29 July 2014

ELEMENTIS plc

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

Elementis plc (ELM.L) ("Elementis", the "Company" or the "Group"), the FTSE 250 Global Specialty Chemicals Company, announces its results for the six months ended 30 June 2014.

HIGHLIGHTS

- Specialty Products' sales up 4 per cent
  - North America coatings up 5 per cent
  - Asia Pacific coatings up 6 per cent
  - Personal Care up 21 per cent
  - Operating margin stable at 20 per cent
- Chromium
  - Optimising product mix to produce stable earnings and cash flow
- Net balance sheet cash position
- Interim dividend increased by 5 per cent

FINANCIAL SUMMARY

	2014	2013	change
Sales	**$400.0m**	$388.2m	+3%
Operating profit	**$76.8m**	$72.8m	+5%
Operating margin	**19%**	19%	
Profit before tax	**$72.4m**	$67.5m	+7%
Diluted earnings per share	**12.7c**	11.3c	+12%
Net cash/(debt)	**$5.0m**	$(8.5)m	
Interim dividend to shareholders	**2.70c**	2.57c	+5%
Basic earnings per share	**12.8c**	11.5c	+11%

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

"Elementis has delivered a performance in the first half of 2014 that demonstrates once again the resilience of our business model. The Group's strategy of creating its own growth opportunities combined with its strong and diverse market positions has helped to offset the first quarter weather issues that impacted our Coatings, Oilfield and Chromium chemical businesses in North America. This performance was achieved despite global growth rates that varied by region and industry. Our strategy of extending the Group's geographic footprint and broadening our end markets contributed significantly to this first half performance.

We believe that few companies are as well positioned as Elementis to capture growth in a rapidly changing world and we are extremely proud of the high performance culture that we have built. The Group's global expertise, in combination with its robust business model and track record of generating strong profits and cash flow, gives confidence that the future is indeed promising and that Elementis will continue to make good progress in the medium term, with earnings per share for the current year in the range of market expectations."

– ENDS –

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

FTI Consulting
Deborah Scott
Matthew Cole

Chairman's statement

This is my first statement as Chairman following my appointment in April this year and I have spent my first three months in the role getting to know Elementis and its people. I am impressed by the quality of the management team, the strength of the market positions held by the Group and the clarity of the strategy that has been adopted by the Board. The Group has been successful in recent years in leveraging its key strengths to deliver shareholder value, making a number of important strategic decisions along the way that have enhanced its profitable growth, the sustainability of its operations and margins as well as the strength of its balance sheet. Together with the Board, I intend to support and challenge the management team as we move into the next phase of our development as a successful specialty chemicals company.

Results

Revenue in the period was $400.0 million, compared to $388.2 million in the same period last year. Consistent with the Group's strategy the growth came principally from the Specialty Products business. Operating profit was $76.8 million compared to $72.8 million in the first six months of last year and diluted earnings per share in the current period was 12.7 cents compared to 11.3 cents, an increase of 12 per cent.

Balance sheet

Strong cash flow generation and return on operating capital are important features of the Group's performance. The first six months of the year typically experience higher cash outflows than the second half, due to seasonal increases in working capital associated with the coatings market and the fact that the final and special dividends are paid out in this period. In addition there was a previously announced one-time payment to the UK pension scheme in March this year of $15.3 million. It is therefore a testament to the Group's ability to generate positive cash flow that, despite these planned outflows in the current period, the Group still expects to be in a net cash position on its balance sheet at the end of the year.

Pensions

The IAS 19 deficit in the Group's post retirement schemes reduced by $21.3 million in the period to $78.0 million, largely due to contributions from the Group of $30.6 million. Total contributions for the year as a whole are expected to be approximately $48.0 million and mark a high point in annual contributions, with significant reductions expected to take place going forward. Under the current funding arrangements, contributions in 2015 are expected to fall to approximately $30.0 million and $23.0 million in 2016, further enhancing the Group's cash flow generation.

Governance

As previously announced there will be two more changes to the Board over the next twelve months. Ian Brindle and Kevin Matthews have now served on the Board for over 9 years and will therefore step down as part of our normal rotation programme. A process is underway to identify their successors and we expect to make further announcements in due course. I would like to take this opportunity to express my thanks to Ian Brindle for his leadership of the Board as Chairman over the past year and for his continuing support as Senior Independent Director.

Interim dividend

The Board is declaring an interim dividend of 2.70 cents per share, an increase of 5 per cent, which will be paid on 3 October 2014, in pounds sterling at an exchange rate of $1.7003:£1.00 (equivalent to a sterling amount of 1.5880 pence per share), to shareholders on the register on 12 September 2014.

Health, safety and environment

In my first few months as Chairman it is already clear to me that Elementis has a strong culture of commitment to the health and safety of its employees and the protection of the environment. These are core foundations for a sustainable business and therefore I intend that we will continually strive to improve our performance.

People

I have already visited a number of the locations where Elementis operates and have been impressed by the quality and commitment of the people I have met. I am looking forward to meeting more of them in the coming months and would like to thank all of them, on behalf of the Board, for their continued contribution to our success.

Outlook

Elementis is well positioned to benefit from a number of significant global trends and has a clear strategy to create value for its shareholders. In addition, the resilience and sustainability of the Group is solidly underpinned by its strong market positions, geographic spread, technology leadership and sound operating practices. Hence the Board is confident that the Group will continue to make progress.

Andrew Duff
Chairman
29 July 2014

Business review

Group Chief Executive's report

Elementis has delivered a performance in the first half of 2014 that once again demonstrates the resilience of our business model. The Group's strategy of creating its own growth opportunities combined with its strong and diverse market positions has helped to offset the first quarter weather issues that had impacted our Coatings, Oilfield and Chromium chemical businesses in North America. This performance was achieved despite global growth rates that varied by region and industry. Our strategy of extending the Group's geographic footprint and broadening our end markets contributed significantly to this first half performance.

We remain resolute in our commitment to outperform the market and deliver profitable growth across all stages of the economic cycle, and our investments and business activities are consistent with that. While our global capability enables us to develop and leverage solutions for our customers around the world, our local presence allows us to truly understand our customers and their specific needs, and respond proactively with innovative product solutions to address those needs.

In the first half of 2014 we took several specific actions to enhance our ability to partner with customers and to strengthen market positions. During this period, our Specialty Products business:

- Opened a new sales office in Houston, Texas, with a new business director and sales team in order to focus more intensely on Oilfield customers.
- Prepared our recently acquired coatings additives company in Brazil to begin exporting throughout Latin America, which will commence in the second half of 2014.
- Expanded the scope of the New Martinsville project to broaden its product range capabilities for US decorative coatings.

Our strategy for continued profitable growth is straightforward and when executed successfully, will consistently deliver superior performance. Execution of our strategy has proven to be a core strength of our organisation, so I have every confidence that we will continue to meet our growth objectives:

- Leveraging our world-class technology platforms to meet the growing needs of a rapidly growing middle class in developing economies and the increasing longevity and urbanisation of the world's population.
- Meeting the increasing demand for our products in deepwater and unconventional horizontal drilling applications for oil and natural gas as the US drives toward energy independence in an uncertain geopolitical world.
- Achieving ever greater productivity and efficiency as we grow our businesses.
- Continuing to maximise value by strategically aligning our diverse and global portfolio with attractive and resilient end markets and by expanding our footprint in emerging regions, such as Latin America and India.
- Utilising our innovation pipeline to solve our customers' formulary challenges and drive profitability by rapidly commercialising new technologies, with a priority on delivering near-term value.
- Helping our customers achieve enhanced performance in markets that are continually seeking greener and more sustainable products, particularly for personal care applications.
- Continuing to evaluate appropriate bolt-on acquisition opportunities in Specialty Products, with a particular focus on companies that possess value added technologies and participate in our chosen market segments, especially those present in higher growth regions.

Strong cash generation continues to be a key feature of the Group's performance. In spite of seasonally higher first half cash flow demands and the planned one-time payment to the UK pension scheme of $15.3 million, the Group still ended the period with a positive net cash position on its balance sheet. Based on our current cash flow forecast, we would anticipate being in a net cash position at the end of the year and therefore paying a special dividend for the year under our dividend policy.

2014 First half highlights:

- Specialty Products sales up 4 per cent
    - North America coatings up 5 per cent, driven in part by sales of innovative products from the recently commissioned facility in New Martinsville.
    - Asia Pacific coatings up 6 per cent, on market share gains in China and good progress throughout the region.
    - Personal Care up 21 per cent, driven by good growth in Asia Pacific and Latin America, as well as geographic expansion and new product launches.
    - Operating margin stable at 20 per cent, benefiting from continued discipline on product mix, pricing and costs.
- Chromium
    - Optimising product mix to produce stable earnings and cash flow.
- Net balance sheet cash position
- Interim dividend increased by 5 per cent

The Specialty Products business provides a strong growth platform with its balanced geographic exposure across both mature and emerging economies, strong technology base and strategic market diversification. Specialty Products has a significant technical service and application support presence in its chosen markets, which has been built on long term relationships of trust, collaboration and technical expertise. We help our customers improve the performance of their products, lower costs or improve regulatory compliance by introducing additives that represent a low percentage of the formula cost but are critical to product performance. Our differentiated, innovative product offering is supported by best in class process technology and tightly held manufacturing know-how.

In Specialty Products, sales in the first six months of the year were 4 per cent higher than the same period last year, with operating margins remaining stable at 20 per cent.

In Coatings Additives, sales in North America were 5 per cent higher than the previous year, with good growth in decorative coatings driven by the introduction of new innovative products from the recently commissioned facility in New Martinsville. Phase two of the New Martinsville facility will be completed in the second half of 2014 and additional capital has recently been approved to expand further the product portfolio of the facility. Sales in Latin America, on a constant currency basis, were 3 per cent higher as synergies from the Watercryl acquisition continued to deliver growth, despite sluggish GDP growth in Brazil. Sales in Asia Pacific were 6 per cent higher as the business continued to benefit from market share gains in China and good progress in other Asian regions. In Europe it is pleasing to report that constant currency sales grew by 2 per cent helped by product sales from the Hi-Mar acquisition product range in what continues to be a subdued economic environment.

In Personal Care, sales were 21 per cent higher than the same period last year with good growth in Asia Pacific and Latin America, where additional resources were recently introduced, as the team continued to expand the business successfully both geographically and through new product introductions based upon customised hectorite gels and natural plant seed oils.

In Oilfield, sales were 15 per cent below the prior year due to weather related issues and some drilling softness during the first six months of the year. However, we remain bullish on this segment and have hired additional business management based in Houston, Texas, close to our key customers. Deepwater drilling activity continues to recover in the Gulf following the Macondo incident and Elementis remains focused on multiple new sales opportunities emerging in horizontal drilling for natural gas and oil.

The Chromium business strategy is focused on reducing cyclical fluctuations and consistently delivering predictable and therefore higher quality earnings and cash flow. The business operates at consistently high rates of capacity utilisation and serves a diverse number of customers, geographies and applications allowing it to quickly shift products and resources away from sluggish markets to those with greater opportunity.

As the only North American based manufacturer of chromium chemicals, the business is able to provide North American customers with a differentiated and highly valued closed loop delivery model. This model would be extremely difficult for a non-domestic supplier to replicate and therefore provides a long term competitive advantage. The business has a significant share of chromium chemical sales in North America and 62 per cent of its sales were to customers in the region in the first half of the year.

In the first six months of the year Chromium sales, influenced by weather issues, were the same as the previous year but, with strong sales in higher margin applications, operating profit in the first half was in line with management expectations.

Elementis will continue to focus on customer relationships to drive innovative new product development, market share gains, expansion into new geographic markets and operational productivity improvements. All of this will help Elementis to retain its long term differentiation and strong margin performance as we grow in our chosen markets.

We believe that few companies are as well positioned as Elementis to capture growth in a rapidly changing world and we are extremely proud of the high performance culture that we have built. The Group’s global expertise, in combination with its robust business model and track record of generating strong profits and cash flow, gives confidence that the future is indeed promising and that Elementis will continue to make good progress in the medium term, with earnings per share for the current year in the range of market expectations.

David Dutro
Group Chief Executive
29 July 2014

Finance report

Revenue for the six months ended 30 June	Revenue 2013 $million	Effect of exchange rates $million	Increase/ (decrease) 2014 $million	**Revenue 2014 $million**
Specialty Products	257.7	3.2	7.6	**268.5**
Chromium	103.4	-	(0.2)	**103.2**
Surfactants	33.8	1.4	(1.0)	**34.2**
Inter-segment	(6.7)	-	0.8	**(5.9)**
	388.2	4.6	7.2	**400.0**

Operating profit for the six months ended 30 June	Operating profit 2013 $million	Effect of exchange rates $million	Increase 2014 $million	**Operating profit 2014 $million**
Specialty Products	51.6	(0.1)	1.1	**52.6**
Chromium	25.3	-	2.4	**27.7**
Surfactants	2.9	-	0.3	**3.2**
Central costs	(7.0)	(0.3)	0.6	**(6.7)**
	72.8	(0.4)	4.4	**76.8**

Group results
Group revenue was $400.0 million in the first half of 2014, compared to $388.2 million in the same period last year, representing an increase of 3 per cent, or 2 per cent excluding currency. Sales were higher in Specialty Products and stable in both Chromium and Surfactants, in line with the strategies for each business. Group operating profit improved by 5 per cent to $76.8 million and operating margin was stable at 19 per cent.

Specialty Products
Revenue in Specialty Products for the first half of 2014 was $268.5 million, which is an increase of 4 per cent over the same period last year, or 3 per cent excluding currency movements.

In coatings additives global sales improved by 6 per cent on 5 per cent higher volumes as the Group continued to benefit from its broad geographic presence, alignment with the leading coatings companies and introduction of new decorative products, particularly in North America. Sales in that region improved by 5 per cent on 7 per cent higher volumes, with decorative products from the recently constructed plant in New Martinsville contributing to the increase. In Asia Pacific sales increased by 6 per cent on 9 per cent higher volumes as the business continued to benefit from market share gains and its strong position in the Chinese market, where GDP growth continues to be above the global average. In addition the business is utilising its commercial, technical and manufacturing capabilities in China to expand sales into other parts of Asia Pacific. Volumes grew faster than revenue in the region as some of the strongest growth was seen in product categories with slightly lower prices but similar margins. In Europe sales increased by 7 per cent, or 2 per cent excluding currency, and sales in the current period benefited from the addition of defoamer products sourced from the Hi-Mar business acquired in 2013. Sales in Latin America were 2 per cent lower than the previous year, but 3 per cent higher after adjusting for currency. The underlying demand for coatings in the region continued to be soft, but synergy benefits from the recently acquired Watercryl business in Brazil are driving overall growth.

Sales of personal care products increased by 21 per cent, or 17 per cent excluding currency, on 21 per cent higher volumes with significant contributions to the growth coming from Asia Pacific and Latin America where investments in additional resources were recently made as part of the strategy to expand the geographic presence of the business.

Sales in oilfield drilling were 15 per cent lower than the previous year, with volumes lower by 11 per cent. Following a slow start to the year which impacted first quarter volumes, second quarter volumes returned to levels that were consistent with the same period last year.

Operating profit increased by 2 per cent to $52.6 million, with no material impact from currency movements. Operating margin remained close to 20 per cent with pricing levels across the business relatively stable and fixed costs at a similar level to the same period last year.

Chromium

Revenue in Chromium was $103.2 million compared to $103.4 million in the same period last year, with currency movements having no material impact. Sales volumes improved by 2 per cent as production utilisation in the current period improved to more normal operating levels, there having been a maintenance shutdown in the same period last year which reduced sales. Sales in the current period were also negatively impacted by adverse weather conditions in North America at the start of the year. Consistent with the strategy to generate stable earnings and cash flow by leveraging a scalable and flexible operational base, the business took advantage of strong demand for refractory grade chrome oxide in North America and a more robust US timber treatment market to offset lower sales into US leather tanning and Chinese plating applications.

Operating profit for the period was $27.7 million compared to $25.3 million in the same period last year, which is an increase of 9 per cent with no impact from currency movements. Operating margin improved from 24 per cent in the previous period to 27 per cent due to the improved sales mix described above and higher sales volumes.

Surfactants

Revenue in Surfactants was $34.2 million in the first half of 2014, compared to $33.8 million in the same period last year, which is an increase of 1 per cent. After adjusting for currency movements, sales declined by 3 per cent. Sales volumes were lower by 8 per cent, which is consistent with the Group’s strategy to transition the facility in Delden, the Netherlands, away from producing lower margin surfactants towards the production of higher margin additives for the Specialty Products business. Average pricing improved by 5 per cent in response to similar increases in raw material costs.

Operating profit for the period was $3.2 million compared to $2.9 million as the positive effects of pricing and mix offset the lower sales volumes. Operating margin was stable in each period at 9 per cent.

Central costs

Central costs are costs that are not identifiable as expenses of a particular business and comprise the Board of Directors and corporate offices in the UK and US. Costs for the first half of 2014 were $6.7 million compared to $7.0 million in the same period last year with an adverse currency movement of $0.3 million being offset by a reduction in the charge for share based incentives.

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 $1.1 million in the current period compared to $1.5 million in the previous year.

Net finance costs

	30 June 2014 $million	30 June 2013 $million
Finance income	**0.1**	0.1
Finance cost of borrowings	**(0.7)**	(1.0)
	(0.6)	(0.9)
Net pension finance expense	**(1.7)**	(2.3)
Discount on provisions	**(1.0)**	(0.6)
	(3.3)	(3.8)

Net finance costs in the first half of 2014 were $3.3 million compared to $3.8 million in the same period last year. Net interest costs were marginally lower at $0.6 million due to a decline in the Group's borrowing requirements. Net pension finance expenses were $0.6 million lower than the previous period at $1.7 million, due to a decrease in the IAS 19 deficit between the two periods, which more than offset the negative impact of an increase in corporate bond yields.

Tax

The provision for tax on profits was $13.5 million, or 18.7 per cent, in the first half of 2014 (2013: $15.3 million, or 22.7 per cent) and is based on the likely tax payable in those jurisdictions where taxable profits arise and deferred tax provisions where these are applicable. For the current period the provision was based on an estimated tax rate for the full year of approximately 18.7 per cent (2013: 21.8 per cent). The rate is sensitive to the mix of profits from different jurisdictions. In the first six months of 2014 the majority of the Group's taxable income was generated in the US, where the marginal rate of tax is 40 per cent, and the UK, where the marginal rate is 1 per cent due to the availability of prior year advance corporation tax credits.

Earnings per share

Basic and diluted earnings per share for the first half of 2014, calculated on the reported earnings of $58.9 million (2013: $52.2 million), were 12.8 cents and 12.7 cents, respectively, compared to 11.5 cents and 11.3 cents in the same period last year.

Cash flow

Cash flow is summarised below:

	30 June 2014 $million	30 June 2013 $million
Earnings before interest, tax, exceptionals, depreciation and amortisation (EBITDA)	**89.3**	84.3
Change in working capital	**(25.9)**	(20.2)
Capital expenditure	**(17.7)**	(16.7)
Other	**(0.7)**	(0.7)
Operating cash flow	**45.0**	46.7
Pension deficit payments	**(30.6)**	(11.0)
Interest and tax	**(8.0)**	(8.9)
Other	**1.2**	1.4
Free cash flow	**7.6**	28.2
Dividends	**(52.4)**	(46.3)
Acquisitions	**(4.1)**	(32.8)
Currency fluctuations	**(0.2)**	(1.6)
Movement in net cash	**(49.1)**	(52.5)
Net cash at start of period	**54.1**	44.0
Net cash/(debt) at end of period	**5.0**	(8.5)

Net cash expended for the first six months of 2014 was $3.4 million lower than the same period last year at $49.1 million. EBITDA in the current period improved by $5.0 million due to higher operating profit and working capital outflows increased by $5.7 million, in line with higher sales. Working capital cash flows are seasonal due to the Group's participation in the global coatings market and so part of the outflow experienced in the first six months of the year will reverse by the end of the year. Capital expenditure in the current period was $1.0 million higher than last year at $17.7 million and included $10.1 million of investments in Specialty Products, of which $4.6m million related to the new additives facility for decorative coatings in New Martinsville, US. Capital expenditure for the whole of 2014 is expected to be approximately $30 million (2013: $35.0 million). Pension deficit payments in the current period were $19.6 million higher than the previous year and include an additional one-time payment to the UK scheme of $15.3 million, which was agreed at the time of the last triennial valuation in September 2011. Otherwise contributions consist of regular annual payments mainly to the Group's UK and US schemes. Dividend payments were $52.4 million in the current period compared to $46.3 million in the first six months of 2013, the increase being the result of increases in both the final and special dividends for 2013, as announced in February 2014. Acquisition spending in the first six months of 2013 was $32.8 million and related to the acquisition of Hi-Mar in the US. Spending in the current period relates to the acquisition of a minority interest in a majority owned business in

China. Overall, the Group had a net cash position on its balance sheet of $5.0 million at the end of the current period.

Working capital

Working capital days	**30 June 2014**	30 June 2013	31 Dec 2013
Inventory	**91**	94	88
Debtors	**53**	52	50
Creditors	**60**	57	65
Average working capital to sales (per cent)	**21.0**	20.2	20.4

Inventory days were seasonally higher at the end of the current period than they were at the end of 2013, but lower than the same time last year. This reflects both the seasonal nature of Group sales, particularly in Specialty Products, and the Group's proactive programme to manage inventory levels at the minimum level needed to service its customers effectively. Debtor days remained at a similar level to the same time last year and creditor days increased by 3 days. Overall, the average working capital to sales ratio increased slightly compared to this time last year and the end of 2013, but does not indicate any structural changes in the business.

Balance sheet

	30 June 2014 $million	30 June 2013 $million
Property, plant and equipment	**211.2**	193.1
Other net assets	**332.4**	328.5
Net cash	**5.0**	-
	548.6	521.6
Equity	**548.6**	513.1
Net debt	**-**	8.5
	548.6	521.6

Property, plant and equipment increased by $18.1 million compared to the previous period end, due to capital spending between the two dates of $35.9 million and depreciation of $24.9 million, with the balance largely coming from currency movements. Other net assets were $3.9 million higher than the same time last year, with the only material movements being an increase associated with a reduction in retirement benefit obligations of $15.5 million and a reduction due to higher tax liabilities of $19.1 million as a result of profits generated between the two dates. Equity increased by $35.5 million as a result of profit for the intervening period of $113.4 million, dividends paid of $64.2 million and $21.6 million of pension actuarial losses net of tax.

The main dollar currency exchange rates in the period were:

	2014 30 June	**2014 Average**	2013 30 June	2013 Average
Sterling	**0.58**	**0.60**	0.66	0.64
Euro	**0.73**	**0.73**	0.77	0.76

Pensions and post retirement plans

	Total $million
Movement in deficit	
Deficit in schemes at 1 January 2014	(99.3)
Current service cost	(1.5)
Contributions	32.1
Admin costs	(1.1)
Net interest expense	(1.7)
Actuarial loss	(5.2)
Currency translation differences	(1.3)
Deficit in schemes at 30 June 2014	**(78.0)**

During the period the deficit, under IAS 19, on the Group's pension and post retirement medical plans improved by $21.3 million to $78.0 million. The movement was largely the result of contributions from the Group offset by actuarial losses. Contributions totalled $32.1 million (2013: $12.5 million) of which $30.6 million (2013: $11.0 million) related to deficit reduction payments. $28.0 million (2013: $9.2 million) of the deficit payments were made to the UK scheme and included an additional one-time payment under the current funding agreement of $15.3 million. Total deficit contributions for the whole of 2014 are expected to be approximately $48.0 million. Actuarial losses of $5.2 million (2013: gain of $32.0 million) were a result of changes a reduction in real corporate bond yields, partly offset by positive asset returns of approximately 7 per cent and 11 per cent, respectively, in the UK and US schemes. The next triennial valuation exercise for the UK scheme will take place as of 30 September 2014.

Principal risks and uncertainties

The Group has policies, processes and systems in place to help identify, evaluate and manage risks at all levels throughout the organisation. Certain key risks, because of their size, likelihood and/or severity, are reviewed regularly by the senior management team and the Board, to ensure that appropriate action is taken to eliminate, reduce or mitigate, wherever practicable, significant risks that can lead to financial loss, harm to reputation or business failure. 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 continuing 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 mitigation actions taken by the Company can be found in Company's 2013 Annual report and accounts on pages 18 and 19.

Cautionary statement

The Elementis plc interim results announcement for the half year ended 30 June 2014, which comprises the Chairman's statement, Group Chief Executive's report, Finance report and the Directors' responsibility statement (which taken together constitute the Interim management report) and the interim financial statements and accompanying notes (incorporating a Condensed consolidated balance sheet at 30 June 2014, Condensed consolidated income statement, Condensed consolidated statement of comprehensive income, Condensed consolidated cash flow statement and Condensed consolidated statement of changes in equity, each for the six months ended 30 June 2014) (altogether 'Half-yearly financial report'), contains information which viewers or readers might consider to be forward looking statements relating to or in respect of the financial condition, results, operations or businesses of Elementis plc. Any such statements involve risk and uncertainty because they relate to future events and circumstances. There are many factors that could cause actual results or developments to differ materially from those expressed or implied by any such forward looking statements. Nothing in this Half-yearly financial report should be construed as a profit forecast.

Related party transactions

There were no material related party transactions entered into during the first half of the year and there have been no material changes to the related party transactions disclosed in the Company's 2013 Annual report and accounts on page 87.

Directors' responsibility statement

A full list of the directors can be found on the Elementis corporate website at: www.elementisplc.com. With the exception of Andrew Duff, these directors are also shown on page 24 of the Company's 2013 Annual report and accounts.

The directors confirm that to the best of their knowledge:

- The condensed set of financial statements setout in this Half-yearly financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

- The interim management report contained in this Half-yearly financial report includes a fair review of the information required by:

    - DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of the important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year.

    - DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in related party transactions described in the 2013 Annual report and accounts that could have a material effect on the financial position or performance of the entity during the first six months of the current financial year.

Approved by the Board on 29 July 2014 and signed on its behalf by:

David Dutro
Group Chief Executive
29 July 2014

Brian Taylorson
Finance Director
29 July 2014

Independent review report to Elementis plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2014 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated cash flow statement, the condensed consolidated statement of changes in equity and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules (the 'DTR') of the UK's Financial Conduct Authority (the 'UK FCA'). Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 - *Interim Financial Reporting* as adopted by the EU.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2014 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Lynton Richmond
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL
29 July 2014

Condensed consolidated income statement
for the six months ended 30 June 2014

	Note	**2014 Six months ended 30 June $million**	2013 Six months ended 30 June $million	2013 Year ended 31 December $million
Revenue	3	**400.0**	388.2	776.8
Cost of sales		**(242.9)**	(242.7)	(487.7)
Gross profit		**157.1**	145.5	289.1
Distribution costs		**(47.2)**	(40.4)	(83.6)
Administrative expenses		**(33.1)**	(32.3)	(58.9)
Operating profit before exceptional items		**76.8**	72.8	146.6
Exceptional items		**-**	-	(1.7)
Operating profit	3	**76.8**	72.8	144.9
Other expenses		**(1.1)**	(1.5)	(2.0)
Finance income	4	**0.1**	0.1	0.2
Finance costs	5	**(3.4)**	(3.9)	(8.8)
Profit before income tax	3	**72.4**	67.5	134.3
Tax before exceptionals		**(13.5)**	(15.3)	(29.4)
Exceptional items		**-**	-	1.8
Tax	6	**(13.5)**	(15.3)	(27.6)
Profit for the period		**58.9**	52.2	106.7
Attributable to equity holders of the parent		**58.9**	52.2	106.7
Earnings per share				
Basic (cents)	7	**12.8**	11.5	23.3
Diluted (cents)	7	**12.7**	11.3	23.0

Condensed consolidated statement of comprehensive income
for the six months ended 30 June 2014

	2014 Six months ended 30 June $million	2013 Six months ended 30 June $million	2013 Year ended 31 December $million
Profit for the period	**58.9**	52.2	106.7
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial (loss)/gain on pension and other post retirement schemes	**(5.2)**	32.0	19.3
Deferred tax associated with pension and other post retirement schemes	**1.6**	(5.0)	(10.3)
	(3.6)	27.0	9.0
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	**(1.4)**	(2.4)	(1.2)
Effective portion of changes in fair value of cash flow hedges	**0.7**	0.2	0.3
Fair value of cash flow hedges transferred to income statement	**(0.3)**	(0.4)	0.5
Tax benefit associated with exercise of share options	**-**	-	4.4
	(1.0)	(2.6)	4.0
Other comprehensive income, net of tax	**(4.6)**	24.4	13.0
Total comprehensive income for the period	**54.3**	76.6	119.7
Attributable to:			
Equity holders of the parent	**54.3**	76.6	119.7
Total comprehensive income for the period	**54.3**	76.6	119.7

Condensed consolidated balance sheet
at 30 June 2014

	2014 30 June $million	2013 30 June $million	2013 31 December $million
Non-current assets			
Goodwill and other intangible assets	**383.4**	380.7	382.1
Property, plant and equipment	**211.2**	193.1	202.6
Deferred tax assets	**8.4**	11.5	8.6
Total non-current assets	**603.0**	585.3	593.3
Current assets			
Inventories	**134.8**	130.2	128.3
Trade and other receivables	**147.9**	138.8	126.2
Derivatives	**1.0**	-	0.4
Cash and cash equivalents	**56.3**	39.2	64.5
Total current assets	**340.0**	308.2	319.4
Total assets	**943.0**	893.5	912.7
Current liabilities			
Bank overdrafts and loans	**(15.1)**	(9.6)	(8.7)
Trade and other payables	**(113.6)**	(101.6)	(111.1)
Derivatives	**-**	(0.8)	(0.1)
Current tax liabilities	**(15.8)**	(11.1)	(14.4)
Provisions	**(6.8)**	(4.2)	(6.0)
Total current liabilities	**(151.3)**	(127.3)	(140.3)
Non-current liabilities			
Loans and borrowings	**(36.2)**	(38.1)	(1.7)
Retirement benefit obligations	**(78.0)**	(93.5)	(99.3)
Deferred tax liabilities	**(98.4)**	(87.1)	(93.5)
Provisions	**(30.4)**	(32.4)	(32.1)
Government grants	**(0.1)**	(0.4)	(0.3)
Total non-current liabilities	**(243.1)**	(251.5)	(226.9)
Total liabilities	**(394.4)**	(378.8)	(367.2)
Net assets	**548.6**	514.7	545.5
Equity			
Share capital	**44.3**	44.1	44.1
Share premium	**17.8**	16.0	16.7
Other reserves	**130.4**	129.6	129.9
Retained earnings	**356.1**	323.4	353.2
Equity attributable to equity holders of the parent	**548.6**	513.1	543.9
Non-controlling interests	**-**	1.6	1.6
Total equity and reserves	**548.6**	514.7	545.5

Condensed consolidated cash flow statement
for the six months ended 30 June 2014

	2014 Six months ended 30 June $million	2013 Six months ended 30 June $million	2013 Year ended 31 December $million
Operating activities:			
Profit for the period	**58.9**	52.2	106.7
Adjustments for:			
Other expenses	**1.1**	1.5	2.0
Finance income	**(0.1)**	(0.1)	(0.2)
Finance costs	**3.4**	3.9	8.8
Tax	**13.5**	15.3	27.6
Depreciation and amortisation	**12.5**	11.5	23.9
Decrease in provisions	**(2.4)**	(2.9)	(1.5)
Pension contributions net of current service cost	**(30.6)**	(11.0)	(26.8)
Share based payments	**1.6**	2.1	3.4
Exceptional items	**-**	-	1.7
Cash flow in respect of exceptional items	**-**	-	(3.9)
Operating cash flows before movements in working capital	**57.9**	72.5	141.7
(Increase)/decrease in inventories	**(6.2)**	(1.9)	2.8
Increase in trade and other receivables	**(21.3)**	(20.6)	(4.3)
Increase in trade and other payables	**1.6**	2.3	8.0
Cash generated by operations	**32.0**	52.3	148.2
Income taxes paid	**(7.4)**	(7.9)	(12.3)
Interest paid	**(0.7)**	(1.1)	(2.8)
Net cash flow from operating activities	**23.9**	43.3	133.1
Investing activities:			
Interest received	**0.1**	0.1	0.5
Disposal of property, plant and equipment	**0.3**	0.2	0.6
Purchase of property, plant and equipment	**(17.7)**	(15.7)	(34.1)
Purchase of business	**(4.1)**	(32.8)	(32.8)
Acquisition of intangibles	**(0.2)**	(1.2)	(1.5)
Net cash flow from investing activities	**(21.6)**	(49.4)	(67.3)
Financing activities:			
Issue of shares	**1.2**	1.4	2.2
Dividends paid	**(52.4)**	(46.3)	(58.3)
Receipt of unclaimed dividends	**-**	-	0.2
Increase/(decrease) in borrowings	**41.1**	28.6	(8.7)
Net cash used in financing activities	**(10.1)**	(16.3)	(64.6)
Net (decrease)/increase in cash and cash equivalents	**(7.8)**	(22.4)	1.2
Cash and cash equivalents at beginning of period	**64.5**	63.1	63.1
Foreign exchange on cash and cash equivalents	**(0.4)**	(1.5)	0.2
Cash and cash equivalents at end of period	**56.3**	39.2	64.5

Condensed consolidated statement of changes in equity for the six months ended 30 June 2014

	Share capital $million	Share premium $million	Other reserves $million	Retained earnings $million	Total $million	Non-controlling interest $million	Total equity $million
At 1 January 2014	44.1	16.7	129.9	353.2	543.9	1.6	545.5
Profit for the period	-	-	-	58.9	58.9	-	58.9
Other comprehensive income:							
Exchange differences	-	-	(1.4)	-	(1.4)	-	(1.4)
Movement in cash flow hedges	-	-	0.4	-	0.4	-	0.4
Actuarial loss on pension scheme	-	-	-	(5.2)	(5.2)	-	(5.2)
Deferred tax adjustment on pension scheme deficit	-	-	-	1.6	1.6	-	1.6
Transactions with owners:							
Issue of shares	0.2	1.1	(0.1)	-	1.2	-	1.2
Share based payments	-	-	1.6	-	1.6	-	1.6
Dividends paid	-	-	-	(52.4)	(52.4)	-	(52.4)
Changes of ownership interests in subsidiaries							
Acquisition of non-controlling interest	-	-	-	-	-	(1.6)	(1.6)
At 30 June 2014	**44.3**	**17.8**	**130.4**	**356.1**	**548.6**	**-**	**548.6**

	Share capital $million	Share premium $million	Other reserves $million	Retained earnings $million	Total $million	Non-controlling interest $million	Total equity $million
At 1 January 2013	43.7	14.7	130.3	290.5	479.2	1.6	480.8
Profit for the period	-	-	-	52.2	52.2	-	52.2
Other comprehensive income:							
Exchange differences	-	-	(2.4)	-	(2.4)	-	(2.4)
Movement in cash flow hedges	-	-	(0.2)	-	(0.2)	-	(0.2)
Actuarial gain on pension scheme	-	-	-	32.0	32.0	-	32.0
Deferred tax adjustment on pension scheme deficit	-	-	-	(5.0)	(5.0)	-	(5.0)
Transactions with owners:							
Issue of shares	0.4	1.3	(0.2)	-	1.5	-	1.5
Share based payments	-	-	2.1	-	2.1	-	2.1
Dividends paid	-	-	-	(46.3)	(46.3)	-	(46.3)
At 30 June 2013	**44.1**	**16.0**	**129.6**	**323.4**	**513.1**	**1.6**	**514.7**

Notes to the interim financial statements for the six months ended 30 June 2014

1 General Information

Elementis plc (the 'Company') and its subsidiaries (together, the 'Group') manufactures specialty chemicals. The Group has operations in the US, UK, The Netherlands, Brazil, Germany, China, Taiwan, Malaysia and India. The Company is a limited liability company incorporated and domiciled in England, UK and is listed on the London Stock Exchange.

2 Accounting policies

Basis of preparation

This condensed set of financial statements (also referred to as 'interim financial statements' in this announcement) has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

As required by the Disclosure and Transparency Rules of the Financial Services Authority, the condensed set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the Company's published consolidated financial statements for the year ended 31 December 2013, except when new or revised accounting standards have been applied.

The following amendments to published standards and interpretations are effective for the Group for the half year ended 30 June 2014:

IFRS 10 – Consolidated Financial Statements
IFRS 11 – Joint Arrangements
IFRS 12 – Disclosure of Interests in Other Entities
These standards relate to consolidation and the accounting for subsidiaries, joint arrangements and associates.

IAS 28 Investments in Associates and Joint Ventures (2011)
This standard amends IAS 28 (2008) in respect of the treatment of associates and joint ventures when held for sale and for when changes in interests occur.

Offsetting Financial Assets and Liabilities – Amendments to IAS 32
The amendments clarify the offsetting criteria when an entity has a legal right of set-off and when gross settlement is equivalent to net settlement.

The comparative figures for the financial year ended 31 December 2013 are not the Company's statutory accounts for that financial year, but are derived from those accounts. Those accounts have been reported on by the Company's auditors and delivered to the registrar of companies. The report of the auditors was (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.

The preparation of these interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of income, expense, assets and liabilities. The significant estimates and judgements made by management were consistent with those applied to the consolidated financial statements for the year ended 31 December 2013.

Going concern

After making enquiries, the directors consider that the Group has adequate resources to remain in operation for the foreseeable future and have therefore continued to adopt the going concern basis for preparing the interim financial statements.

3 Segment reporting

For management purposes the Group is currently organised into three operating divisions – Specialty Products, Surfactants and Chromium. Principal activities are as follows:

Specialty Products – production of rheological additives, compounded products and colourants.
Surfactants – production of surface active ingredients.
Chromium – production of chromium chemicals.

	Six months ended 30 June 2014			Six months ended 30 June 2013			Year ended 31 December 2013		
	Gross **$million**	**Inter-segment $million**	**External $million**	Gross $million	Inter-segment $million	External $million	Gross $million	Inter-segment $million	External $million
Revenue									
Specialty Products	**268.5**	**-**	**268.5**	257.7	-	257.7	502.8	-	502.8
Surfactants	**34.2**	**-**	**34.2**	33.8	-	33.8	72.2	-	72.2
Chromium	**103.2**	**(5.9)**	**97.3**	103.4	(6.7)	96.7	214.8	(13.0)	201.8
	405.9	**(5.9)**	**400.0**	394.9	(6.7)	388.2	789.8	(13.0)	776.8

All revenues relate to the sale of goods

	2014 Six months ended 30 June $million	2013 Six months ended 30 June $million	2013 Year ended 31 December $million
Operating profit			
Specialty Products	**52.6**	51.6	99.8
Surfactants	**3.2**	2.9	6.9
Chromium	**27.7**	25.3	44.6
Central costs	**(6.7)**	(7.0)	(6.4)
	76.8	72.8	144.9
Other expenses	**(1.1)**	(1.5)	(2.0)
Finance income	**0.1**	0.1	0.2
Finance costs	**(3.4)**	(3.9)	(8.8)
Profit before tax	**72.4**	67.5	134.3

4 Finance income

	2014 Six months ended 30 June $million	2013 Six months ended 30 June $million	2013 Year ended 31 December $million
Interest on bank deposits	**0.1**	0.1	0.2

5 Finance costs

	2014 Six months ended 30 June $million	2013 Six months ended 30 June $million	2013 Year ended 31 December $million
Interest on bank loans	**0.7**	1.0	2.5
Unwind of discount on provisions	**1.0**	0.6	1.8
Pension and other post-retirement liabilities	**1.7**	2.3	4.5
	3.4	3.9	8.8

6 Tax

The provision for tax on profits of $13.5 million (2013: $15.3 million) is based on the likely tax charge in those jurisdictions where profits arise and takes account of the change in the UK tax rate from 22 per cent to 21 per cent.

7 Earnings per share

	2014 Six months ended 30 June $million	2013 Six months ended 30 June $million	2013 Year ended 31 December $million
Earnings for the purposes of basic earnings per share	**58.9**	52.2	106.7
Exceptional items net of tax	**-**	-	(0.1)
Adjusted earnings	**58.9**	52.2	106.6

	Number(m)	Number(m)	Number(m)
Weighted average number of shares for the purposes of basic earnings per share	**460.0**	455.2	456.9
Effect of dilutive share options	**4.9**	8.1	6.8
Weighted average number of shares for the purposes of diluted earnings per share	**464.9**	463.3	463.7

	2014 Six months ended 30 June cents	2013 Six months ended 30 June cents	2013 Year ended 31 December cents
Earnings per share:			
Basic	**12.8**	11.5	23.3
Diluted	**12.7**	11.3	23.0
Basic before exceptional items	**12.8**	11.5	23.3
Diluted before exceptional items	**12.7**	11.3	23.0

8 Dividends

The following dividends were declared and paid by the Group:

	2014 Six months ended 30 June $million	2013 Six months ended 30 June $million	2013 Year ended 31 December $million
Dividends paid on ordinary shares	**52.4**	46.3	58.3

An interim dividend of 2.70 cents per share (2013: 2.57 cents) has been declared by the Board of Directors and will be paid on 3 October 2014 to shareholders on the register at 12 September 2014. The interim dividend will be paid in pounds sterling at an exchange rate of $1.7003:£1.00.

9 Pension

The last full valuation for IAS 19 purposes was conducted as of 31 December 2013 and the next full valuation will be conducted as at 31 December 2014. A high level review of the Group's major pension schemes was performed for the period ended 30 June 2014 with updated assumptions. This resulted in the Group reporting a deficit on its combined retirement benefit obligations of $78.0 million at the end of June 2014, compared to balances of $93.5 million at the same time last year and $99.3 million at the end of December 2013.

10 Movement in net cash/(borrowings)

	2014 Six months ended 30 June $million	2013 Six months ended 30 June $million	2013 Year ended 31 December $million
Change in net cash/(borrowings) resulting from cash flows			
(Decrease)/increase in cash and cash equivalents	**(7.8)**	(22.4)	1.4
(Increase)/decrease in borrowings	**(41.1)**	(28.6)	8.7
	(48.9)	(51.0)	10.1
Currency translation differences	**(0.2)**	(1.5)	-
(Decrease)/increase in net cash	**(49.1)**	(52.5)	10.1
Net cash at beginning of period	**54.1**	44.0	44.0
Net cash/(borrowings) at end of period	**5.0**	(8.5)	54.1

11 Financial risk management

The Group has exposure to the following financial risks:

- credit risk,
- liquidity risk,
- market risk.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group's Audit Committee, assisted by Internal Audit, oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. These interim financial statements do not include all the financial risk management information and disclosures that are required in the Annual report and accounts and should be read in conjunction with the financial statements for the year ended 31 December 2013. The Group's risk management policies have not changed since the year end.

The Group measures fair values in respect of financial instruments in accordance with IFRS 13, using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly or indirectly.

Level 3: Valuation techniques using significant unobservable inputs.

The Group categorises its trade and other receivables and payables, excluding derivatives, within level 3 and all other financial instruments, including cash, loans and derivatives within level 1. At both 30 June 2014 and 31 December 2013 there was no difference between the carrying value and fair value of financial instruments.

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