ELEMENTIS

A global specialty chemicals company

1 August 2017

ELEMENTIS plc

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

Elementis plc (ELM.L) ("Elementis", the "Company" or the "Group"), a Global Specialty Chemicals Company, announces its results for the six months ended 30 June 2017.

Reignite Growth strategy gaining momentum

- Operating profit up across all three segments.
- Group adjusted operating profit[1] up 26% with short term favourable conditions in Surfactants and the inclusion of the acquired SummitReheis business. Excluding these two items, the adjusted operating profit is stable.
- Specialty Products adjusted operating profit[1] up 18%, with strong growth in Personal Care and Energy, and steady revenue in Coatings.
- Chromium gross revenue[2] up 18% with the US resilient and stronger demand in the rest of the world. Adjusted operating profit[1] up 3% as higher sales offset by higher maintenance costs and lower rest of the world unit margins.
- Surfactants boosted by favourable pricing conditions that will not sustain in H2 and beyond. Now pursuing the potential sale of the business.
- SummitReheis integration on track, $3m cost synergies underpinned and acquisition proving highly complementary - creating a Personal Care business of scale.
- Operating cash flow[3] up 52%.
- Outlook unchanged – on track to grow operating profit across all three segments in 2017.

FINANCIAL SUMMARY

	Six months ended 30 June 2017	Six months ended 30 June 2016	% Change
Sales	**$414.8m**	$334.1m$^{\Delta}$	+24%
Statutory profit for the period	**$43.2m**	$37.4m$^{\Delta}$	+16%
Statutory basic earnings per share	**9.3c**	8.1c$^{\Delta}$	+15%
Adjusted operating profit[1]	**$67.6m**	$53.6m$^{\Delta}$	+26%
Profit before tax	**$54.1m**	$46.3m$^{\Delta}$	+17%
Diluted adjusted earnings per share[4]	**10.4c**	8.8c$^{\Delta}$	+18%
Operating cash flow[3]	**$52.0m**	$34.3m	+52%
Net (debt)/cash[5]	**$(313.3)m**	$37.5m	
Interim dividend to shareholders	**2.70c**	2.70c	

1 - See note 5
2 - See note 4
3 - See page 8
4 - See note 9
5 - See note 12

Commenting on the results, CEO, Paul Waterman said:

"The first six months of 2017 have been positive for Elementis. Operating profit has grown across all our business segments, our Reignite Growth strategy is showing early signs of delivery and the integration of SummitReheis is on track.

“Trading for the Group in the first half was underpinned by stronger sales across our end markets. In Specialty Products, we made significant progress in Personal Care and Energy. In Coatings we have been taking pricing action to address margin compression. In Chromium our performance benefited from more robust demand and we have implemented price increases in response to higher raw material costs. In Surfactants results were exceptionally strong due to short term favourable conditions.

“Our Reignite Growth strategy is gaining momentum. As part of our supply chain transformation we announced the disposal of our US colourants business and the closure of the Jersey City site. We are also pursuing the potential sale of our Surfactants business. Our innovation pipeline is showing promise and new product launches are driving sales growth across business lines and geographies. New product and capital investment processes, combined with enhanced and standardised management information and reporting, is improving the efficiency and effectiveness of resource allocation.

“The integration of SummitReheis, the global market leader for anti-perspirant and deodorant actives, is progressing very well and is on track to conclude by the end of 2017. As expected the business has already improved the returns profile of Elementis and, having had the opportunity to fully engage with its management team, we are excited about the opportunities for a material Personal Care segment that combines SummitReheis with our existing fast growing Personal Care operations.

“Looking forward we see significant potential for Elementis as we focus on delivery of our Reignite Growth strategy. We remain confident in our ability to make progress in 2017 and beyond.”

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– ENDS –

Business review

CEO's report

This has been a positive start to the year for Elementis. Operating profit has grown across all our business segments, our Reignite Growth strategy is starting to deliver and the full integration of SummitReheis is on track to complete by the end of 2017.

Group performance

Where we refer to adjusted performance measures (e.g. adjusted operating profit) see note 5
Where we refer to constant currency see page 6

Specialty Products

Specialty Products is a high quality business offering distinctive products to customers in three different markets: Coatings, Personal Care and Energy. Sales for the first half of 2017 were \$294.5 million, compared with \$238.8 million$^{\Delta}$ in the same period last year, representing an increase of 26% on a constant currency basis driven by strong volume growth and a first contribution from SummitReheis. Unless stated otherwise, the remainder of this commentary refers to constant currency movements.

- Excluding the impact of the US colourants business disposal, Global Coatings sales rose 2% to \$188.0 million, with growth in Asia and the Americas offset by lower EMEA sales. Coatings Americas (excluding colourants) finished 4% above last year with good North America industrial demand and improved conditions in Latin America. Coatings Asia improved by 3% with solid growth in our largest market of China and improved demand in Australasia and South East Asia. In EMEA, Coatings finished down 3% with strong performance in Southern Europe offset by soft demand in Central Europe and the Middle East.

- In Personal Care, sales rose by 147% to \$77.2 million, driven by our existing operations and the initial contribution from SummitReheis. Our existing Personal Care business grew 25% in the period with rapid sales growth in our Bentone® Gels product range, strong performance in Asia and double digit growth at the majority of our key global accounts. SummitReheis contributed \$38.1 million of sales in the period following the acquisition completion in March 2017.

- In Energy, customer wins and a marked increase in drilling activity, most notably in North America, saw sales increase by 78% to \$29.3 million. Moving into the second half of the year we expect to see an improvement on prior year results.

Adjusted operating profit for the first six months of 2017 was \$51.6 million, compared with \$43.7 million$^{\Delta}$ in the previous year, representing an 18% increase on a constant currency basis. Adjusted operating margin for the period was 17.5%, down on 18.3%$^{\Delta}$ in the previous period, due to raw material cost inflation in Coatings and investment in our sales and marketing talent to support and deliver our Reignite Growth strategy. Pricing action has been implemented in response to raw material increases.

Chromium

Our strategy for Chromium remains focused on structurally advantaged US assets. Gross sales in the period were \$95.4 million compared to \$80.9 million$^{\Delta}$ in the previous year, an increase of 18% on a constant currency basis. Strong volume growth due to increased demand levels outside of North America was partly offset by the exit rate of pricing from 2016.

Adjusted operating profit for the first six months of the year was \$15.8 million compared to \$15.4 million$^{\Delta}$ in the previous year. Operating margins declined from 19.0%$^{\Delta}$ to 16.6% due to a

Δ - Restated see note 17

stronger rest of the world sales mix and higher unplanned maintenance costs. Pricing responses implemented during the first half in response to raw material cost inflation should contribute to an improved full year outcome versus 2016.

Surfactants

Sales in the first six months of 2017 rose significantly on the same period last year as a result of favourable pricing conditions that are not expected to be sustained. The adjusted operating profit for the period was $9.1 million compared to a loss of $0.2 million in the comparable period last year.

Tax

The adjusted tax rate of 20.6% represents an increase from the 13.0%$^{\Delta}$ for full year 2016, reflecting geographic profit mix, one off impacts in 2016 and the effect of funding arrangements. For the full year 2017 we currently estimate a tax range of 21 – 23%.

Balance sheet

As a result of the completion of the SummitReheis acquisition the Group moved from a net cash position of $37.5 million to net debt of $313.3 million, representing a net debt to adjusted EBITDA ratio of 2.3x. As previously indicated, we expect pro-forma net debt to adjusted EBITDA of below 2x at the year end with further deleveraging thereafter.

The IAS 19 deficit, on the Group's post retirement benefit plans, declined from $30.1 million at the end of 2016 to $24.1 million partly due to the benefit from good investment returns. The UK pension plan accounts for the majority of the Group's pension obligations.

Interim dividend

The Board is declaring an interim dividend of 2.70 cents per share, the same as in the previous year, which will be paid on 29 September 2017, in pounds sterling at an exchange rate of $1.3177:£1.00 to shareholders on the register on 8 September 2017.

Strategic progress

Though we are at an early stage of our strategic journey, since the launch of our Reignite Growth strategy in November 2016 the business has made considerable progress across its four key strategic pillars.

1. **Pursue the best growth opportunities**

   Global key account management is about accelerating how we work and grow with our major customers. In the first six months of 2017 we implemented key account processes with our six largest Coatings customers. This has had a positive impact on our customer relationships and as a result Elementis is realising new business opportunities.

   In Asia the opportunity is clear: expanding our Coatings presence, including building our decorative coatings activities in China and beyond. We have appointed a new Managing Director in India who will lead our business development in India and South Asia.

   In Personal Care we have a unique competitive position through our hectorite mine. A small amount of hectorite organoclay in a cosmetic product gives it exceptional performance, look and feel. We believe the existing Personal Care business has major opportunities to grow as demonstrated in the first half of the year when it delivered constant currency growth of 25%, with notably strong performance in Asia.

   The acquisition of SummitReheis, a high quality personal care business, is already having a positive impact on the returns profile of Elementis. Having had the opportunity to fully engage with its management team we are excited about the potential of SummitReheis combined with our fast growing existing Personal Care business, and the complementary nature of the two

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operations. Integration of SummitReheis is on track for the end of 2017 and will help transform the scale and growth prospects of our Personal Care activities. Our cost synergies target of up to $3 million run rate is on track.

2. **Pursue supply chain transformation**

   Elementis has a high quality set of manufacturing sites. We are developing advantaged sites and are progressing further investment in Livingston, Scotland, to support global Personal Care growth and we are planning to reposition our site in Palmital, Brazil. However some of our plants are disadvantaged. As a result we announced in March 2017 the disposal of our US colourants business and closure of the Jersey City site. We are also looking to optimise our organoclay operations in Asia and the US.

   In Surfactants we are pursuing the potential sale of the business and continue to expect resolution by early 2018.

3. **Innovate for high margins and distinctiveness**

   Innovation is at the heart of what we do and is what our customers expect from us. To sustain our innovation leadership position we have introduced new pipeline management tools which offer cross functional transparency. The integration of our research and development functions into our customer facing teams and alignment with our key account management initiatives is delivering innovation that adds value for our customers. SummitReheis also brings a new, market leading technology and innovation opportunity to Elementis.

   As a result, the quality of our innovation pipeline is improving and we have launched several new products that are driving sales. In Asia we launched new rheology and colour dispersant products with roll out into further geographies expected to follow, and our organic thixotropes are gaining momentum in both the US and Europe.

4. **Create a culture of high performance**

   Beyond the structural changes implemented in 2016 we have also made several process changes in how we run the business to foster a high performance culture. New product development and capital investment processes mean we are now more effectively deploying capital to the highest return opportunities. This combined with the implementation of enhanced and standardised management information and reporting, and clear lines of individual accountability, is improving the efficiency and effectiveness of resource allocation.

Outlook

Looking forward we see significant potential for Elementis. Our management team is focused on the delivery of our Reignite Growth strategy and we are already seeing early benefits from its implementation. Whilst we remain very much at the early stage of this strategic journey the first six months of the year have reinforced the Board’s confidence in the prospects for Elementis and our expectation is for further progress in 2017 and beyond. Management expectations for full year earnings remain unchanged.

Finance report

Revenue for the six months ended 30 June	Revenue 2016 restated[Δ] $million	Effect of exchange rates $million	Increase 2017 $million	**Revenue 2017 $million**
Specialty Products	238.8	(4.2)	59.9	**294.5**
Chromium	80.9	-	14.5	**95.4**
Surfactants	21.8	(0.6)	10.2	**31.4**
Inter-segment	(7.4)	-	0.9	**(6.5)**
	334.1	(4.8)	85.5	**414.8**

Adjusted operating profit for the six months ended 30 June	Adjusted operating profit* 2016 restated[Δ] $million	Effect of exchange rates $million	Increase/ (decrease) 2017 $million	**Adjusted operating profit* 2017 $million**
Specialty Products	43.7	(0.1)	8.0	**51.6**
Chromium	15.4	-	0.4	**15.8**
Surfactants	(0.2)	(0.2)	9.5	**9.1**
Central costs	(5.3)	0.3	(3.9)	**(8.9)**
	53.6	-	14.0	**67.6**

***** See note 5

Group results

Group sales for the first six months of 2017 was $414.8 million, compared to $334.1 million[Δ] in the same period last year, representing an increase of 24%, or 26% excluding currency movements. Whilst much of the additional sales came from the SummitReheis acquisition increased sales in Chromium outside of North America, Surfactants and Personal Care and Energy in Specialty Products contributed to the improvement. Group adjusted operating profit was $67.6 million, compared to $53.6 million[Δ] in the same period last year, which is an increase of 26%, and the same percentage excluding currency movements. Increased operating profit was primarily the result of the addition of SummitReheis to the Group, adding $6.0 million in the period since acquisition to 30 June 2017, and the result of favourable pricing conditions in Surfactants.

The Group continues to enter into hedging transactions in order to reduce the impact of currency movements on earnings. In 2017 these transactions added a gain of $0.1 million (2016: cost of $1.8 million) to the Specialty Products business.

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. Adjusted costs for the first half of 2017 were higher at $8.9 million, compared to $5.3 million[Δ] in the same period last year due to building of capability to support and deliver our Reignite Growth strategy.

Δ - Restated see note 17

Adjusting items
In calculating the profitability measures by which management assesses the performance of the Group a number of items are excluded from operating profit as reported in accordance with IFRS. The Board believes that the adjusted measures assist shareholders in better understanding the underlying performance of the business.

	2017 Six months ended 30 June $million	2016 Six months ended 30 June restated$^{\Delta}$ $million	2016 Year ended 31 December restated$^{\Delta}$ $million
Reported operating profit	**60.4**	48.7	84.5
Adjusting items:			
Acquisition costs	**6.0**	-	0.8
Restructuring	**0.7**	1.7	3.0
Business review	**0.9**	1.9	2.4
Amortisation of intangibles arising on acquisition	**3.1**	1.3	2.7
Colourants disposal and Jersey City site closure	**(3.5)**	-	-
Other	**-**	-	3.5
Net adjusting items	**7.2**	4.9	12.4
Adjusted operating profit	**67.6**	53.6	96.9

Acquisition costs primarily relate to the fees for legal and advisory work incurred in the acquisition of SummitReheis. In the first half of 2016 a business review was undertaken by a third party to support development of the long term strategy and internal transformation for Elementis. The one time cost of this exercise was $1.9m however subsequent costs have been incurred for delivery of this transformation. In previous years Elementis has not adjusted operating profit for the amortisation of intangibles arising on acquisition. Following the acquisition of SummitReheis, the Directors reviewed this policy and concluded that excluding such a charge from the operating profit will provide readers of the accounts with a better understanding of the Group’s results on its operating activities and, as such, this charge is now included within adjusting items. In March 2017 Elementis announced the sale of its US Colourants business to Chromaflo Technology Corp, and closure of the Jersey City site. The net profit on this disposal and closure was $3.5 million and, given the one time nature of the transaction, has been treated as an adjusting item.

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 $1.4 million in the period compared to $0.8 million in the previous year.

Net finance costs

	30 June 2017 $million	30 June 2016 $million
Finance income	**0.1**	0.1
Finance cost of borrowings	**(4.3)**	(0.6)
	(4.2)	(0.5)
Net pension finance expense	**(0.1)**	(0.4)
Discount on provisions	**(0.6)**	(0.7)
Net Finance costs	**(4.9)**	(1.6)

Net finance costs for the first six months of the year were $3.3 million higher at $4.9 million. Net interest costs were higher than the same period last year at $4.2 million and consist mostly of interest on the Group’s increased borrowings following the acquisition of SummitReheis. Net pension finance costs in the period were $0.3 million lower at $0.1 million, in line with the decline in the Group’s net IAS 19 pension deficit. Discount on provisions relates to the time value cost of certain environmental provisions, which are calculated on a discounted cash flow basis. The charge for the period was slightly lower than the same period last year due to a reduction in the discount rate at the end of 2016.

Δ - Restated see note 17

Tax

The provision for tax on profits after adjusting items was $12.7 million, or 20.6%, in the first half of 2017 (2016: $10.3 million[Δ], or 20.1%[Δ]) and is based on the probable tax payable in those jurisdictions where taxable profits arise and deferred tax provisions where these are applicable. The estimated rate for the full year is 21% - 23% including $1.0 million of prior year adjustments. The rate is sensitive to the mix of profits from different jurisdictions. The inclusion of a tax credit of $1.8m on adjusting items results in a reported tax charge for the period of $10.9 million (2016: $8.9 million[Δ]).

Earnings per share

Basic and diluted adjusted earnings per share for the first half of 2017, calculated on the adjusted earnings of $48.6 million (2016: $40.9 million[Δ]), were 10.5 cents and 10.4 cents respectively compared to 8.8 cents[Δ] and 8.8 cents[Δ] respectively in the same period last year.

Cash flow

Cash flow is summarised below:

	30 June 2017 $million	30 June 2016 restated[Δ] $million
Profit before interest, tax, depreciation and amortisation (EBITDA)	**77.6**	62.7
Change in working capital	**(9.7)**	(11.1)
Capital expenditure	**(14.9)**	(15.7)
Other	**(1.0)**	(1.6)
Operating cash flow	**52.0**	34.3
Pension deficit payments	**(6.5)**	(3.1)
Interest and tax	**(7.3)**	(3.2)
Other	**(2.1)**	0.1
Free cash flow	**36.1**	28.1
Dividends	**(65.3)**	(63.7)
Acquisitions	**(361.2)**	-
Currency fluctuations	**(0.4)**	(0.9)
Movement in net cash	**(390.8)**	(36.5)
Net cash at start of period	**77.5**	74.0
Net (debt)/cash at end of period	**(313.3)**	37.5

Net cash expended in the first six months of 2017 of $390.8 million includes a net outflow of $361.2 million for SummitReheis (purchase price of $360.0 million for the business and $10.3 million for working capital less $9.1 million of cash acquired with the business). Excluding this item, net cash expended was $6.9 million lower than the same period last year, at $29.6 million.

Operating cash flow in the period rose from $34.3 million to $52.0 million driven by earnings growth and reduced working capital outflow. EBITDA in the period was $14.9 million[Δ] higher, in line with the changes in operating profit and increased depreciation and amortisation following the SummitReheis acquisition, while working capital outflows were $1.4 million[Δ] lower than the same period last year. This reduction in working capital flows was largely a result of lower inventories of chrome ore at 30 June 2017 compared to 30 June 2016 and increased creditor days outstanding within Specialty Products.

Capital expenditure in the period was $0.8 million lower than the previous year at $14.9 million. Of this, spending in Specialty Products was $9.0 million, compared to $7.1 million in the previous year, and included growth investments in product expansions in the UK and investments in health and safety in Asia Pacific and Europe. Capital spending for the year as a whole is expected to be approximately $40 million (2016: $35.3 million).

Pension deficit payments in the period were $3.4 million higher than the previous year, at $6.5 million, as a deficit funding payment relating to 2016 was deferred from December 2016 to January 2017. Total contributions for the year as a whole are expected to be below $10.0 million as a result of progressive improvements in the UK plan deficit. Interest and tax payments in the

Δ - Restated see note 17

period were $4.1 million higher than the previous year, mostly due to interest on the Group's increased borrowings following the acquisition of SummitReheis.

Dividend payments were $65.3 million compared to $63.7 million in the first six months of 2016, with the increase being the result of an increase in the special dividend for 2016, as announced in March 2017. Overall, the Group had a net debt position on its balance sheet of $313.3 million at the end of the period.

Working capital

Working capital days	**30 June 2017**	30 June restated$^{\Delta}$ 2016	31 December 2016
Inventory	**99**	109	97
Debtors	**49**	47	44
Creditors	**65**	62	64
Average working capital to sales (%)	**19.9**	24.4	22.1

Total working capital for the Group was $19.6 million higher at the end of June 2017 than at the same time last year primarily due to an additional $32.1 million on the acquisition of SummitReheis offset by reductions in inventories. Creditor days showed a minor increase at 65 days, compared to 62 days$^{\Delta}$ last year, somewhat offsetting a minor worsening in debtor days from 47 days$^{\Delta}$ to 49 days. Inventory levels were $5.0 million higher compared to the end of June 2016 with much of the increase due to SummitReheis offset by reductions in chrome ore inventory. Average working capital levels as a percentage of sales have declined steadily over the 12 month period from 24.4% to 19.9% due to this improvement in inventory management.

Balance sheet

	30 June 2017 $million	30 June 2016 restated$^{\Delta}$ $million
Property, plant and equipment	**241.3**	**213.7**
Other net assets	**701.1**	**373.1**
Net (debt)/cash	**(313.3)**	**37.5**
Equity	**629.1**	**624.3**

Property, plant and equipment increased by $27.6 million compared to the previous period end due to $18.8 million being acquired on the acquisition of SummitReheis and net capital spending of $34.0 million exceeding depreciation of $26.2 million. The remainder of the movement is due to the impact of FX movements.

Other net assets increased by $328.0 million due to $342.4 million on the acquisition of SummitReheis but also due to working capital reductions (excluding balances acquired with the SummitReheis acquisition) of $13.7 million, net tax liabilities increasing by $8.0 million, a net reduction in pensions and provisions liabilities of $2.1 million and increases in valuation of goodwill and other intangibles of $5.2 million due to the impact of FX revaluation.

Equity increased by $4.8 million as a result of profit for the intervening period of $73.9 million offset by dividends paid of $77.8 million, actuarial losses net of tax of $2.8 million and positive exchange movements of $9.1 million.

The main dollar currency exchange rates as at 30 June 2017 and average rates in the period were:

	2017 30 June	**2017 Average**	**2016 30 June**	**2016 Average**
Sterling	**0.77**	**0.79**	**0.75**	**0.69**
Euro	**0.88**	**0.93**	**0.90**	**0.90**

Δ - Restated see note 17

Pensions and post retirement plans

	UK $million	US $million	Other $million	**Total $million**
Movement in net deficit				
Net asset/(deficit) in schemes at 1 January 2017	4.3	(29.4)	(5.0)	(30.1)
Deficit acquired on acquisition of SummitReheis	-	-	(4.3)	(4.3)
Current service cost	(0.3)	(0.1)	(0.4)	(0.8)
Contributions	7.1	0.2	0.1	7.4
Administration costs	(0.8)	(0.2)	(0.1)	(1.1)
Net interest expense	0.1	(0.5)	(0.1)	(0.5)
Actuarial gain	0.9	4.5	-	5.4
Currency translation differences	0.6	-	(0.7)	(0.1)
Net asset/(deficit) in schemes at 30 June 2017	**11.9**	**(25.5)**	**(10.5)**	**(24.1)**

During the period the deficit, under IAS 19, on the Group's pension and post retirement medical plans improved by $6.0 million to $24.1 million. During the first six months of 2017 the UK scheme, which represent 83% of total liabilities, had an annualised return of 5% (2016: 25%), while the liabilities increased by 4% (2016: increased by 22%) on the same basis. The US schemes, which represent the majority of the remainder of liabilities, also had an annualised return of 16% which was well above the liability growth of 7%. The net impact is represented by the actuarial gain of $5.4 million (2016: $4.3 million) shown in the above table. Contributions in the period totalled $7.4 million (2016: $3.8 million) and were mostly made to the UK plan. Included in this amount was $0.8 million (2016: $0.7 million) to fund current service costs and $6.6 million (2016: $3.1 million) for deficit reduction. Deficit contributions are higher than for the same period last year as a deficit funding payment relating to 2016 was deferred from December 2016 to January 2017.

Cautionary statement

The Elementis plc interim results announcement for the half year ended 30 June 2017, which comprises the CEO'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 2017, 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 2017) (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 2016 Annual report and accounts on page 107.

Directors' responsibility statement

A full list of the Directors can be found on the Elementis corporate website at: www.elementisplc.com.

The Directors confirm that to the best of their knowledge:

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

- The condensed set of consolidated financial statements, which has been prepared in accordance with the applicable set of accounting standards, gives a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer, or the undertakings included in the consolidation as a whole as required by DTR 4.2.4R; and

- 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 2016 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 1 August 2017 and signed on its behalf by:

Paul Waterman	Ralph Hewins
CEO	CFO
1 August 2017	1 August 2017

INDEPENDENT REVIEW REPORT TO ELEMENTIS PLC

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 2017 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated statement of changes in equity, the condensed consolidated cash flow statement and related notes 1 to 17. 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 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. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review 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 formed.

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 Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

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 United Kingdom. A review of interim financial information consists of making inquiries, 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 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 2017 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Statutory Auditor
London, United Kingdom
1 August 2017

Condensed consolidated income statement
for the six months ended 30 June 2017

	Note	2017 Six months ended 30 June $million	2016 Six months ended 30 June restated[Δ] $million	2016 Year ended 31 December $million
Revenue	4	**414.8**	334.1	659.5
Cost of sales		**(259.2)**	(209.6)	(420.5)
Gross profit		**155.6**	124.5	239.0
Distribution costs		**(50.2)**	(39.5)	(80.0)
Administrative expenses		**(53.5)**	(36.3)	(74.5)
Income on sale of business		**8.5**	-	-
Operating profit	4	**60.4**	48.7	84.5
Other expenses		**(1.4)**	(0.8)	(1.4)
Finance income	6	**0.1**	0.1	0.1
Finance costs	7	**(5.0)**	(1.7)	(7.7)
Profit before income tax	4	**54.1**	46.3	75.5
Tax	8	**(10.9)**	(8.9)	(7.4)
Profit for the period		**43.2**	37.4	68.1
Attributable to equity holders of the parent		**43.2**	37.4	68.1
Earnings per share				
Basic (cents)	9	**9.3**	8.1	14.7
Diluted (cents)	9	**9.2**	8.0	14.6

Condensed consolidated statement of comprehensive income
for the six months ended 30 June 2017

	2017 Six months ended 30 June $million	2016 Six months ended 30 June resated[Δ] $million	2016 Year ended 31 December $million
Profit for the period	**43.2**	**37.4**	68.1
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gain/(loss) on pension and other post retirement schemes	**5.4**	**4.3**	(2.6)
Deferred tax associated with pension and other post retirement schemes	**0.1**	**0.9**	(0.5)
	5.5	**5.2**	(3.1)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	**9.7**	**(6.4)**	(16.5)
Effective portion of change in fair value of net investment hedges	**10.3**	**(1.3)**	(1.4)
Effective portion of changes in fair value of cash flow hedges	**(1.0)**	**(2.9)**	(0.3)
Fair value of cash flow hedges transferred to income statement	**0.3**	**0.9**	0.9
Exchange differences on translation of share options reserves	**-**	**-**	(0.7)
	19.3	**(9.7)**	(18.0)
Other comprehensive income, net of tax	**24.8**	**(4.5)**	(21.1)
Total comprehensive income for the period	**68.0**	**32.9**	47.0
Attributable to:			
Equity holders of the parent	**68.0**	**32.9**	47.0
Total comprehensive income for the period	**68.0**	**32.9**	47.0

Δ - Restated see note 17

Condensed consolidated balance sheet
at 30 June 2017

	2017 30 June $million	2016 30 June resated[Δ] $million	2016 31 December $million
Non-current assets			
Goodwill and other intangible assets	**697.8**	364.5	359.9
Property, plant and equipment	**241.3**	213.7	217.3
ACT recoverable	**18.0**	26.4	23.0
Deferred tax assets	**14.7**	13.9	16.1
Total non-current assets	**971.8**	618.5	616.3
Current assets			
Inventories	**139.8**	134.8	121.3
Trade and other receivables	**150.2**	109.2	96.0
Current tax asset	**13.5**	-	-
Cash and cash equivalents	**74.6**	56.3	82.6
Total current assets	**378.1**	300.3	299.9
Total assets	**1,349.9**	918.8	916.2
Current liabilities			
Bank overdrafts and loans	**(6.5)**	(3.7)	(5.0)
Trade and other payables	**(128.4)**	(97.9)	(98.9)
Derivatives	**(0.3)**	(3.2)	(0.4)
Current tax liabilities	**(6.4)**	(3.3)	(6.7)
Provisions	**(10.5)**	(9.3)	(9.5)
Total current liabilities	**(152.1)**	(117.4)	(120.5)
Non-current liabilities			
Loans and borrowings	**(381.4)**	(15.1)	(0.1)
Employee retirement benefits	**(24.1)**	(24.6)	(30.1)
Deferred tax liabilities	**(135.0)**	(111.2)	(108.7)
Provisions	**(28.2)**	(26.2)	(29.7)
Total non-current liabilities	**(568.7)**	(177.1)	(168.6)
Total liabilities	**(720.8)**	(294.5)	(289.1)
Net assets	**629.1**	624.3	627.1
Equity			
Share capital	**44.4**	44.4	44.4
Share premium	**21.2**	20.7	20.9
Other reserves	**95.9**	84.5	75.2
Retained earnings	**467.6**	474.7	486.6
Equity attributable to equity holders of the parent	**629.1**	624.3	627.1
Total equity and reserves	**629.1**	624.3	627.1

Δ - Restated see note 17

Condensed consolidated cash flow statement
for the six months ended 30 June 2017

	2017 Six months ended 30 June $million	2016 Six months ended 30 June restated[Δ] $million	2016 Year ended 31 December $million
Operating activities:			
Profit for the period	**43.2**	37.4	68.1
Adjustments for:			
Other expenses	**1.4**	0.8	1.4
Finance income	**(0.1)**	(0.1)	(0.1)
Finance costs	**4.9**	1.7	7.7
Tax	**10.9**	8.9	7.4
Depreciation and amortisation	**17.3**	13.9	28.0
Decrease in provisions	**(2.4)**	(2.8)	(3.5)
Pension contributions net of current service cost	**(6.5)**	(3.1)	(4.7)
Share based payments	**1.4**	1.2	2.6
Operating cash flows before movements in working capital	**70.1**	57.9	106.9
Decrease/(increase) in inventories	**2.1**	(9.2)	1.7
Increase in trade and other receivables	**(23.4)**	(19.9)	(9.6)
Increase in trade and other payables	**11.6**	18.2	22.5
Cash generated by operations	**60.4**	47.0	121.5
Income taxes paid	**(4.2)**	(2.8)	(2.7)
Interest paid	**(3.2)**	(0.5)	(0.9)
Net cash flow from operating activities	**53.0**	43.7	117.9
Investing activities:			
Interest received	**0.1**	0.1	0.1
Disposal of property, plant and equipment	**0.2**	0.1	0.3
Purchase of property, plant and equipment	**(14.7)**	(14.4)	(34.0)
Purchase of business	**(361.2)**	-	-
Acquisition of intangibles	**(0.4)**	(1.4)	(1.6)
Net cash flow from investing activities	**(376.0)**	(15.6)	(35.2)
Financing activities:			
Issue of shares	**0.3**	0.5	0.7
Dividends paid	**(65.3)**	(63.7)	(76.2)
Purchase of shares by the ESOT	**(2.4)**	(0.4)	(0.9)
Increase in borrowings	**380.0**	13.7	-
Net cash used in financing activities	**312.6**	(49.9)	(76.4)
Net increase/(decrease) in cash and cash equivalents	**(10.4)**	(21.8)	6.3
Cash and cash equivalents at beginning of period	**82.6**	79.1	79.1
Foreign exchange on cash and cash equivalents	**2.3**	(1.0)	(2.8)
Cash and cash equivalents at end of period	**74.5**	56.3	82.6

Δ - Restated see note 17

Condensed consolidated statement of changes in equity for the six months ended 30 June 2017

	Share capital $million	Share premium $million	Translation reserve $million	Hedging reserve $million	Other reserves $million	Retained earnings $million	Total equity $million
At 1 January 2017	44.4	20.9	(79.9)	(7.3)	162.4	486.6	627.1
Profit for the period	-	-			-	43.2	43.2
Other comprehensive income:							
Exchange differences	-	-	20.0	-	-	-	20.0
Movement in cash flow hedges	-	-	-	(0.7)	-	-	(0.7)
Actuarial gain on pension scheme	-	-	-	-	-	5.4	5.4
Deferred tax adjustment on pension scheme deficit	-	-	-	-	-	0.1	0.1
Transactions with owners:							
Issue of shares	-	0.3	-	-	-	-	0.3
Purchase of shares	-	-	-	-	-	(2.4)	(2.4)
Share based payments	-	-	-	-	1.4	-	1.4
Dividends paid	-	-	-	-	-	(65.3)	(65.3)
At 30 June 2017	**44.4**	**21.2**	**(59.9)**	**(8.0)**	**163.8**	**467.6**	**629.1**

	Share capital $million	Share premium $million	Translation reserve restated∆ $million	Hedging reserve $million	Other reserves $million	Retained earnings restated∆ $million	Total equity $million
At 1 January 2016	44.4	20.2	(62.0)	(7.9)	162.9	496.2	653.8
Profit for the period	-	-	-	-	-	37.4	37.4
Other comprehensive income:							
Exchange differences	-	-	(7.7)	-	-	-	(7.7)
Movement in cash flow hedges	-	-	-	(2.0)	-	-	(2.0)
Actuarial gain on pension scheme	-	-	-	-	-	4.3	4.3
Deferred tax adjustment on pension scheme deficit	-	-	-	-	-	0.9	0.9
Transactions with owners:							
Issue of shares	-	0.5	-	-	-	-	0.5
Purchase of shares	-	-	-	-	-	(0.4)	(0.4)
Share based payments	-	-	-	-	1.2	-	1.2
Dividends paid	-	-	-	-	-	(63.7)	(63.7)
At 30 June 2016	**44.4**	**20.7**	**(69.7)**	**(9.9)**	**164.1**	**474.7**	**624.3**

∆ - Restated see note 17

Notes to the interim financial statements for the six months ended 30 June 2017

1 General Information

Elementis plc (the 'Company') and its subsidiaries (together, the 'Group') manufactures specialty chemicals. The Group has operations in the US, UK, 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 2016, except when new or revised accounting standards have been applied.

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 2016.

The information for the year ended 31 December 2016 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

3 Going concern

The Directors have assessed the Group as a going concern, having given consideration to its business plans and financial forecasts, as well as to the risks and material uncertainties to the Group's trading performance arising therefrom. The Group is in a net debt position at the end of 30 June 2017 of $313.3 million but has facilities available in excess of $100 million.

The Directors are satisfied that, after considering all of the above, the Group has adequate resources to remain in operational existence for the foreseeable future, that it is appropriate for the Group to adopt the going concern basis of accounting in preparing these interim financial statements, and that there are no material uncertainties to the ability of the Group and Company to continue to do so over a period of at least twelve months from the date of approval of the interim financial statements.

4 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 and compounded products.
Surfactants – production of surface active ingredients.
Chromium – production of chromium chemicals.

	Six months ended 30 June 2017			Six months ended 30 June 2016			Year ended 31 December 2016		
	Gross $million	**Inter-segment $million**	**External $million**	Gross restated$^{\Delta}$ $million	Inter-segment restated$^{\Delta}$ $million	External restated$^{\Delta}$ $million	Gross $million	Inter-segment $million	External $million
Revenue									
Specialty Products	**294.5**	-	**294.5**	238.8	-	238.8	460.4	-	460.4
Surfactants	**31.4**	**(0.1)**	**31.3**	21.8	(0.1)	21.7	43.1	(0.2)	42.9
Chromium	**95.4**	**(6.4)**	**89.0**	80.9	(7.3)	73.6	168.8	(12.6)	156.2
	421.3	**(6.5)**	**414.8**	341.5	(7.4)	334.1	672.3	(12.8)	659.5

All revenues relate to the sale of goods

	2017 Six months ended 30 June $million	2016 Six months ended 30 June restated$^{\Delta}$ $million	2016 Year ended 31 December restated$^{\Delta}$ $million
Operating profit			
Specialty Products	**52.1**	41.4	77.5
Surfactants	**9.1**	(0.2)	(0.9)
Chromium	**15.7**	15.4	23.6
Central costs	**(16.5)**	(7.9)	(15.7)
Operating profit	**60.4**	48.7	84.5
Other expenses	**(1.4)**	(0.8)	(1.4)
Finance income	**0.1**	0.1	0.1
Finance costs	**(5.0)**	(1.7)	(7.7)
Profit before tax	**54.1**	46.3	75.5

Δ - Restated see note 17

5 Adjusting items and alternative performance measures

In calculating the profitability measures by which management assesses the performance of the Group a number of items are excluded from operating profit as reported in accordance with IFRS. The Board believes that the adjusted measures assist shareholders in better understanding the underlying performance of the business.

	2017 Six months ended 30 June $million	2016 Six months ended 30 June restated$^{\Delta}$ $million	2016 Year ended 31 December restated$^{\Delta}$ $million
Reported operating profit	**60.4**	48.7	84.5
Adjusting items:			
Acquisition costs	**6.0**	-	0.8
Restructuring	**0.7**	1.7	3.0
Business review	**0.9**	1.9	2.4
Amortisation of intangibles arising on acquisition	**3.1**	1.3	2.7
Colourants disposal and Jersey City site closure	**(3.5)**	-	-
Other	**-**	-	3.5
Net adjusting items	**7.2**	4.9	12.4
Adjusted operating profit	**67.6**	53.6	96.9

	2017 Six months ended 30 June $million	2016 Six months ended 30 June restated$^{\Delta}$ $million	2016 Year ended 31 December restated$^{\Delta}$ $million
Adjusted operating profit			
Specialty Products	**51.6**	43.7	81.5
Surfactants	**9.1**	(0.2)	(0.6)
Chromium	**15.8**	15.4	27.1
Central costs	**(8.9)**	(5.3)	(11.1)
Adjusted operating profit	**67.6**	53.6	96.9
Other expenses	**(1.4)**	(0.8)	(1.4)
Finance income	**0.1**	0.1	0.1
Finance costs	**(5.0)**	(1.7)	(7.7)
Adjusted profit before tax	**61.3**	51.2	87.9

Adjusted operating margin is the ratio of Adjusted operating profit to sales.
Contribution margin is defined as sales less all variable costs, divided by sales, expressed as a percentage and is unaffected by the adjusting items recorded above.
The adjusted tax rate is defined as the provision for tax on profits after adjusting items, divided by the adjusted profit before income tax.
EBITDA is defined as Operating profit excluding the charge for depreciation and amortisation. Adjusted EBITDA is defined as the Operating profit after adjusting items (except where those adjusting items relate to interest, depreciation or amortisation) excluding the charge for depreciation and amortisation.

Acquisition costs primarily relate to the fees for legal and advisory work incurred in the acquisition of SummitReheis. In the first half of 2016 a business review was undertaken by a third party to support development of the long term strategy and internal transformation for Elementis. The one time cost of this exercise was $1.9m however subsequent costs have been incurred for delivery of this transformation. In previous years Elementis has not adjusted operating profit for the amortisation of intangibles arising on acquisition. Following the acquisition of SummitReheis, the Directors reviewed this policy and concluded that excluding such a charge from the operating profit will provide readers of the accounts with a better understanding of the Group's results on its operating activities and, as such, this charge is now included within adjusting items. In March 2017 Elementis announced the sale of its US Colourants business to Chromaflo Technology Corp, and closure of the Jersey City site. The net profit on this disposal and closure was $3.5 million and, given the one time nature of the transaction, has been treated as an adjusting item.

6 Finance income

	2017 Six months ended 30 June $million	2016 Six months ended 30 June $million	2016 Year ended 31 December $million
Interest on bank deposits	**0.1**	0.1	0.1

Δ - Restated see note 17

7 Finance costs

	2017 Six months ended 30 June $million	2016 Six months ended 30 June $million	2016 Year ended 31 December $million
Interest on bank loans	**4.3**	0.6	0.8
Unwind of discount on provisions	**0.6**	0.7	1.4
Increase in environmental provisions due to change in discount rate	**-**	-	4.5
Pension and other post-retirement liabilities	**0.1**	0.4	1.0
	5.0	1.7	7.7

8 Tax

The provision for tax on profits of $10.9 million, or 20.1% (2016: $8.9 million$^{\Delta}$, or 19.2%$^{\Delta}$) is based on the probable tax charge in those jurisdictions where profits arise. Within this figure is a tax credit of $1.8m in respect of adjusting items.

9 Earnings per share

	2017 Six months ended 30 June $million	2016 Six months ended 30 June restated$^{\Delta}$ $million	2016 Year ended 31 December restated$^{\Delta}$ $million
Earnings for the purposes of basic earnings per share	**43.2**	37.4	68.1
Adjusting items net of tax	**5.4**	3.5	12.4
Adjusted earnings	**48.6**	40.9	80.5

	Number(m)	Number(m)	Number(m)
Weighted average number of shares for the purposes of basic earnings per share	**463.6**	463.1	462.8
Effect of dilutive share options	**5.4**	2.6	3.9
Weighted average number of shares for the purposes of diluted earnings per share	**469.0**	465.7	466.7

	2017 Six months ended 30 June cents	2016 Six months ended 30 June restated$^{\Delta}$ cents	2016 Year ended 31 December restated$^{\Delta}$ cents
Earnings per share:			
Basic	**9.3**	8.1	14.7
Diluted	**9.2**	8.0	14.6
Adjusted earnings per share:			
Basic	**10.5**	8.8	17.4
Diluted	**10.4**	8.8	17.2

10 Dividends

The following dividends were declared and paid by the Group:

	2017 Six months ended 30 June $million	2016 Six months ended 30 June $million	2016 Year ended 31 December $million
Dividends paid on ordinary shares	**65.3**	63.7	76.2

An interim dividend of 2.70 cents per share (2016: 2.70 cents) has been declared by the Board of Directors and will be paid on 29 September 2017 to shareholders on the register at 8 September 2017. The interim dividend will be paid in sterling at an exchange rate of $1.3177:£1.00.

Δ - Restated see note 17

11 Pension

Valuations for IAS 19 purposes were conducted as of 30 June 2017. The Group is reporting a deficit on its combined retirement benefit obligations of $24.1 million at the end of June 2017, compared to balances of $24.6 million at the same time last year and $30.1 million at the end of December 2016. Additional commentary is included on page 10.

12 Movement in net cash/(borrowings)

	2017 Six months ended 30 June $million	2016 Six months ended 30 June $million	2016 Year ended 31 December $million
Change in net cash/(borrowings) resulting from cash flows			
(Decrease)/increase in cash and cash equivalents	**(10.4)**	(21.8)	6.3
(Increase)/decrease in borrowings	**(380.0)**	(13.7)	-
	(390.4)	(35.5)	6.3
Currency translation differences	**(0.4)**	(1.0)	(2.8)
(Decrease)/increase in net cash	**(390.8)**	(36.5)	3.5
Net cash at beginning of period	**77.5**	74.0	74.0
Net (debt)/cash at end of period	**(313.3)**	37.5	77.5

13 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 leadership 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, business failure or which threaten the safety of our employees.

The following is a summary of the principal risks faced by the Group that could impact the second half of the year: (i) uncertain global economic conditions and competitive pressures in the marketplace (including from currency movement); (ii) business interruption as a result of a major event (e.g. operations/HSE, IT, transport or workplace incident caused by process/system failure, human error, terrorist incident or by fire, storm and/or flood), or a natural catastrophe (e.g. hurricane and/or pandemic); (iii) business interruption as a result of supply chain failure of key raw materials and/or third party service provision (e.g. infrastructure, transport or IT failure); (iv) increasing regulatory and product stewardship challenges; (v) major regulatory enforcement action, litigation and/or other claims arising from products and/or historical and ongoing operations; (vi) talent management and succession planning: failure to attract, manage, develop and/or retain key talent; (vii) cyber security incident: systems security breach and loss of network connectivity and integrity, and/or loss of business and personal data; (viii) industrial espionage, workplace security and loss/theft of intellectual property; (ix) disruptive technology advances: failure to identify and mitigate the threat posed by new or imitation technology; and (x) changes in international tax policy. A full description of these risks and the mitigating actions taken by the Company can be found in the 2016 Annual report and accounts on pages 17 to 21.

14 Financial risk management

The Group has exposure to the following financial risks:

- credit risk;
- liquidity risk; and
- 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 2016. 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 2017 and 31 December 2016 there was no difference between the carrying value and fair value of financial instruments.

15 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 30 June 2017.

16 Acquisition

On 24 March 2017 the Group acquired 100% of the equity, which gives control, of SummitReheis for a cash consideration of $370.3m. Further acquisition related costs to 30 June 2017 of $6.0 million have been included within administrative expenses in the income statement but also reflected within adjusting items (note 5).

SummitReheis is a high quality, high margin specialty chemicals platform that produces a range of critical active ingredients and materials tailored for use in personal care, pharmaceutical and dental products. SummitReheis' anti-perspirant actives business (more than 60% of its sales) is the global leader in the manufacture and sale of active ingredients for anti-perspirants and has long standing relationships with key consumer product companies across the Americas, Europe and Asia.

IFRS 3 "Business Combinations" (revised 2008) requires the assets acquired to be initially recorded at fair value at the date of acquisition. Any such fair value adjustments are provisional and will be finalised within twelve months of the acquisition date. Any resulting changes in the fair values may have an impact on the depreciation from the date of acquisition and will be recorded in the financial statements. An assessment of the fair value of the assets and liabilities is being performed and will form the basis of the valuation to be included in the year end accounts.

The acquisition had the following effect on the Group's assets and liabilities:

	Book value acquisition $million
Intangible assets	75.0
Property, plant and equipment	18.8
Inventories	17.7
Trade and other receivables	27.0
Trade and other payables	(12.6)
Cash and cash equivalents	9.1
Provisions	(0.5)
Employee retirement benefits	(4.3)
Corporation tax	14.1
Deferred tax	(27.1)
	117.2
Goodwill	253.1
Consideration paid, satisfied in cash	370.3
Cash acquired	(9.1)
Net cash outflow	361.2

No preliminary assessment of intangible assets and the Property Plant and Equipment (PPE) valuation had been completed at the date of these condensed financial statements as such the Book Value of the acquired assets has been used in completion of these statements. When the final valuation work is concluded, an adjustment in PPE and intangible assets values, and a corresponding adjustment in goodwill is anticipated. None of the goodwill is deductable for tax purposes.

In the first half of 2017 the acquisition contributed $38.1m to the Group's revenue and $6.0m to the adjusted operating profit.
The estimated contribution of SummitReheis to the results of the Group had the acquisition been made on 1 January 2017 is as follows:

	2017 Six months ended 30 June $million
Revenue	67.0
Adjusted operating profit	10.0

17 Prior year restatement

During 2016 the Directors considered the detailed criteria for the recognition of revenue from the sale of goods set out in IAS 18 Revenue and, in particular, when the Group had transferred the significant risks and rewards of ownership of the goods. Following further assessment of the terms of shipment, the Directors have concluded that international shipments should not be recognised within revenue until they reach the destination port, as they believe that this more accurately reflects the commercial substance of the transaction in that risks and rewards of ownership pass to the customer at this point. Due to this change in the accounting policy, the prior year comparatives have therefore been restated to provide comparable information.

The financial statement line items impacted have been set out below.

Consolidated income statement

	June 2016 reported $million	restatement $million	June 2016 restated $million	Adjusting items $million	June 2016 Adjusted restated $million
Revenue	334.0	0.1	334.1	-	334.1
Cost of sales	(211.1)	1.5	(209.6)	-	(209.6)
Gross profit	122.9	1.6	124.5	-	124.5
Operating profit	47.1	1.6	48.7	4.9	53.6
Profit before income tax	44.7	1.6	46.3	4.9	51.2
Tax charge	(8.3)	(0.6)	(8.9)	(1.4)	(10.3)
Profit for the year	**36.4**	**1.0**	**37.4**	**3.5**	**40.9**

	2016 restated $million	Adjusting items $million	2016 restated adjusted $million
Revenue	659.5	-	659.5
Cost of sales	(420.5)	-	(420.5)
Gross profit	239.0	-	239.0
Operating profit	84.5	12.4	96.9
Profit before income tax	75.5	16.9	92.4
Tax charge	(7.4)	(4.6)	(12.0)
Profit for the year	**68.1**	**12.3**	**80.4**

Consolidated statement of comprehensive income

	June 2016 reported $million	Restatement $million	June 2016 restated $million
Profit for the year	36.4	1.0	37.4
Exchange differences on translation of foreign operations	(7.6)	(0.1)	(7.7)
Total comprehensive income for the period	32.0	0.9	32.9

Balance sheet

	June 2016 reported $million	Restatement $million	June 2016 restated $million
At 30 June 2016			
Inventories	126.3	8.5	134.8
Trade and other receivables	120.7	(11.5)	109.2
Trade and other payables	(98.1)	0.2	(97.9)
Current tax liabilities	(2.8)	(0.5)	(3.3)
Retained earnings	477.9	(3.2)	474.7
Translation reserve	(69.6)	(0.1)	(69.7)

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