ELEMENTIS

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

Elementis plc (ELM.L), a global specialty chemicals company, announces its results for the year ended 31 December 2013.

HIGHLIGHTS

- Group earnings per share increased by 6 per cent to 23.0 cents per share.
- Strong growth in Specialty Products:
  - Sales and operating profit* up 10 per cent.
  - Double digit sales growth in Personal Care and Oilfield drilling.
- Another year of excellent cash generation:
  - Net cash position increased to $54.1 million.
- Total dividends for the year increased by 11 per cent to 13.93 cents per share:
  - Special dividend increased by 22 per cent.

FINANCIAL SUMMARY

	2013	2012 restated**	change
Sales	**$776.8m**	$757.0m	+3%
Operating profit	**$146.6m***	$143.9m	+2%
Profit before tax	**$136.0m***	$133.4m	+2%
Diluted earnings per share	**23.0c**	21.8c	+6%
Operating cash flow	**$143.9m**	$117.2m	+23%
Net cash	**$54.1m**	$44.0m	+23%
Profit for the year	**$106.7m**	$100.3m	
Basic earnings per share	**23.3c**	22.2c	
Dividends to shareholders:			
- Interim dividend	**2.57c**	2.45c	+5%
- Final proposed	**5.50c**	5.32c	+3%
- Special dividend	**5.86c**	4.79c	+22%
- Total for the year	**13.93c**	12.56c	+11%

* before exceptional items
** restated following the adoption of revised IAS 19 Employee Benefits standard

Commenting on the results, Group Chief Executive, David Dutro said:

"2013 has been another excellent year for Elementis with sales, operating profit, operating cash flow and earnings per share all showing a positive trend. Throughout the year we have continued to strengthen our businesses both organically and through acquisition. We have introduced new products, built on existing and new applications and invested to serve our customers' growing needs.

Elementis Specialty Products delivered excellent growth in both sales and operating profit for the year, with stable operating margins. All of the main market segments and geographies making up the business contributed to the growth. We have continued to enhance our product portfolio, geographic presence and ability to benefit from global trends in life expectancy, lifestyle choices and energy consumption. In coatings additives, our technical expertise, ability to serve our customers throughout the world and investments in new products and markets combined to deliver sales growth of 7 per cent. Our high value niche positions in personal care and oilfield drilling delivered sales growth of 26 per cent and 14 per cent respectively.

As previously reported, Elementis Chromium was impacted by a planned maintenance shutdown in the first quarter but recovered as the year progressed, delivering stable margins for the year which demonstrates the strength of its market positions.

Cash generation was again a strong feature of our performance in 2013. We invested in new manufacturing facilities, acquired Hi-Mar in the US and made our first special dividend payment in the year. Despite this the Group still managed to increase its net cash balance at the end of the year by $10.1 million to $54.1 million. Consequently, we are continuing with our dividend policy of paying approximately one third of earnings each year as the combined interim and final dividend, plus a special dividend of up to 50 per cent of the year end net cash balance. As a result our shareholders will receive a 22 per cent increase in the special dividend and an 11 per cent increase in total dividends for the year.

Although it is widely anticipated that 2014 will be a period of modest growth in global GDP, our internal performance targets and growth objectives are not predicated on improvements in overall market conditions. Based on our strategic position, focus on innovation, strong product portfolio and healthy new product pipeline, we remain confident in our ability to deliver profitable growth across a broad range of economic scenarios."

ENDS

Enquiries: + 44 (0) 207 831 3113

Elementis
David Dutro, Group Chief Executive
Brian Taylorson, Finance Director

FTI Consulting
Deborah Scott
Matthew Cole

Chairman's statement

In 2013 Elementis achieved another year of earnings growth and good progress. The main focus of our growth strategy remains the Specialty Products business and so it is gratifying to report that both sales and operating profit* in that business grew by 10 per cent in the year. This is all the more impressive when considered against the background of a challenging economic environment. The nature of this growth provides further evidence of the diversity and resilience of our business model and the progress that has been made in implementing our strategy. All of the main market segments and geographies making up the Specialty Products business contributed to the growth, driven by market share gains, new product launches and strategic acquisitions while at the same time operating margins were maintained, demonstrating the inherent quality of the business.

Cash flow generation continued to be a strong feature of the Group's performance in 2013. The balance sheet net cash position at the end of the year increased by $10.1 million over the previous year to $54.1 million, despite paying $33.0 million for the Hi-Mar acquisition and making the first special dividend payment of $22.0 million.

Group revenues in 2013 were $776.8 million compared to $757.0 million in the previous year supported by the good growth in Specialty Products. As previously reported, Chromium sales were impacted by the timing of a maintenance shutdown in the early part of the year. Operating profit* was $146.6 million compared to $143.9 million in the previous year and Group operating margin* was stable across the two years at 19 per cent. Diluted earnings per share improved by 6 per cent from 21.8 cents** to 23.0 cents per share.

Balance sheet

The Group continues to be in a robust financial position with net cash on the balance sheet at the year end, providing an appropriate platform to support future growth. During the year the Group refinanced its main borrowing facilities, agreeing a new $100 million facility for 5 years on improved terms with a syndicate of US, European and Asian banks.

The deficit on Group retirement schemes, under IAS 19, also declined during the year from $137.4 million** to $99.3 million, due to a combination of favourable asset returns, Company contributions and increases in real bond yields, further improving the balance sheet.

Dividends

The Board is continuing with the dividend strategy announced in 2012, which is to pay out approximately one third of earnings, before exceptional items, each year in a combination of interim and final dividends. In addition a special dividend is paid each year of up to 50 per cent of the net cash balance at the year end, provided there are no immediate investment plans for that cash. Consequently, the Board is recommending a final dividend for 2013 of 5.50 cents per share (2012: 5.32 cents) and a special dividend of 5.86 cents per share or $27.1 million (2012: 4.79 cents or $22.0 million). These will be paid on 30 May 2014 in pounds sterling at an exchange rate of £1 = $1.6674 (equivalent to a sterling amount of 6.8130 pence per share), to shareholders on the register on 2 May 2014. This brings the total dividends for the year to 13.93 cents per share (2012: 12.56 cents), representing an increase of 11 per cent over the previous year.

* before exceptional items

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

Health, safety and the environment
Our performance in this important area of our business continues to be of a high standard relative to the industry and showed an improvement over the previous year, with fewer incidents. Nevertheless, we remain extremely vigilant in monitoring and improving our processes and activities that impact upon the safety of our employees and the environment.

Board changes
We stated this time last year that we would be making changes to the Board during 2013, as part of our succession planning programme. Consequently, we welcomed Anne Hyland to the Board in June who replaced Chris Girling as Chairman of the Audit Committee when he retired at the end of July. On behalf of the Board, I would like to thank Chris for his financial guidance, pragmatic approach and excellent contribution over the years.

Your Chairman Robert Beeston decided to retire at the end of July for personal reasons. Robert was Chairman for just under seven years and led the Board through a period in which the Company experienced significant positive change and the foundations of its growth strategy were laid. On behalf of the Board, I would like to express my sincere thanks to Robert for his leadership and wise counsel over the years. As a consequence of this development, we decided that further Board appointments would be put on hold until a new Chairman had been appointed.

In January of this year we were delighted to announce the appointment of Andrew Duff as Deputy Chairman and Chairman-Designate, effective from 1 April 2014. The Board succession programme will continue under Andrew's chairmanship.

During 2014 Kevin Matthews and I will have served on the Board for more than nine years but, subject to shareholder support, we intend to continue in office for another year in the current period of Board transition. Kevin Matthews' appointment was renewed in February for another year and my appointment will also be renewed for another year in June. We will both retire and stand for re-election at the AGM in April. Whilst Kevin and I can no longer be considered independent under the UK Corporate Governance Code once nine years have been served, we will both continue to exercise the independent judgement which will provide continuity and stability to the Board during the process of change.

The Board's process of refreshing its composition will continue this year.

Governance
The Board considers that it has applied all the principles and provisions of the Corporate Governance Code in 2013.

People
Our progress and achievements are only possible through the significant efforts and dedication of our employees around the world. I would therefore like to congratulate and thank them on behalf of the Board for their considerable successes during the year.

Outlook
The positive results and significant progress made by the Group in 2013, combined with a strong financial position, are further evidence that the Group is adopting the right strategy and has the appropriate resources to drive profitable growth and create value for all its stakeholders. The Board is therefore confident that the Group will continue to make progress.

Ian Brindle
Chairman
25 February 2014

Group Chief Executive's overview

Dear Shareholders,

2013 has been another excellent year for Elementis with sales, operating profit, operating cash flow and earnings per share all showing a positive trend. We were able to leverage our diversified and broadly balanced portfolio of activities to deliver another year of solid results. In addition to our strong financial performance, we continued building the foundation for sustained growth by successfully executing a number of strategic initiatives.

EPS moved to a record level for the fourth consecutive year, helping to drive total shareholder return to more than 400 per cent over the same period. Additionally, we announced total dividends in 2013 of 13.93 cents per share, which represents an 11 per cent increase over the previous year and a threefold improvement over the past four years.

Throughout the year we continued to strengthen our business both organically and by acquisition. We introduced new products, built on existing and new applications and invested to meet our customers' growing demands. Among the many accomplishments of 2013 were:

- Another record EPS performance.
- Stable operating margins.
- Specialty Products:
  - 10 per cent growth in sales and operating profit*.
  - Hi-Mar and Watercryl acquisitions fully integrated and providing the anticipated synergy benefits.
  - Double digit growth in personal care and oilfield drilling.
  - Strong customer response to new decorative additives from recently commissioned New Martinsville plant.
- Strong cash flow – 22 per cent increase in special dividend.

Underlying everything we do is a constant focus on achieving increasingly higher levels of safety, operational and environmental performance. For the third consecutive year our safety and environmental performance improved around the globe. Our safety performance in 2013 was one of our best ever and, while we are encouraged by this positive trend, we know that even one incident is too many. Our strong safety culture and focussed efforts in improving process safety will help us progress towards our goal of incident free operations.

Elementis Specialty Products

Specialty Products provides solutions to its customers' challenges through superior technical service, application support and technically advanced products. We are a key supplier of performance critical products to the coatings, oilfield and personal care markets and our business provides an ideal growth platform with its well balanced geographic exposure across mature and emerging economies. Specialty Products continued to successfully execute its growth strategy, delivering its best year ever in terms of sales and operating profit. This performance was driven by market segment share gains, new product introductions, synergistic bolt on acquisitions, stable margins and operational efficiency. We firmly believe that making our customers more successful makes us more successful and it is this customer centric philosophy that remains the cornerstone of our strategy for new product development and technology investments. It is also a key component of our acquisition criteria.

* before exceptional items

Innovation remains the vital platform from which to drive our continued success. Our R&D pipeline is stronger than ever and, importantly, our new products are delivering real value to our customers as well as to our bottom line. Our ability to consistently deliver innovative products has been a critical part of the Specialty Products growth strategy and performance improvements and we are confident that it will continue to be a key component of our future success.

Each of the three Specialty Products segments – coatings, oilfield drilling and personal care – is strategically positioned to capitalise on one or more of the powerful global trends of a rapidly growing middle class in developing economies, the increasing longevity and urbanisation of the world's population and deep water and unconventional drilling for oil and natural gas. With the global middle class expected to nearly double by 2020, and with 85 per cent of this increase projected to come from faster growing emerging markets, we expect consumer preference to evolve towards Elementis products that are used in environmentally friendly high performance coatings. The growing global middle class is also enjoying greater life expectancy and is increasingly urban, creating significant opportunities for our innovative natural formulations in personal care. The increasing demand for energy around the world, and the relative environmental benefits of natural gas compared to coal, will drive activity in deep water and unconventional drilling. With over twenty years of experience in cutting edge technology and strong customer relationships in the energy drilling sector, Elementis is ideally positioned to fully benefit from the anticipated continued robust growth in deep water and shale gas drilling. While most of the growth thus far has been in the US, we are participating in exciting opportunities in a number of other regions as horizontal drilling and fracturing technology start to jump continents.

For the last few years, Elementis has focussed its technical resources to capitalise on these trends of a growing middle class, the increasing longevity and urbanisation of societies around the world and increasing deep water and unconventional oilfield drilling. To that end, our technology group applied for patents on 70 per cent of new products launched in 2013 and we expect higher revenue growth and margins on these sales. I am confident that Elementis is uniquely qualified to develop and supply innovative products and solutions that will allow our customers to take full advantage of the opportunities created by these trends. It is this unique and enviable position that convinces me that we are only beginning to unlock the earnings and growth potential of this business.

Specialty Products' global capabilities allow us to develop and leverage solutions for customers around the world. Already, approximately 40 per cent of its revenue comes from China, ASEAN countries and Latin America. In addition, our strong local presence in these fast growing regions allows us to truly understand our customers and to anticipate their specific needs in coatings, personal care and oilfield drilling applications. We expect this combination of Specialty Products' broad global capability and strong local management to deliver material growth for Elementis.

Elementis Surfactants

The Group has continued to benefit from improvements in the quality of the product portfolio of the Surfactants business and, as a result, operating profit* improved 17 per cent versus the previous year, on similar sales. The business is located in Delden, the Netherlands, and shares its production facility with Specialty Products which represents an increasing proportion of the site's output. The strategy remains to utilise more of the facility's capacity over time to manufacture higher margin products sold by the Specialty Products business, achieving specialty chemicals margins. The strategy is succeeding as currently greater than 50 per cent of the facility's sales are generated from products manufactured for the Specialty Products business. The Delden team continues to do an excellent job of optimising business performance while executing this capacity transition strategy.

* before exceptional items

Elementis Chromium

Elementis Chromium is one of the largest suppliers of chromium chemicals in the world. From its efficient, flexible and scalable operations located in the US, it delivers a full range of chromium based products globally to a variety of end markets including timber treatment, metal finishing, refractory, metal alloy and leather tanning applications. The business is able to provide its North American customers with a differentiated and highly valued closed loop delivery model, providing a long term competitive advantage. Elementis Chromium prides itself on maintaining the highest global standards for its environmental, health and safety systems.

Elementis Chromium's strategic focus is to deliver stable earnings and cash flow. The business has successfully executed this strategy, demonstrating consistently strong revenues, operating profit, margins and cash flow. This validates the stability and resilience of the business operating model over a wide range of economic and market conditions. The business got off to a slow start due to the impact of a scheduled kiln maintenance shutdown in the first quarter, but recovered as the year progressed in spite of a weaker global trading environment outside of North America. The Chromium team delivered $56.4 million of cash on operating profits* of $55.1 million, demonstrating once again the strong cash generation capability of this business. Our intention is to continue to utilise the cash from Elementis Chromium to preferentially invest in growing the Specialty Products business and rewarding shareholders with enhanced dividends.

Summary

I am extremely proud of the high performance culture we have built at Elementis and I would like to take this opportunity to thank all of our employees for their dedication and tireless commitment.

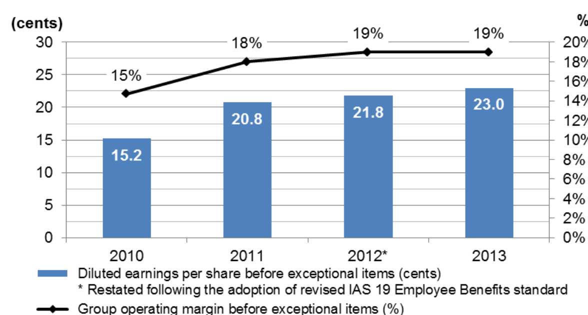
It is with tremendous gratitude that we bid a fond farewell to Robert Beeston, who retired from the Elementis Board at the end of July 2013 having served as Chairman of the Board from 2006 to 2013. He is a true gentleman and his thoughtful leadership and unwavering support have been truly appreciated.

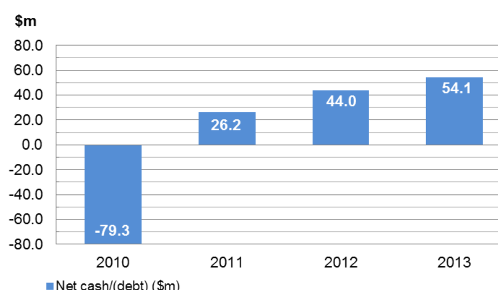
While we anticipate 2014 to be a period of modest progress in global GDP growth, our internal performance targets and growth objectives are not predicated on an improvement in overall market conditions. Based on our strategic positioning, focus on innovation, strong product portfolio and healthy product pipeline, we remain confident in our ability to deliver profitable growth across a broad range of economic scenarios.

In closing, on behalf of the entire Elementis team I would like to sincerely thank our shareholders and customers for your support. We look towards the future with confidence and an unrelenting commitment to reward you for the confidence you have placed in us.

David Dutro
Group Chief Executive
25 February 2014

* before exceptional items





Business commentaries

Revenue

	Revenue 2012 $million	Effect of exchange rates $million	Increase/ (decrease) 2013 $million	**Revenue 2013 $million**
Specialty Products	458.7	5.7	38.4	**502.8**
Chromium	240.1	–	(25.3)	**214.8**
Surfactants	72.5	2.1	(2.4)	**72.2**
Inter-segment	(14.3)	–	1.3	**(13.0)**
	757.0	7.8	12.0	**776.8**

Operating profit

	Operating profit 2012 $million	Effect of exchange rates $million	Increase/ (decrease) 2013 $million	**Operating profit 2013* $million**
Specialty Products	90.1	2.5	6.5	**99.1**
Chromium	62.8	–	(7.7)	**55.1**
Surfactants	4.8	0.1	0.7	**5.6**
Central costs	(13.8)	0.5	0.1	**(13.2)**
	143.9	3.1	(0.4)	**146.6**

* before exceptional items

Elementis Specialty Products

Specialty Products' sales in 2013 increased by 10 per cent compared to the previous year, or 8 per cent on a constant currency basis. The business continued to benefit from strong, diverse market positions in high growth areas, new product introductions and complementary acquisitions. Overall pricing and margins remained stable throughout the year, demonstrating the resilience of the business and the high value added nature of the product portfolio.

- In North America sales of coatings additives improved by 5 per cent, with acquisitions contributing 9 per cent to the year on year result. The underlying result was influenced by the fact that the first half of 2013 had a particularly strong comparative period in 2012. More normal trading patterns were experienced in the second half of the year and sales in that period improved by 3 per cent. Sales volumes, excluding acquisitions, were similarly impacted by these demand patterns and hence, while full year volumes were similar to the previous year, volumes in the second half grew by 9 per cent. Another feature of the North American coatings sales in 2013 was the increasing percentage of additives for decorative coatings compared to industrial coatings, as a result of new innovative product launches and the introduction of the new manufacturing plant in New Martinsville, West Virginia, at the start of the year. Additives for decorative applications have similar margins to industrial products but often have lower selling prices, hence the shift towards decorative products naturally led to the growth in sales volumes being higher than sales dollars.

  In Europe sales improved by 1 per cent, with currency contributing 2 per cent to the year on year comparison. The underlying economic activity in the region was more stable in 2013 but showed no material growth. Despite this, volumes were 5 per cent higher as the business was able to introduce new decorative products, improve market share with key customers and increase sales to Eastern Europe and the Middle East to deliver a solid performance with stable margins.

Coatings sales in Asia Pacific improved by 8 per cent, with volumes up 11 per cent, as the business continued to deliver growth in excess of the underlying GDP for the region, with China representing almost 70 per cent of regional sales. Capital investments to support new products, exceptional technical service and manufacturing capabilities and an extensive sales network enabled the business to continue to gain market share in China and the rest of Asia Pacific.

In Latin America sales improved by 48 per cent, largely due to the positive impact of the Watercryl acquisition in Brazil towards the end of 2012. The acquisition was fully integrated during 2013 and sales opportunities inside and outside of Brazil are providing early synergy benefits. Underlying sales improved by 4 per cent, with volumes up 5 per cent in the region.

- In Personal Care sales improved by 26 per cent as the business benefited from a variety of new hectorite formulations, the launch of the Rheolux range of products, expansion into emerging markets, particularly Asia and Latin America, and good growth in aerosol antiperspirants and colour cosmetics.

- Oilfield drilling sales were 14 per cent higher than the previous year, with volumes up 15 per cent, driven by strong fracturing and cold climate drilling in the US and Canada and the return of deep water drilling programmes in the Gulf of Mexico. Drilling activity in North America returned to more normal levels in 2013, having experienced a temporary slowdown in the second half of 2012 as inventory levels were corrected. Sales in the first half of the year were therefore similar to the previous year, while sales in the second half were 38 per cent higher.

Operating profit* in 2013 was $99.1 million compared to $90.1 million in the previous year, an increase of 10 per cent, or 7 per cent excluding currency movements. Operating margin* remained consistent with last year, at 20 per cent, demonstrating the inherent quality of the business in a period of strong sales growth and changes in sales mix. There were no material changes in overall raw material and energy costs compared to the previous year. Fixed costs, excluding acquisitions, increased by only 2 per cent, despite the introduction of a new manufacturing facility in the US and resource investments to support growth during the year, as strict cost management remained a key foundation of the business. Acquisitions contributed $1.2 million to the year on year increase in operating profit.

Elementis Chromium

Chromium sales in 2013 were 11 per cent lower than the previous year at $214.8 million. Sales volumes were 5 per cent lower than the previous year as a planned maintenance shutdown in the early part of the year reduced manufactured volumes. This was exacerbated by related pre-buying by customers towards the end of 2012, pulling some sales into that year. Regional sales continued to be influenced by the strategy of the business: operating with a fixed manufacturing volume and optimising the geographic and product sales mix to produce stable margins, earnings and cash flow. In 2013, sales volumes for leather tanning applications in North America continued to be soft as tanneries adjusted to lower herd sizes and sales to chrome sulphate converters outside of the US were curtailed. This reduction broadly matched the reduction in available volumes due to the maintenance shutdown. Hence sales volumes for other applications and for sales outside of North America were relatively stable compared to the previous year. Average selling prices in 2013 were 6 per cent lower than the previous year although this was partially offset by lower raw material costs.

* before exceptional items

Operating profit* for 2013 was $7.7 million lower than the previous year at $55.1 million, largely due to the reduction in sales volumes, while operating margin remained stable at 26 per cent. Raw material and energy costs trended lower during the year, leading to lower selling prices, while other fixed costs remained tightly controlled and made a positive contribution to the year on year comparison. Currency movements had no material impact on sales or operating profit as the majority of sales and costs in the business are denominated in US dollars.

Elementis Surfactants

Sales in Surfactants in 2013 were broadly the same in dollar terms as the previous year, at $72.2 million, or 3 per cent lower on a constant currency basis. The majority of sales are denominated in euros. Sales volumes were 8 per cent lower than the previous year, which is in line with the strategy to transition the Delden facility over time to produce more higher margin additives for Specialty Products. Average selling prices increased by 4 per cent in response to higher raw material costs during the year.

Operating profit* increased to $5.6 million compared to $4.8 million in the previous year, as the business team continued to focus on higher margin products and disciplined cost management during the transition process. Consequently operating margin improved from 7 per cent in the previous year to 8 per cent in 2013.

* before exceptional items

Finance Report

Revenue	**2013 $million**	2012 $million
Specialty Products	**502.8**	458.7
Chromium	**214.8**	240.1
Surfactants	**72.2**	72.5
Inter-segment	**(13.0)**	(14.3)
	776.8	757.0

Operating profit			**2013**			2012
	Operating profit $million	**Exceptional items $million**	**Underlying operating profit $million**	Operating profit $million	Exceptional items $million	Underlying operating profit $million
Specialty Products	**99.8**	**(0.7)**	**99.1**	90.1	–	90.1
Chromium	**44.6**	**10.5**	**55.1**	62.8	–	62.8
Surfactants	**6.9**	**(1.3)**	**5.6**	4.8	–	4.8
Central costs	**(6.4)**	**(6.8)**	**(13.2)**	(13.8)	–	(13.8)
	144.9	**1.7**	**146.6**	143.9	–	143.9

Group results

Group sales in 2013 were $776.8 million compared to $757.0 million in the previous year, an increase of 3 per cent or 2 per cent excluding currency movements. Strong sales growth was experienced in Specialty Products, helped by exposure to high growth emerging markets, new product launches, market share gains and two strategic acquisitions, while Chromium sales were lower due to the impact of a scheduled maintenance shutdown. Overall sales volumes for the Group improved, while pricing was relatively stable across Specialty Products and Surfactants, but lower in Chromium in response to lower raw material and energy costs.

Group operating profit* was $146.6 million in 2013 compared to $143.9 million in 2012 and Group operating margin* was stable at 19 per cent in each year. Improved earnings in both Specialty Products and Surfactants more than offset the lower earnings from Chromium and, overall, the Group benefited from growth in Specialty Products, stable margins and good cost control.

Currency hedging

Although a large proportion of the Group's business is transacted in US dollars, the Group also transacts in other currencies, in particular euros, pounds sterling and Chinese renminbi. In order to reduce earnings volatility from these currency exposures, the Group takes out cash flow hedges each year where these are readily available. In 2013 overall currency movements were such that the net impact of these hedge transactions was not material to Group operating profit, while in 2012 there was a credit of $1.2 million.

Central costs

Central costs are costs that are not identifiable as expenses of a particular business and comprise expenditures of the Board of Directors and the corporate office. In 2013 central costs were lower than the previous year by $0.6 million, or 4 per cent, due to changes in variable compensation programmes and other structural cost savings.

* before exceptional items

Exceptional items
A number of items have been recorded under 'Exceptional items' in the 2013 'Consolidated income statement' by virtue of their size and/or one time nature, in order to provide a better understanding of the Group's results. The net impact of these items on the Group profit for the year is a charge of $1.7 million, with an associated tax credit of $1.8 million. The items fall into three categories, as summarised below.

(Charge)/ Credit	Post employment benefits	Environmental provisions	Other	**Total**
Specialty Products	1.1	(0.4)	-	**0.7**
Surfactants	2.2	(0.9)	-	**1.3**
Chromium	(3.2)	(6.3)	(1.0)	**(10.5)**
Central costs	-	7.4	(0.6)	**6.8**
	0.1	(0.2)	(1.6)	**(1.7)**

Post employment benefits – net credit of $0.1 million
In 2013 the Group settled a 2005 claim made by a group of its Dutch pensioners and, as a result, released the balance of a provision made at the time the claim was lodged. Consequently, a credit of $3.3 million has been recorded in the current year.

Following the closure of the chromium plant at Eaglescliffe, UK, in 2009 there remain a number of post employment payments to former employees that will continue for a period of time. The Group has concluded that it would be appropriate to make a provision for these payments under IAS 19 and has therefore recorded a charge of $3.2 million in the current year.

Environmental provisions – net charge of $0.2 million
A number of structural changes were made to the Group's provisions in 2013. First, a fixed term indemnity given by the Group to a third party in 1998 expired in 2013. As a result the related balance sheet provision has been released, creating a credit of $9.8 million. Second, during the year the closure plan for the Eaglescliffe site was finalised, in consultation with regulatory authorities, and adjustments were then made to the provision for closure costs. This resulted in a charge of $5.0 million. Third, the Group's environmental provisions are calculated on a discounted basis, reflecting the time period over which spending is estimated to take place. Due to changes in those time periods, the Group concluded that it would be appropriate to reduce the discount rate being used and this resulted in a charge of $5.8 million. Finally, other adjustments to existing provisions resulted in a credit of $0.8 million.

Other adjustments – net charge of $1.6 million
In 2013 the Group exited a long term office lease, resulting in a charge of $0.6 million. The Group also increased its provision for a 2002 dispute relating to the filing of an industry report with the US EPA, resulting in a charge of $1.0 million.

Other expenses
Other expenses are administration costs incurred and paid by the Group's pension schemes, which relate primarily to former employees of legacy businesses, and were $2.0 million in 2013 compared to $2.5 million in the previous year. Under the recently revised IAS 19 these costs are now required to be shown in the 'Consolidated income statement', rather than as part of the scheme deficit. In 2013 the costs were lower due to reduced spending by both the UK and Dutch schemes.

Net finance costs

	2013 $million	2012 restated** $million
Finance income	**0.2**	0.8
Finance cost of borrowings	**(2.5)**	(3.4)
	(2.3)	(2.6)
Net pension finance cost	**(4.5)**	(4.1)
Discount on provisions	**(1.8)**	(1.3)
	(8.6)	(8.0)

Net finance costs increased by $0.6 million in 2013 to $8.6 million, mainly due to modest increases in the financial cost of pension deficits and an increase in the discount charge on provisions. Net finance costs on borrowings and cash balances were lower by $0.3 million, at $2.3 million, as lower borrowing costs were offset by lower income from cash balances. Borrowing costs, which largely relate to arrangement and commitment fees on unutilised borrowing facilities, came down as a result of the refinancing of the Group's main borrowing facility in 2013. Income from cash balances was lower than the previous year because, although the year end cash balance was higher than the previous year, the average cash balances held during the year were lower. Net pension finance expense was higher than the previous year because, under IAS 19, the charge is based on the deficit value at the beginning of the year and the opening deficit in 2013 was higher than in 2012. The increase in the discount charge on provisions is related to the changes in the basis of the discount rate as discussed in the section 'Exceptional items'.

Taxation

Tax charge		2013		2012
	$million	Effective rate per cent	restated** $million	restated** Effective rate per cent
Before exceptional items	**29.4**	**21.6**	33.1	24.8
Exceptional items	**(1.8)**	**(1.0)**	–	–
Total	**27.6**	**20.6**	33.1	24.8

The tax charge of $27.6 million (2012: $33.1 million) represents an effective tax rate of 20.6 per cent (2012: 24.8 per cent**) with the decrease in tax rate resulting from structural changes within the Group's financing arrangements, as well as changes in the geographic mix of profits.

Earnings per share

Note 7 to the 'Consolidated financial statements' sets out a number of calculations of earnings per share. To better understand the underlying performance of the Group, earnings per share reported under IFRS is adjusted for items classified as exceptional.

Diluted earnings per share was 23.0 cents compared to 21.8 cents in the previous year**, with the improvement mainly due to an increase in operating profit* of $2.7 million and a reduction in tax rate from 24.8** per cent to 21.6 per cent. Basic earnings per share was 23.3 cents compared to 22.2** cents in 2012.

* before exceptional items

** restated following the adoption of IAS 19 Employee Benefits standard

Distributions to shareholders

During 2013 the Group paid a final dividend in respect of the year ended 31 December 2012 of 5.32 cents per share (2012: 4.66 cents) and a special dividend of 4.79 cents per share (2012: nil). An interim dividend of 2.57 cents per share (2012: 2.45 cents) was paid on 4 October 2013 and the Board is recommending a final dividend for 2013 of 5.50 cents per share and a special dividend of 5.86 cents per share, both of which will be paid on 30 May 2014.

Cash flow

The cash flow is summarised below:

	2013 **$million**	2012 restated** $million
EBITDA[1]	**170.5**	165.2
Change in working capital	**6.5**	(12.9)
Capital expenditure	**(35.0)**	(37.4)
Other	**1.9**	2.3
Operating cash flow	**143.9**	117.2
Pension deficit payments	**(26.8)**	(27.9)
Interest and tax	**(14.6)**	(15.7)
Other	**(1.5)**	(0.6)
Free cash flow	**101.0**	73.0
Dividends paid	**(58.3)**	(32.2)
Acquisitions and disposals	**(32.8)**	(24.0)
Currency fluctuations	**0.2**	1.0
Movement in net cash	**10.1**	17.8
Net cash at start of year	**44.0**	26.2
Net cash at end of year	**54.1**	44.0

[1] EBITDA – earnings before interest, tax, exceptional items, depreciation and amortisation

** restated following the adoption of IAS 19 Employee Benefits standard

The Group delivered another positive cash flow performance in 2013 and, as a result, increased net cash on the balance sheet by $10.1 million to $54.1 million. Contributing to the increase in operating cash flow in the year, EBITDA increased from $165.2 million to $170.5 million in line with the increase in operating profit for the year. Cash flow relating to working capital was an inflow of $6.5 million compared to an outflow of $12.9 million in 2012. This positive change was mainly the result of two things. First, the cash outflow in 2012 was higher because of a strategic decision taken in 2012 to increase the level of chrome ore stocks held during that year. Secondly, in 2013 the timing of customer and supplier payments towards the end of the year was overall more favourable than in 2012. Capital expenditure in 2013 was $2.4 million lower than the previous year, at $35.0 million, although higher than depreciation for the year ($23.9 million), as the Group continued to invest in the growth of Specialty Products. Growth investments in the year totalled $12.6 million and included $9.3 million on the new decorative additives plant in New Martinsville, US, while spending on plant maintenance and productivity across the Group was $21.8 million (2012: $18.9 million) and included additional capital expenditure from acquisitions and the installation of a new systems platform at the Delden facility in the Netherlands. Pension deficit payments in 2013 were $1.1 million lower than the previous year at $26.8 million. The largest component of the payments relates to the UK plan, where payments under the existing funding agreement were at a similar level in both years. Interest and tax payments in 2013 were $14.6 million compared to $15.7 million in the previous year, with the modest reduction coming mostly from lower tax payments which were influenced by the timing of annual payments in various jurisdictions. Dividends paid in 2013 were $26.1 million higher than the previous year, at $58.3 million, largely as a result of the first payment ($22.0 million) under the special dividend programme. Acquisition spending in 2013 of $32.8 million relates primarily to the acquisition of Hi-Mar in the US, while the spending in 2012 relates to the acquisition of Watercryl in Brazil. Both acquisitions were made by the Specialty Products business.

Balance sheet

	2013 **$million**	2012 restated** $million
Intangible fixed assets	**382.1**	356.7
Other net assets	**107.7**	78.5
Net cash	**54.1**	44.0
	543.9	479.2
Equity	**543.9**	479.2

** restated following the adoption of IAS 19 Employee Benefits standard and for updated provisional fair value adjustments

Group equity increased by $64.7 million in 2013, consistent with the profit for the year, after dividends paid and changes in pension liabilities. Intangible fixed assets increased by $25.4 million in the year, largely due to the acquisition of Hi-Mar in the year. Other net assets increased by $29.2 million, with the main drivers being a reduction in pension liabilities of $38.1 million, as discussed below, and an increase in net tax liabilities of $23.8 million reflecting the impact of tax on profits for the year which were higher than tax actually paid out, plus the tax effect of a fall in pension deficits. Net cash increased by $10.1 million as described in the previous section.

The main dollar exchange rates relevant to the Group are set out below:

		2013		2012
	Year end	**Average**	Year end	Average
Pounds sterling	**0.60**	**0.64**	0.62	0.63
Euro	**0.73**	**0.75**	0.76	0.78

Provisions

A provision is recognised in the balance sheet when the Group has a present obligation as a result of past events, which is expected to result in an outflow of economic benefits in order to settle the obligation. At the end of 2013 the Group held provisions of $38.1 million (2012: $40.5 million) relating to environmental, site closure and self-insurance, as detailed in the table below.

	Environ-mental $million	Site closure $million	Self-insurance $million	**Total** **$million**
At 1 January 2013	21.9	15.7	2.9	**40.5**
Charge to income statement	1.2	0.8	0.8	**2.8**
Exceptional items	(4.2)	4.4	–	**0.2**
Utilised during the year	(2.0)	(3.2)	(0.5)	**(5.7)**
Currency translation differences	0.2	0.1	–	**0.3**
At 31 December 2013	**17.1**	**17.8**	**3.2**	**38.1**

During the year there were a number of significant structural changes to provisions, the impact of which is shown as 'Exceptional items' in the above table and more details are provided in an earlier section of this report. These changes reduced environmental provisions by $4.2 million due to the reversal of a legacy provision of $9.8 million, offset by changes in the basis of the discount rate used and other smaller adjustments. They also resulted in an increase in Chromium UK closure provisions of $4.4 million due to net additional forecasted spending, changes in the basis of the discount rate used and other smaller adjustments. Other items shown in the table include 'Charge to income statement' which mostly represents the accrual of discount to reflect the time value of money and, in the case of self-insurance, represents adjustments to estimated future claims. 'Utilised during the year' describes cash payments made in the year in each category.

Pensions and other post retirement benefits

	2013 $million	2012 restated** $million
Net liabilities:		
UK	**66.1**	72.9
US	**23.1**	51.3
Other	**10.1**	13.2
	99.3	137.4

** restated following the adoption of IAS 19 Employee Benefits standard

UK plan

The largest of the Group's retirement plans is the UK defined benefit pension scheme ("UK Scheme") which had a deficit under IAS 19 of $66.1 million at the end of 2013, compared to $72.9 million at the end of 2012. The UK Scheme is relatively mature, with approximately 65 per cent (2012: 66 per cent) of its gross liabilities represented by pensions in payment, and is closed to new members. The deficit under IAS 19 declined in 2013 due mainly to a positive return on assets of 7 per cent (2012: 5 per cent) and deficit contributions from the Company of $21.4 million (2012: $21.1 million), which partly offset the financial cost of the liabilities of $30.6 million (2012: $33.2 million) and other liability adjustments of $26.9 million (2012 $57.5 million). Other liability adjustments included the impact of a decline in real bond yields by 20 basis points (2012: decline of 30 basis points). Future deficit contributions from the Company are defined in an agreement with the trustees of the scheme that was concluded in 2012, based on a valuation as of 30 September 2011. Under the agreement the Company will make the following future payments in pounds sterling:

Year payable	Amount (£million)
2014	**24.8**
2015	**14.9**
2016	**11.0**
2017	**9.8**
2018	**9.8**

US plans

At the end of 2013, post retirement plans in the US consisted of a defined benefit pension plan with a deficit value of $15.6 million (2012: $42.8 million) and a post retirement medical plan with a liability value of $7.5 million (2012: $8.5 million). The US pension plan is smaller than the UK Scheme and is closed to future accruals. In 2013 the deficit in the plan declined by $27.2 million (2012: increased by $1.4 million) due to a positive return on plan assets of 22 per cent (2012: 13 per cent), employer contributions of $2.4 million (2012: $6.8 million) and other positive liability adjustments of $10.6 million (2012: negative $ 12.7 million). The other adjustments were favourably influenced by an increase in real bond yields of 80 basis points (2012: decrease of 60 basis points).

Other plans

In the Netherlands, the Group operates an insured defined benefits plan as is customary in that country. At the end of 2013 the deficit value for this plan was $3.7 million compared to $9.9 million in the previous year. The decline was due mostly to the settlement in the year of a 2009 claim made by a group of pensioners in relation to plan changes dating back to 2005, further details of which are included under the section "Exceptional items". Other liabilities amounted to $6.4 million (2012: $3.3 million) and relate to pension arrangements for a relatively small number of employees in Germany, as well as additional provision in 2013 for benefits relating to the Eaglescliffe site as discussed in the 'Exceptional items' section.

Consolidated income statement
for the year ended 31 December 2013

	Note	**Before exceptional items $million**	**Exceptional items (note 5) $million**	**2013 After exceptional items $million**	Before exceptional items restated** $million	Exceptional items (note 5) $million	2012 After exceptional items restated** $million
Revenue		**776.8**	–	**776.8**	757.0	–	757.0
Cost of sales		**(487.7)**	–	**(487.7)**	(465.6)	–	(465.6)
Gross profit		**289.1**	–	**289.1**	291.4	–	291.4
Distribution costs		**(83.6)**	–	**(83.6)**	(80.6)	–	(80.6)
Administrative expenses		**(58.9)**	**(1.7)**	**(60.6)**	(66.9)	–	(66.9)
Operating profit		**146.6**	**(1.7)**	**144.9**	143.9	–	143.9
Other expenses		**(2.0)**	–	**(2.0)**	(2.5)		(2.5)
Finance income	3	**0.2**	–	**0.2**	0.8	–	0.8
Finance costs	4	**(8.8)**	–	**(8.8)**	(8.8)	–	(8.8)
Profit before income tax		**136.0**	**(1.7)**	**134.3**	133.4	–	133.4
Tax	6	**(29.4)**	**1.8**	**(27.6)**	(33.1)	–	(33.1)
Profit for the year		**106.6**	**0.1**	**106.7**	100.3	–	100.3
Attributable to:							
Equity holders of the parent		**106.6**	**0.1**	**106.7**	100.3	–	100.3
Non-controlling interests		–	–	–	–	–	–
		106.6	**0.1**	**106.7**	100.3	–	100.3
Earnings per share							
Basic (cents)	7			**23.3**			22.2
Diluted (cents)	7			**23.0**			21.8

** restated following the adoption of IAS 19 Employee Benefits standard

Consolidated statement of comprehensive income
for the year ended 31 December 2013

	2013 **$million**	2012 restated* $million
Profit for the year	**106.7**	100.3
Other comprehensive income:		
Items that will not be reclassified subsequently to profit and loss:		
Re-measurements of retirement benefit obligations	**19.3**	(60.3)
Deferred tax associated with retirement benefit obligations	**(10.3)**	4.1
Items that may be reclassified subsequently to profit and loss:		
Exchange differences on translation of foreign operations	**(1.2)**	1.4
Effective portion of changes in fair value of cash flow hedges	**0.3**	(0.5)
Fair value of cash flow hedges transferred to income statement	**0.5**	0.8
Tax benefit associated with exercise of share options	**4.4**	–
Other comprehensive income	**13.0**	(54.5)
Total comprehensive income for the year	**119.7**	45.8
Attributable to:		
Equity holders of the parent	**119.7**	45.8
Non-controlling interests	**–**	–
Total comprehensive income for the year	**119.7**	45.8

** restated following the adoption of IAS 19 Employee Benefits standard

Consolidated balance sheet
at 31 December 2013

	2013 31 December $million	2012 31 December restated** $million
Non-current assets		
Goodwill and other intangible assets	**382.1**	356.7
Property, plant and equipment	**202.6**	186.8
Deferred tax assets	**8.6**	12.4
Total non-current assets	**593.3**	555.9
Current assets		
Inventories	**128.3**	128.6
Trade and other receivables	**126.2**	119.1
Derivatives	**0.4**	–
Cash and cash equivalents	**64.5**	63.1
Total current assets	**319.4**	310.8
Total assets	**912.7**	866.7
Current liabilities		
Bank overdrafts and loans	**(8.7)**	(5.6)
Trade and other payables	**(111.1)**	(100.0)
Derivatives	**(0.1)**	(0.4)
Current tax liabilities	**(14.4)**	(9.0)
Provisions	**(6.0)**	(6.6)
Total current liabilities	**(140.3)**	(121.6)
Non-current liabilities		
Loans and borrowings	**(1.7)**	(13.5)
Retirement benefit obligations	**(99.3)**	(137.4)
Deferred tax liabilities	**(93.5)**	(78.9)
Provisions	**(32.1)**	(33.9)
Government grants	**(0.3)**	(0.6)
Total non-current liabilities	**(226.9)**	(264.3)
Total liabilities	**(367.2)**	(385.9)
Net assets	**545.5**	480.8
Equity		
Share capital	**44.1**	43.7
Share premium	**16.7**	14.7
Other reserves	**129.9**	130.3
Retained earnings	**353.2**	290.5
Total equity attributable to equity holders of the parent	**543.9**	479.2
Non-controlling interests	**1.6**	1.6
Total equity	**545.5**	480.8

** restated following the adoption of IAS 19 Employee Benefits standard and for updated provisional fair value adjustments

Consolidated statement of changes in equity

	Share capital $million	Share premium $million	Translation reserve $million	Hedging reserve $million	Other reserves $million	Retained earnings restated** $million	Total restated** $million	Non-controlling interest $million	Total equity restated** $million
Balance at 1 January 2012	43.4	12.7	(29.0)	(7.8)	162.6	266.7	448.6	1.6	450.2
Comprehensive income									
Profit for the year	–	–	–	–	–	100.3	100.3	–	100.3
Other comprehensive income									
Exchange differences	–	–	1.4	–	–	–	1.4	–	1.4
Fair value of cash flow hedges transferred to the income statement	–	–	–	0.8	–	–	0.8	–	0.8
Effective portion of changes in fair value of cash flow hedges	–	–	–	(0.5)	–	–	(0.5)	–	(0.5)
Remeasurement of retirement benefit obligations	–	–	–	–	–	(60.3)	(60.3)	–	(60.3)
Tax credit on actuarial loss on pension scheme	–	–	–	–	–	4.1	4.1		4.1
Transfer	–	–	–	–	(0.8)	0.8	–	–	–
Total other comprehensive income	–	–	1.4	0.3	(0.8)	(55.4)	(55.4)	–	(55.4)
Total comprehensive income	–	–	1.4	0.3	(0.8)	44.9	45.8	–	45.8
Transactions with owners									
Purchase of shares by the ESOT	0.3	2.0	–	–	–	0.5	2.8	–	2.8
Issue of shares by the Company and the ESOT	–	–	–	–	–	–	–	–	–
Share based payments	–	–	–	–	3.6	–	3.6	–	3.6
Deferred tax on share based payments recognised within equity	–	–	–	–	–	10.6	10.6	–	10.6
Dividends paid	–	–	–	–	–	(32.2)	(32.2)	–	(32.2)
Total transactions with owners	0.3	2.0	–	–	3.6	(21.1)	(15.2)	–	(15.2)
Balance at 31 December 2012	43.7	14.7	(27.6)	(7.5)	165.4	290.5	479.2	1.6	480.8
Balance at 1 January 2013	**43.7**	**14.7**	**(27.6)**	**(7.5)**	**165.4**	**290.5**	**479.2**	**1.6**	**480.8**
Comprehensive income									
Profit for the year	**–**	**–**	**–**	**–**	**–**	**106.7**	**106.7**	**–**	**106.7**
Other comprehensive income									
Exchange differences	**–**	**–**	**(1.2)**	**–**	**–**	**–**	**(1.2)**	**–**	**(1.2)**
Fair value of cash flow hedges transferred to the income statement	**–**	**–**	**–**	**0.5**	**–**	**–**	**0.5**	**–**	**0.5**
Effective portion of changes in fair value of cash flow hedges	**–**	**–**	**–**	**0.3**	**–**	**–**	**0.3**	**–**	**0.3**
Remeasurement of retirement benefit obligations	**–**	**–**	**–**	**–**	**–**	**19.3**	**19.3**	**–**	**19.3**
Tax benefit associated with exercise of share options	**–**	**–**	**–**	**–**	**–**	**4.4**	**4.4**	**–**	**4.4**
Deferred tax adjustment on pension scheme deficit	**–**	**–**	**–**	**–**	**–**	**(10.3)**	**(10.3)**	**–**	**(10.3)**
Transfer	**–**	**–**	**–**	**–**	**(3.2)**	**3.2**	**–**	**–**	**–**
Total other comprehensive income	**–**	**–**	**(1.2)**	**0.8**	**(3.2)**	**16.6**	**13.0**	**–**	**13.0**
Total comprehensive income	**–**	**–**	**(1.2)**	**0.8**	**(3.2)**	**123.3**	**119.7**	**–**	**119.7**
Transactions with owners									
Issue of shares by the Company and the ESOT	0.4	2.0	–	–	(0.2)	–	2.2	–	2.2
Share based payments	–	–	–	–	3.4	–	3.4	–	3.4
Deferred tax on share based payments recognised within equity	–	–	–	–	–	(2.5)	(2.5)	–	(2.5)
Dividends paid	–	–	–	–	–	(58.1)	(58.1)	–	(58.1)
Total transactions with owners	0.4	2.0	–	–	3.2	(60.6)	(55.0)	–	(55.0)
Balance at 31 December 2013	**44.1**	**16.7**	**(28.8)**	**(6.7)**	**165.4**	**353.2**	**543.9**	**1.6**	**545.5**

** restated following the adoption of IAS 19 Employee Benefits standard

Consolidated cash flow statement
for the year ended 31 December 2013

	2013 **$million**	2012 restated** $million
Operating activities:		
Profit for the year	**106.7**	100.3
Adjustments for:		
Other expenses	**2.0**	2.5
Finance income	**(0.2)**	(0.8)
Finance costs	**8.8**	8.8
Tax charge	**27.6**	33.1
Depreciation and amortisation	**23.9**	21.3
Decrease in provisions	**(1.5)**	(1.9)
Pension payments net of current service cost	**(26.8)**	(27.9)
Share based payments	**3.4**	4.2
Exceptional items	**1.7**	–
Cash flow in respect of exceptional items excluding pensions	**(3.9)**	(3.7)
Operating cash flow before movement in working capital	**141.7**	135.9
Decrease/(increase) in inventories	**2.8**	(6.1)
Increase in trade and other receivables	**(4.3)**	(16.2)
Increase in trade and other payables	**8.0**	9.4
Cash generated by operations	**148.2**	123.0
Income taxes paid	**(12.3)**	(13.1)
Interest paid	**(2.8)**	(3.6)
Net cash flow from operating activities	**133.1**	106.3
Investing activities:		
Interest received	**0.5**	1.1
Disposal of property, plant and equipment	**0.6**	1.5
Purchase of property, plant and equipment	**(34.1)**	(38.3)
Purchase of business	**(32.8)**	(24.0)
Acquisition of intangible assets	**(1.5)**	(0.7)
Net cash flow from investing activities	**(67.3)**	(60.4)
Financing activities:		
Issue of shares by the Company and the ESOT	**2.2**	2.8
Dividends paid	**(58.3)**	(32.2)
Receipt of unclaimed dividends	**0.2**	0.3
Purchase of shares by the ESOT	**-**	–
Decrease in borrowings	**(8.7)**	(3.3)
Net cash used in financing activities	**(64.6)**	(32.4)
Net increase in cash and cash equivalents	**1.2**	13.5
Cash and cash equivalents at 1 January	**63.1**	48.2
Foreign exchange on cash and cash equivalents	**0.2**	1.4
Cash and cash equivalents at 31 December	**64.5**	63.1

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

Notes to the financial statements

1 Preparation of the preliminary announcement

The financial information in this statement does not constitute the Company's statutory accounts for the years ended 31 December 2013 or 2012 but is derived from those accounts. Statutory accounts for 2012 have been delivered to the Registrar of Companies, and those for 2013 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

This preliminary announcement was approved by the Board of Directors on 25 February 2014.

2 Basis of preparation

Elementis plc (the “Company”) is incorporated in the UK. The information within this document has been prepared under International Financial Reporting Standards as adopted by the EU (adopted IFRS).

The Group’s financial statements have been prepared on the historical cost basis except that derivative financial instruments and financial instruments 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 fair value less costs to sell. The preparation of financial statements requires the application of estimates and judgements that affect the reported amounts of assets and liabilities, revenues and costs and related disclosures at the balance sheet date. The accounting policies have been consistently applied across group companies to all periods presented.

The Group and Company financial statements have been prepared on the going concern basis, as the directors are satisfied that the Group and Company have adequate resources to continue to operate for the foreseeable future as going concerns. An explanation of the directors’ assessment of using the going concern basis is given in the Directors’ report in the Annual Report and Accounts 2013 which will be made available to shareholders on 20 March 2014.

Reporting currency
As a consequence of the majority of the Group’s sales and earnings originating in US dollars or US dollar linked currencies, the Group has chosen the US dollar as its reporting currency. This aligns the Group’s external reporting with the profile of the Group, as well as with internal management reporting.

Restatement of comparatives
The revised IAS 19 Employee Benefits standard became effective from 1 January 2013 and has been implemented from that date. The standard makes substantial changes to the recognition, measurement and disclosure of retirement benefit obligations. A restatement of the 2012 comparatives has been made, summarised as follows:

Income statement: Profit before tax reduced by $7.8 million, tax charge reduced by $1.0 million and profit for the period reduced by $6.8 million.

Earnings per share: Basic and diluted earnings per share reduced by 1.5 cents.

Balance sheet: Retirement benefit obligations increased by $1.4 million and Retained earnings decreased by $1.4 million.

3 Finance income

	2013 $million	2012 $million
Interest on bank deposits	**0.2**	0.8

4 Finance costs

	2013	2012 restated**
	$million	$million
Interest on bank loans	**2.5**	3.4
Pension and other post retirement liabilities	**4.5**	4.1
Unwind of discount on provisions	**1.8**	1.3
	8.8	8.8

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

5 Exceptional items

	2013	2012
	$million	$million
Post employment benefits	**0.1**	–
Environmental provisions	**(0.2)**	–
Other	**(1.6)**	
	(1.7)	–
Deferred tax credit	**1.8**	–
	0.1	–

The Group has continued its separate presentation of certain items as exceptional. These are items which, in management's judgement, need to be disclosed separately by virtue of their size or incidence in order for the reader to obtain a proper understanding of the financial information.

Post employment benefits
In 2013 the Group settled a 2005 claim made by a group of its Dutch pensioners and released the balance of a provision made at the time the claim was lodged, resulting in a credit of $3.3 million being recorded. Following the closure of the Eaglescliffe there remains a number of post employment payments to former employees that will continue for a period of time. The Group has concluded that it would be appropriate to make a provision for these payments under IAS 19 and has therefore recorded an exceptional charge of $3.2 million.

Environmental provisions
A number of structural changes were made to the Group's provisions in 2013. A fixed term indemnity given by the Group to a third party in 1998 expired and, as a result, the related balance sheet provision of $9.8 million was released.

During the year the closure plan for the Eaglescliffe chromium plant was finalised in consultation with regulatory authorities and an additional $5.0 million provision for closure costs was made.

Following a review of the provisioning methodology and timing of the Group's anticipated spend on environmental matters the Group concluded that it would be appropriate to reduce the discount rate being used to calculate the current liability and this resulted in a charge of $5.8 million.

Other adjustments to existing environmental provisions resulted in a credit of $0.8 million. There was a deferred tax credit of $1.8 million relating to the adjustments to environmental provisions.

Other adjustments
In 2013 the Group exited a long term office lease, resulting in a charge of $0.6 million. The Group also increased its provision for a 2002 dispute relating to the filing of an industry report with the US Environmental Protection Agency, resulting in a charge of $1.0 million.

6 Income tax expense

	2013 **$million**	2012 restated** $million
Current tax:		
Overseas corporation tax	**21.3**	15.6
Adjustments in respect of prior years:		
Overseas	**(0.5)**	(1.1)
Total current tax	**20.8**	14.5
Deferred tax:		
United Kingdom	**0.9**	3.7
Adjustment in respect of prior year	**0.4**	–
Overseas	**4.1**	14.1
Adjustments in respect of prior years	**1.4**	0.8
Total deferred tax	**6.8**	18.6
Income tax expense for the year	**27.6**	33.1
Comprising:		
Before exceptional items	**29.4**	33.1
Exceptional items*	**(1.8)**	–
	27.6	33.1

* see Note 5 ** restated following the adoption of revised IAS 19 Employee Benefits standard

The tax charge on profit represents an effective tax rate on profit before exceptional items for the year ended 31 December 2013 of 21.6 per cent (2012: 24.8 per cent). As a Group involved in overseas operations, the amount of profitability in each jurisdiction, transfer pricing legislation and local tax rate changes, will affect future tax charges.

The total charge for the year can be reconciled to the accounting profit as follows:

	2013 **$million**	**2013** **per cent**	2012 restated** $million	2012 restated** per cent
Profit before tax	**134.3**		133.4	–
Tax on ordinary activities at 23.25 per cent (2012: 24.5 per cent)*	**31.2**	**23.3**	32.7	24.5
Difference in overseas effective tax rates	**10.9**	**8.1**	15.2	11.4
Income not chargeable for tax purposes	**(9.8)**	**(7.3)**	(5.8)	(4.3)
Expenses not deductible for tax purposes	**0.5**	**0.4**	0.2	0.1
Tax losses and other deductions	**(6.1)**	**(4.5)**	(8.7)	(6.5)
Tax rate adjustments to deferred tax			1.8	1.3
Adjustments in respect of prior years	**0.9**	**0.6**	(0.3)	(0.2)
Share options tax credit			(2.0)	(1.5)
Tax charge and effective tax rate for the year	**27.6**	**20.6**	33.1	24.8

* tax rate reflects reduction in UK corporation tax rate from 24 per cent to 23 per cent with effect from April 2013

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

7 Earnings per share

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the parent is based on the following:

	2013 **$million**	2012 restated** $million
Earnings:		
Earnings for the purpose of basic earnings per share	**106.6**	100.3
Exceptional items net of tax	**0.1**	–
Adjusted earnings	**106.7**	100.3

	2013 million	2012 million
Number of shares:		
Weighted average number of shares for the purposes of basic earnings per share	**456.9**	451.8
Effect of dilutive share options	**6.8**	8.6
Weighted average number of shares for the purposes of diluted earnings per share	**463.7**	460.4

The calculation of the basic and diluted earnings per share from continuing operations attributable to the ordinary equity holders of the parent is based on the following:

	2013 cents	2012 restated** cents
Earnings per share:		
Basic	**23.3**	22.2
Diluted	**23.0**	21.8
Basic before exceptional items	**23.3**	22.2
Diluted before exceptional items	**23.0**	21.8

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

8 Contingent liabilities

As is the case with other chemical companies, the Group occasionally receives notices of litigation relating to regulatory and legal matters. A provision is recognised when the Group believes it 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. Where it is deemed that an obligation is merely possible and that the probability of a material outflow is not remote, the Group would disclose a contingent liability. No contingent liability was considered to be reportable at 31 December 2013.

****

Annual Financial Report

In accordance with Disclosure and Transparency Rule 6.3.5, the following additional information is required to be made through a Regulatory Information Service ("RIS"): Principal risks and uncertainties; and Directors' responsibility statement. The information below, which is summarised and extracted from the 2013 Annual report and accounts that is to be published on 20 March 2014, is included solely for the purpose of complying with DTR 6.3.5(2) and the requirements it imposes on issuers on what material is to be communicated to the media in unedited full text through a RIS. A fuller description is set out in the 2013 Annual report and accounts.

Risk management

The management of risk is integrated into the general management function which means all layers of management have a responsibility for identifying, assessing and communicating risk upwards in the chain of management. To support this approach, the Group has risk management policies, procedures and controls in place. On a monthly basis, the management team reviews business performance and all material risks to the business and the Group’s ability to deliver its operating plans are discussed.

Twice a year the management team also carries out a more formal risk review. The first part of the process requires all sites and functional departments to complete comprehensive risk assessments that are compiled into risk maps and registers which are then reviewed by the business leadership and management teams, together with risk scores to estimate the financial impact to the business and their likelihood of occurrence, as well as the risk controls and mitigation action taken. The second part is a review of the Group’s business continuity plans with scenario testing and training at corporate and site level. The output from these exercises is shared with the Board. Management reports are also discussed at monthly Board meetings and HSE performance is reported to the Board on a regular basis.

The principal risks and uncertainties identified by the management team and approved by the Board are listed below.

Principal risks and uncertainties
The following is a summary of the principal risks agreed by the Board: global economic conditions and competitive pressure in the marketplace; growth opportunities and product innovation may not materialise; raw materials and supply chain; major regulatory enforcement action, litigation and/or other claims arising from products and/or historical and ongoing operations; UK pension fund; regulation/technological advances; major event or catastrophe (eg IT failure or operations incident); and major disruption to global or regional banking systems. A full description of these risks and the mitigating actions taken by the Company will appear in the 2013 Annual report and accounts.

Related party transactions
The Company is a guarantor to the UK pension scheme under which it guarantees all current and future obligations of UK subsidiaries currently participating in the pension scheme to make payments to the scheme, up to a specified maximum amount. The maximum amount of the guarantee is that which is needed (at the time the guarantee is called on) to bring the scheme's funding level up to 105 per cent of its liabilities, calculated in accordance with section 179 of the Pensions Act 2004. This is also sometimes known as a Pension Protection Fund ("PPF") guarantee, as having such a guarantee in place reduces the annual PPF levy on the scheme.

Directors' responsibility statement
The following is an extract of the full statement prepared in connection with the Company's Annual Report and Accounts (comprising both consolidated and parent company financial statements) for the year ended 31 December 2013. The full text of the Directors' responsibility statement will appear in the 2013 Annual report and accounts.

The Directors of the Company confirm that to the best of their knowledge:

- The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole.
- The management report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

ENDS