – investing for coatings growth

New acrylic thickener facility

- Fully commissioned in 2014
- IP protected acrylic thickener technology
- Completes the global manufacturing platform for acrylic thickeners

Progress update

- Broad-based customer uptake
 - Two multinationals have made major commitments
- Emphasis shifted to supply chain optimisation
- Product extensions in late stage evaluation by customers



Personal Care

Business positioned to deliver ~ 10% annual growth rate going forward

Strong demand for our products from premium cosmetics market

Good progress in geographic expansion

- Watercryn investment providing valuable local presence in Latin America
- Increasing resources and focus in Asia Pacific

Leveraging existing technologies

- Innovative UV activated nail polish remover
- Meadowlactone® anti-ageing active ingredient



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Exceptional items

Credit/(charge) \$ millions	Pensions	Provisions	Other	Total
Specialty Products	1.6	-	-	1.6
Surfactants	3.3	-	-	3.3
Chromium	-	(1.5)	-	(1.5)
Central costs	-	(0.4)	3.3	2.9
Total before tax	4.9	(1.9)	3.3	6.3
Tax charge				(0.8)
UK tax credit				54.3
Total exceptional items				59.8

Pension items relate to changes in Dutch plan

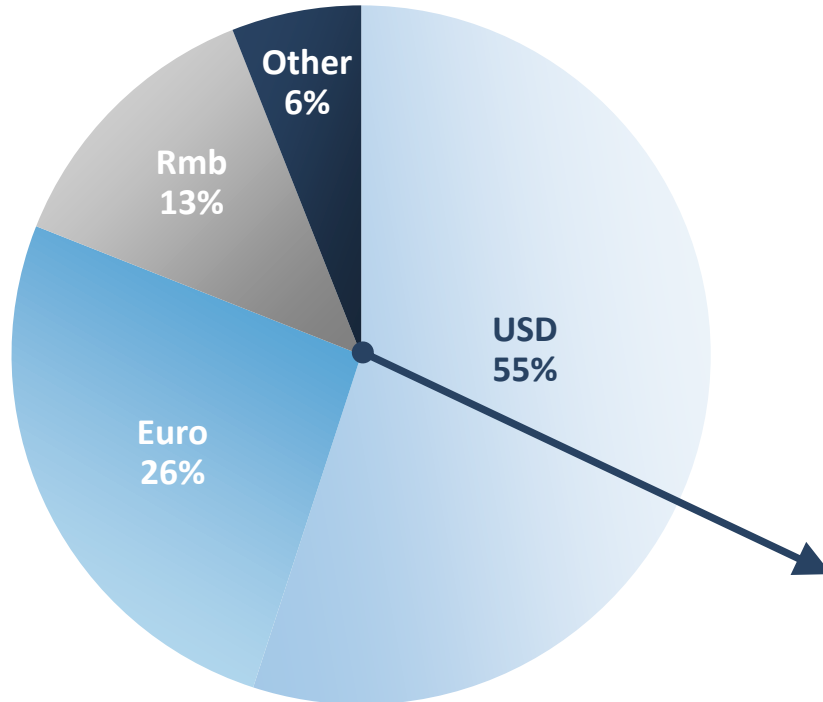
“Provisions” amount of \$1.9 million due to changes in discount rates

“Other” relates to liquidation of legacy subsidiaries

Tax credit of \$54.3 million relates to full recognition of UK ACT credits

Currency will impact Sales in 2015 – but not Profit

Sales mix by currency



Current exchange rates against US\$

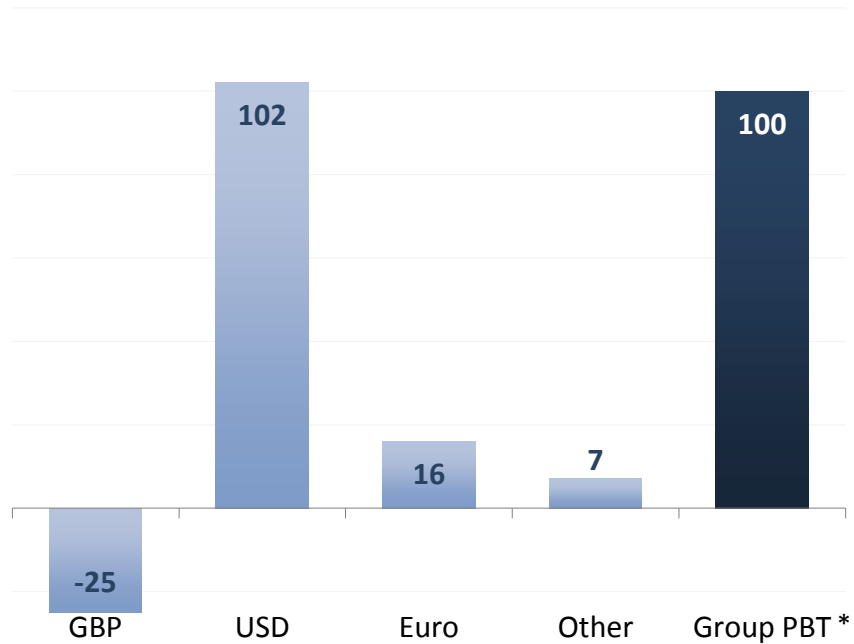
vs. 2014 average

Euro	15% Lower
GBP	7% Lower
Rmb	2% Lower

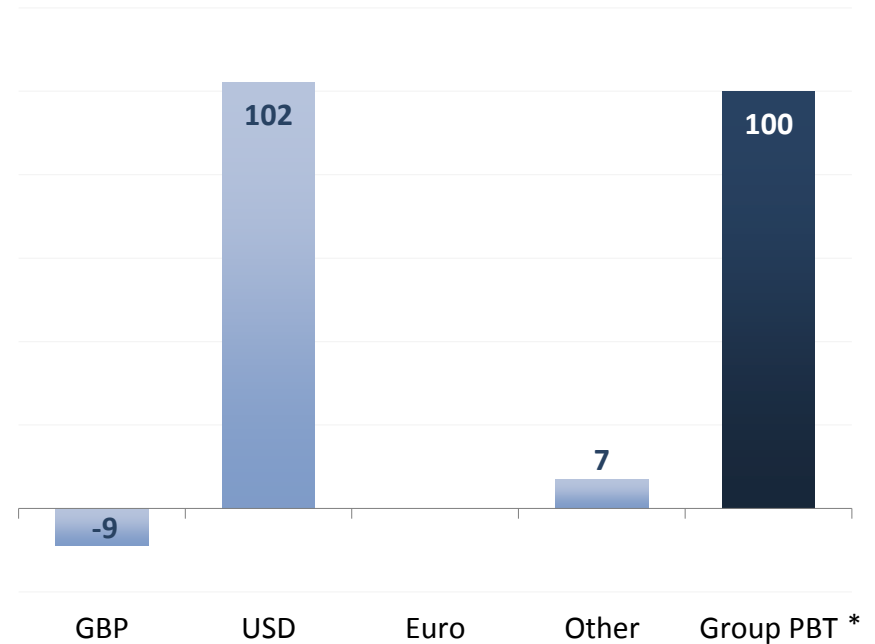
Impact on 2015 Sales
-5%

Currency impact on Profit

Excluding hedging



With hedging



Currency impact in 2015 - less than 1% of PBT

* Indexed and rebased to 100

Capital Spending

\$ millions	2014	2013
US acrylic thickener facility	8.0	9.3
Other growth projects	3.2	3.3
Total Specialty Products growth capital	11.2	12.6
Group maintenance and productivity	23.7	21.8
Other	-	0.6
Total Group capital spending	34.9	35.0
Depreciation	25.2	23.9

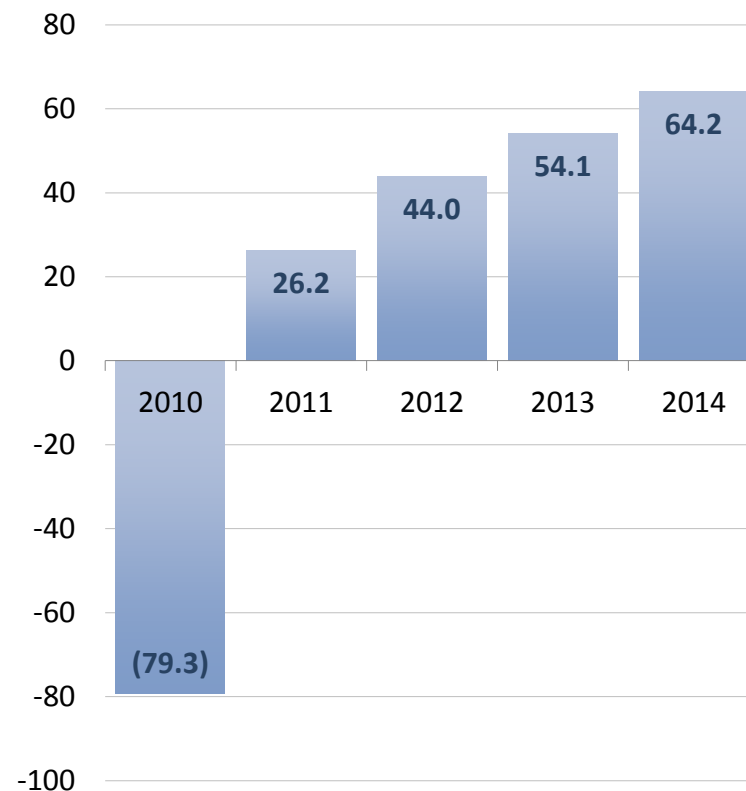
Estimated 2015 spending

- Total Group capex approx. \$30 million

Cash Flow

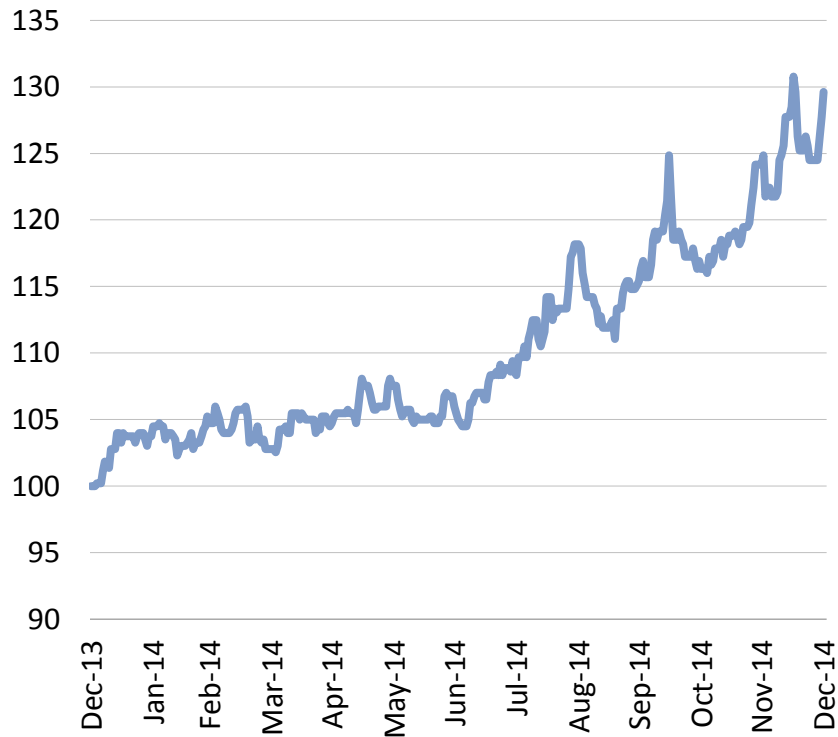
\$ millions	2014	2013
EBITDA	175.3	170.5
Working capital	4.3	6.5
Capital expenditure	(34.9)	(35.0)
Acquisitions	(4.1)	(32.8)
Pensions	(49.5)	(26.8)
Dividends	(64.7)	(58.3)
Interest, tax, other	(16.3)	(14.0)
Net cash flow	10.1	10.1
Net balance sheet cash	64.2	54.1

Net cash/(debt) \$m

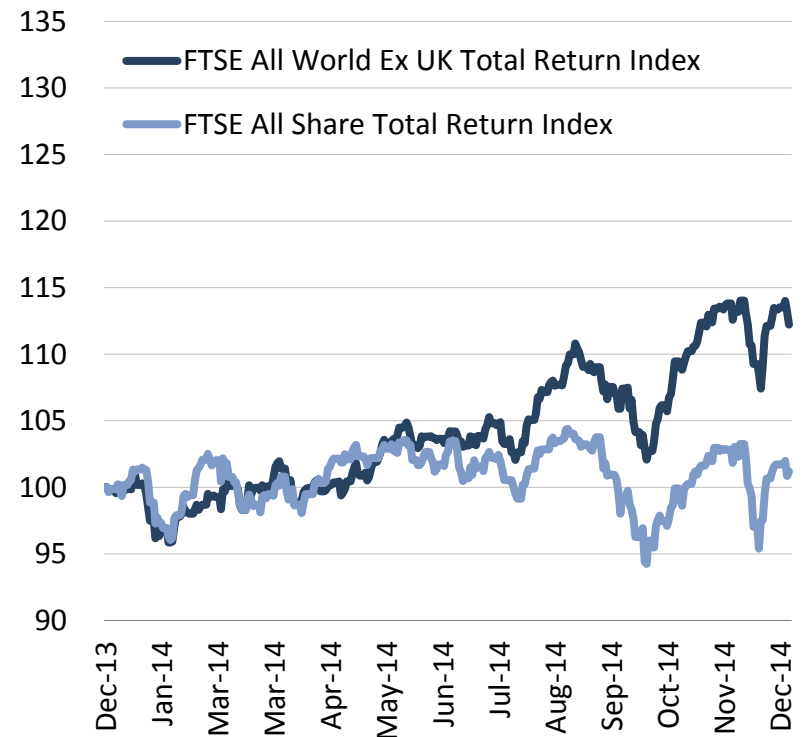


Challenging year for UK pension plans

15 year AA corporate bond prices



Global and UK Equity returns



Retirement Plans – deficit improving

\$ millions	UK	US	Other	Total
2013 Deficit	(66.1)	(23.1)	(10.1)	(99.3)
Asset return	102.3	7.7	22.1	132.1
Liability increase	(106.0)	(23.5)	(18.6)	(148.1)
Net change	(3.7)	(15.8)	3.5	(16.0)
Group contributions	41.4	7.8	0.3	49.5
2014 Deficit	(28.4)	(31.1)	(6.3)	(65.8)

UK plan benefited from interest rate hedging

Total 2015 contributions \$25 - \$30 million versus \$49 million in 2014

Contributions declining going forward

Tax Charge

\$ millions	2014	2013
Underlying tax charge	26.3	29.4
Tax rate	19%	22%
Exceptional tax credit	(53.5)	(1.8)
Reported tax (credit)/charge	(27.2)	27.6

Underlying rate reduced to 19%, due to geographic mix and overseas allowances

Exceptional tax credit relates mostly to recognition of legacy ACT credits

Tax rate going forward 20% – 25%

Dividends

Per share	2014	2013	% change
Interim paid	2.70c	2.57c	+5%
Proposed final	5.75c	5.50c	+5%
Special dividend	6.95c	5.86c	+19%
Total dividends	15.40c	13.93c	+11%

Progressive dividend policy

- Interim + Final – approx. one third of EPS*
- Special dividend – up to 50% of year end net cash balance
- Third successive payment of special dividend

Summary

Important trends

- Currency: impacting sales but not profit
 - Oilfield: positive long term trends in a dynamic environment
 - Specialty Products: good growth opportunities in coatings and personal care
 - Chromium: positioned to continue delivering stable earnings and cash flow
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Strong Group cash flow

- Platform to invest in growth
 - Benefiting shareholders via special dividend programme
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Solid start to 2015

Confident in our ability to make further progress

ELEMENTIS

A global specialty chemicals company

Thank you

