

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

Elementis plc (ELM.L), a global specialty chemicals company, announces its results for the year ended 31 December 2015.

HIGHLIGHTS

- Group sales reduced by 14 per cent due to lower oilfield drilling and impact of stronger US dollar.
- Specialty Products delivered improved contribution margins and market share gains, successes include:
 - North American decorative coatings* up 15 per cent.
 - European coatings* up 3 per cent.
 - Personal care* up 3 per cent for the year; 6 per cent in the second half.
- Another year of excellent cash generation:
 - Net cash position increased to \$74.0 million.
- Total dividends for the year increased by 7 per cent to 16.45 cents:
 - Final dividend maintained at previous year level.
 - Special dividend increased by 15 per cent; fourth consecutive payment.

* constant currency sales

FINANCIAL SUMMARY

	2015	2014
Sales	\$678.8m	\$790.4m
Operating profit**	\$122.5m	\$150.1m
Profit before tax**	\$116.2m	\$141.9m
Diluted earnings per share**	20.8c	24.8c
Operating cash flow	\$102.5m	\$144.4m
Net cash	\$74.0m	\$64.2m
Profit for the year	\$95.3m	\$175.4m
Basic earnings per share	20.6c	38.1c
Dividends to shareholders:		
- Interim dividend	2.70c	2.70c
- Final proposed	5.75c	5.75c
- Special dividend	8.00c	6.95c
- Total for the year	16.45c	15.40c

** before non-recurring items

Following five successive years of earnings growth**, our performance in 2015 was impacted by the significant downturn in oil and gas drilling activity and the effects of a stronger US dollar, both in terms of translation and its influence on market dynamics. Exporters from North America have seen the competitiveness of their products eroded by the appreciation of the US dollar and this in turn had a constraining influence on export sales in our Chromium business, as well as our Specialty Products North American industrial coatings sales. However, the core components of our business model showed impressive resilience during this demanding period.

Specialty Products is a technology based value proposition, offering our customers innovative solutions to their formulary challenges. Once again this was the key reason that the division managed to deliver increased market share and improved contribution margins. Market share gains were supported by recent new product launches in decorative coatings and personal care, which included an innovative range of acrylic thickeners, produced at our new state of the art facility in New Martinsville, US, and helped deliver 15 per cent growth* in our North American decorative coatings sales. European coatings sales delivered the second consecutive year of growth* in a region where economic activity has remained subdued. Coatings sales in Asia Pacific were lower by 4 per cent* due to the well publicised downturn in China. Personal care, after a slow start to the year due to currency weakness in Latin America, showed good momentum in the second half of 2015 supported by its unique hectorite range of products and new product launches in hair, skin and nail care. Sales to the oil and gas drilling sector were significantly impacted by the downturn in industry drilling activity, but stabilised in the second half of the year.

In Chromium, the strong US dollar had a negative effect on US exports, but sales to our North American customers, where we are able to provide a unique solutioning and delivery system, were more resilient. This performance provides further evidence of the highly valued, differentiated service we are able to offer our North American customers and is a key component of our sustainable market differentiation.

Once again cash generation was a strong feature of our overall performance in 2015, marking the sixth successive year of positive cash flow for the Group. The net cash position at the end of 2015 increased by \$9.8 million to \$74.0 million. As a result, the special dividend is increased by 15 per cent to 8.00 cents per share. In addition, the Board is maintaining the final dividend at 5.75 cents per share, the same level as the previous year, to reflect its confidence in the Group's business model and medium term prospects. Hence the total dividend for the year is increased by 7 per cent to 16.45 cents per share.

As stated in our announcement in December, the market environment remains challenging. Chromium is cycling against a one time income of \$5 million in 2015. However, the Specialty Products business will continue to make progress based on its strong market positions and investments in growth.

Elementis is delighted to welcome Paul Waterman, who became Group Chief Executive on 8 February 2016. He is inheriting a Group with strong market positions, a valuable, innovative customer offering and a healthy balance sheet, providing a solid foundation from which to create further shareholder value. Paul has an impressive business background and shareholders can look forward to the Group making further progress under his leadership.

* constant currency sales

ENDS

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Elementis

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Chairman's statement

After five years of successive earnings growth**, the market environment in 2015 turned out to be challenging for the Group. Periods of challenging demand patterns such as this are often a good test of the core qualities of a business and I am pleased to report that our key strengths in terms of market position, customer relationships, value proposition and cash generation have all shown impressive resilience in 2015.

Lower oil prices had a significant impact on our oilfield drilling business and the appreciation of the US dollar against most global currencies led to changes in the competitive landscape for both Elementis and its customers, creating an additional headwind during the year for Chromium and our North American industrial coatings business.

Innovation continues to be important to our success, as demonstrated by the growing proportion of our sales coming from new products, which continues to be encouraging. Following on from the successful commissioning of our new decorative coatings facility in New Martinsville we have continued to commit further investment to our Specialty Products business and have recently completed an investment in a new castor wax facility in Taiwan.

Our track record of consistent cash generation over the last six years has been an important component of the Group's equity story. In 2015, despite the more challenging environment, the Group still delivered a positive cash flow performance, helped by the sale of a portion of our site in Corpus Christi and lower pension contributions. This in turn means that we have been able to increase our special dividend by 15 per cent.

Financial results

In 2015, Group sales were \$678.8 million compared to \$790.4 million in the previous year and Group diluted earnings per share** was 20.8 cents compared to 24.8 cents. In addition the Group is reporting a number of non-recurring items, including the Corpus Christi land sale, and these items are discussed more fully in the Finance report. After taking account of these items, Group diluted earnings per share was 20.4 cents compared to 37.7 cents in 2014.

Balance sheet

The Group's balance sheet remains in a very sound position following another year of positive cash generation. The Group's net cash position at the end of 2015 is \$74.0 million, compared to \$64.2 million at the end of the previous year.

The IAS 19 deficit, on the Group's post retirement benefit plans also improved during the year from \$65.8 million at the end of 2014 to \$29.0 million. The UK pension plan accounts for the majority of the Group's pension obligations and a new funding agreement was concluded during the year, based on a triennial valuation date of 30 September 2014. As a result the Group's total annual contributions to all plans are expected to be below \$15.0 million in each of the next three years.

Dividends

Under the dividend policy introduced in 2012, the Board undertook to pay approximately one third of earnings, before non-recurring items, each year in a combination of interim and final dividends. In addition, a special dividend is paid each year of up to 50 per cent of the net cash balance at the end of year, provided there are no immediate investment plans for that cash. However, the Board is maintaining the final dividend at the same level as the previous year, to reflect its confidence in the Group's business model and medium term prospects. In addition, the year end net cash balance increased and we will be paying a special dividend of 50 per cent of that amount. Consequently, total dividends for the year are increased by 7 per cent to 16.45 cents per share, the components of which are as follows:

- The Board is recommending a final dividend for 2015 of 5.75 cents per share (2014: 5.75 cents) and a special dividend of 8.00 cents per share (2014: 6.95 cents).
- The Board declared an interim dividend at the time of the Interim Results announcement of 2.70 cents per share (2014: 2.70 cents).

The final and special dividends will be paid on 27 May 2016, in pounds sterling at an exchange rate of £1.00:\$1.3955 (equivalent to a sterling amount of 9.8531 pence per share), to shareholders on the register on 29 April 2016.

Health, safety and the environment

In this important aspect of our business I am pleased to report that our overall performance continues to be of a high standard compared to the industry. However, we also recognise that continuous improvement and an ultimate goal of zero incidents are absolutely essential to our philosophy. As regulators around the world rightly demand ever increasing engagement in this area, we will continue to be cooperative and proactive, while striving always to exceed their expectations.

Board changes

As previously announced Paul Waterman became Group Chief Executive and joined the Board on 8 February 2016. Paul has an impressive business background, having most recently been the Global CEO of BP's Lubricants business. He is fully engaged in getting to know Elementis and its people and is excited about the opportunity to take the Group forward.

David Dutro, who retired as Group Chief Executive on 7 February 2016, continued to assist the Board until 29 February 2016 as a Special Advisor to facilitate a smooth transition. David has led the Group through a period of impressive progress and shareholder value creation and the Board would like to thank him sincerely for his outstanding contribution. We wish him well in his retirement.

Governance

I am pleased to report that your Board has made good progress over the past year, following the changes to its composition in 2014. The new non-executive members, including myself, have been fully engaged in getting to know the business and its people, and have established strong relationships with the management and business leadership teams. We have an excellent Board culture that is cohesive and transparent, based on trust, integrity and a shared purpose, which enables all directors to perform effectively, both collectively and as individuals.

The Board considers that it has applied fully all of the principles and provisions of the Corporate Governance Code during 2015. More information is provided in the Corporate governance report.

People

In periods of more difficult trading, it goes without saying that the pressures and responsibilities on our employees and their families are greatly increased. Our progress is, in no small part, due to their continued efforts and talents and, on behalf of the Board, I would like to give them my sincere thanks.

Outlook

As stated in our announcement in December, the market environment remains challenging. Chromium is cycling against a one time income of \$5 million in 2015. However, the Specialty Products business will continue to make progress based on its strong market positions and investments in growth. We are delighted to welcome Paul Waterman as Group Chief Executive. The Board is confident that he is inheriting a sound business model and financial platform on which to take the Group forward to what we are confident will be future success.

Andrew Duff
Chairman

1 March 2016

** before non-recurring items

Business commentaries

Revenue

	Revenue 2014 \$million	Effect of exchange rates \$million	Increase/ (decrease) 2015 \$million	Revenue 2015 \$million
Specialty Products	519.7	(30.0)	(36.5)	453.2
Chromium	216.5	-	(33.8)	182.7
Surfactants	67.1	(11.2)	(2.1)	53.8
Inter-segment	(12.9)	-	2.0	(10.9)
	790.4	(41.2)	(70.4)	678.8

Operating profit

	Operating profit 2014** \$million	Effect of exchange rates \$million	Increase/ (decrease) 2015 \$million	Operating profit 2015** \$million
Specialty Products	98.5	(6.7)	(11.8)	80.0
Chromium	58.3	0.2	(9.6)	48.9
Surfactants	4.9	(1.2)	0.8	4.5
Central costs	(11.6)	1.9	(1.2)	(10.9)
	150.1	(5.8)	(21.8)	122.5

** before non-recurring items

Elementis Specialty Products

The Specialty Products business provides a solid platform for growth over the medium term, through its balanced geographic exposure across mature and emerging economies, strong and differentiated technology base and strategic market diversification. The business 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. In 2015, growth was negatively impacted by a downturn in some of its key markets, particularly oilfield drilling, coatings in China and industrial coatings in North America, where end users have experienced a downturn in their exports as a result of the strong US dollar. While these trends meant that the business was unable to deliver growth in 2015, they did not have any detrimental effect on our market share or value offering to customers, as evidenced by the fact that product contribution margins remained stable, or improved, in the year. All of this demonstrates some of the core strengths and resilience of the Specialty Products business and should ensure that profitable growth returns promptly as end market demand recovers.

Specialty Products' sales in 2015 were \$453.2 million, compared to \$519.7 million in the previous year, representing a decrease of 13 per cent, or 7 per cent excluding currency movements. The remainder of this business commentary refers to constant currency sales.

In coatings additives, North American sales of decorative products continued to show good growth as the new product line of acrylic thickeners being produced at the recently completed New Martinsville facility continued to gain impressive traction with customers. However, sales to industrial applications, which account for approximately 70 per cent of sales in the region, experienced a slowdown as end user exports were constrained by the stronger US dollar. As a result, total sales of coatings additives in North America were 4 per cent lower than the previous year.

In Asia Pacific sales were 4 per cent lower than the previous year, as the well publicised slowdown in the Chinese economy became a stronger influence as the year progressed. China accounts for approximately 70 per cent of coatings additives sales in the Asia Pacific region. The business began production from its new Taiwan based castor wax facility in the year, which will support future growth by broadening the rheology product offering to customers in high solids systems used in industrial applications.

In Latin America, sales were 1 per cent higher than the previous year, helped by good growth in decorative products, whilst in Europe, sales improved by 3 per cent with some signs that the weaker euro is having a positive impact on industrial sales for export.

In personal care, sales for the year were 3 per cent higher than the previous year as the business finished the year on a positive note. Good progress was made during the latter part of the year in replacing business lost in Latin America during the first six months of the year, due to significant local currency weakness. This was reported at the time of the Group's Interim Results. Personal care sales in the final three months of the year were 16 per cent higher than the same period in the previous year and 9 per cent higher than in the third quarter of 2015. Sales were particularly strong in aerosol antiperspirants and suncare products, as well as in the new Rheoluxe® line of products, and European sales in Q4 were the most prominent in terms of year on year growth.

Sales in oilfield drilling in 2015 were 41 per cent lower than the previous year, as the sector responded to low oil and gas prices by significantly reducing drilling activity, particularly in North America. The business experienced a sharp decline in sales during the first three months of the year, after which sales stabilised at approximately 50 per cent below previous year levels.

Operating profit in 2015 was 19 per cent below the previous year at \$80.0 million, or 13 per cent excluding currency movements. Lower sales, particularly in our oilfield drilling business, was the main cause of the decline. Reassuringly, overall selling prices remained relatively stable and the impact of lower activity was mitigated by several projects designed to improve supply chain costs and increase production yields. These projects led directly to an improvement in the contribution margin for the year. In addition, measured actions were taken during the second half of the year to reduce fixed costs, resulting in annual savings of approximately \$2.5 million, most of which will benefit 2016.

Elementis Chromium

2015 was a challenging year for Chromium, primarily as a result of the US dollar strengthening significantly against most key currencies. This created a testing pricing dynamic for export sales by Elementis Chromium and its customers in North America. The business strategy is to deliver more stable earnings and cash flow by utilising existing capacity and flexible manufacturing platform to focus on the more differentiated markets. In particular, the North American market is preferred because of its proximity to the manufacturing base and because of the more value added offering to customers as a result of the unique delivery systems the business has developed in that region. Hence, over time, the North American market is likely to become a larger proportion of total sales and so the business will progressively become less exposed to the dynamics of other world markets. In 2015 approximately 42 per cent of sales were made outside of North America.

Chromium sales in 2015 were 16 per cent lower than the previous year at \$182.7 million. Volumes were 8 per cent lower than the previous year, primarily due to the reduction in sales of refractory grade oxide in North America. Sales in this application were particularly strong in 2014 due to a number of significant customer projects, which were completed towards the end of that year. Excluding this effect, sales volumes in 2015 were at a similar level to the previous year. Average pricing in 2015 was 7 per cent lower than the previous year as the stronger US dollar had a significant impact on export selling prices in North America.

Operating profit in 2015 was \$9.4 million below the previous year, at \$48.9 million. Lower sales volumes reduced operating profit by approximately \$8 million, while lower pricing net of variable cost benefits had a negative impact of approximately \$11 million. Variable costs benefited from lower raw material and energy prices and planned projects to improve manufacturing yields. The business took action towards the end of 2015 to improve fixed costs by reducing the overall workforce, with the majority of this benefit materialising from 2016 onwards. Otherwise fixed costs in 2015 improved due to tight cost control and by approximately \$5 million relating to a legal settlement and property easement fees. Operating margin in 2015 was stable at 26.8 per cent (24.0 per cent excluding the items above), compared to 26.9 per cent in the previous year.

Elementis Surfactants

The programme for Surfactants is to transition the Delden, Netherlands, facility where surfactants are produced, towards manufacturing higher margin additives for Specialty Products. Hence it is expected that sales volumes in Surfactants will generally decrease over time. However, in the more challenging market environment in 2015, the Surfactants business retained more sales than it otherwise would in order to offset reduced demand in other parts of the Group. In doing so the business was also able to deliver an improved operating margin compared to the previous year.

Surfactants' sales in 2015 were \$53.8 million, compared to \$67.1 million in the previous year, which is a reduction of 20 per cent, or 4 per cent excluding currency movements. The majority of sales are denominated in euros. Lower pricing in association with a decline in raw material costs accounted for most of the decline, with volumes maintaining a similar level to the previous year.

Operating profit in 2015 was \$4.5 million compared to \$4.9 million in the previous year, which is a decline of 8 per cent, or an increase of 22 per cent if currency movements are excluded. Average selling prices declined in line with lower raw material costs, while improved product mix more than offset modest increases in fixed costs. Hence operating margin improved to 8.4 per cent from 7.3 per cent in the previous year.

Finance report

Revenue

	2015 \$million	2014 \$million
Specialty Products	453.2	519.7
Chromium	182.7	216.5
Surfactants	53.8	67.1
Inter-segment	(10.9)	(12.9)
	678.8	790.4

Operating profit

	Operating profit \$million	Non-recurring items \$million	2015 Underlying operating profit \$million	Operating profit \$million	Non-recurring items \$million	2014 Underlying operating profit \$million
Specialty Products	77.6	2.4	80.0	100.1	(1.6)	98.5
Chromium	60.9	(12.0)	48.9	56.8	1.5	58.3
Surfactants	3.3	1.2	4.5	8.2	(3.3)	4.9
Central costs	(13.7)	2.8	(10.9)	(8.7)	(2.9)	(11.6)
	128.1	(5.6)	122.5	156.4	(6.3)	150.1

Group results

Group sales in 2015 were \$678.8 million compared to \$790.4 million in the previous year, a reduction of 14 per cent, or 9 per cent excluding currency movements. Constant currency sales in Specialty Products were lower by 7 per cent, mostly due to lower demand for oilfield drilling additives, while constant currency sales in Chromium were 16 per cent lower, strongly influenced by a change in competitive dynamics outside of North America as a result of the strengthening of the US dollar. Constant currency sales in Surfactants were 4 per cent lower due to lower pricing, in line with lower raw material costs.

Operating profit** for the year was \$122.5 million, compared to \$150.1 million in 2014, a reduction of 18 per cent, or 15 per cent excluding currency movements. The impact of lower sales in the year was reduced by lower raw material costs and a number of projects across the Group to improve production costs and reduce fixed overheads.

Currency hedging

Although a large part of the Group's business is transacted in US dollars, the Group also transacts in other currencies, in particular euros, pounds sterling and Chinese renminbi. In order to reduce earnings volatility from these currency exposures, the Group takes out cash flow hedges each year where these are readily available. In 2015, overall currency movements were such that the net impact of these hedge transactions was a credit to operating profit of \$2.6 million, while in 2014 there was a credit of \$1.9 million.

Central costs

Central costs are those costs that are not identifiable as expenses of a particular business and comprise expenditures of the Board of Directors and corporate office. In 2015 central costs** were \$10.9 million, compared to \$11.6 million in the previous year. The decrease was due to a currency gain of \$1.9 million, partially offset by changes in central provisions relating to insurance and other central costs.

** before non-recurring items

Non-recurring items

A number of items have been recorded under 'non-recurring items' in 2015 by virtue of their size and/or one time nature (2014: recorded as 'exceptional items'), in order to provide a better understanding of the Group's results. The net impact of these items on Group profit before tax for the year is a credit of \$5.6 million (2014: \$6.3 million). The items fall into three categories, as summarised below:

Credit/(charge) (\$million)	Land sale	Restructuring	Other	Total
Specialty Products	-	(2.1)	(0.6)	(2.7)
Surfactants	-	(0.5)	(0.7)	(1.2)
Chromium	17.0	(0.7)	(4.3)	12.0
Central costs	-	(0.9)	(1.6)	(2.5)
Total	17.0	(4.2)	(7.2)	5.6

Land sale – net credit of \$17.0 million

In July 2015, Chromium sold a non-operating portion of its site at Corpus Christi, US, for total proceeds of \$26.0 million. After transaction costs and deduction of the book value of the land, the net gain on the sale was \$23.8 million. The terms of the disposal crystallised certain future regulatory and monitoring obligations for the Group and the \$6.8 million one time cost of these have been deducted to arrive at a net profit on property disposal of \$17.0 million and added to the Group's existing environmental provisions.

Restructuring – charge of \$4.2 million

In October 2015, the Group announced that it was taking certain actions to reduce costs by reducing its workforce and reorganising some parts of its management structure, including the recruitment of a new Group Chief Executive. The one time cost of this exercise including redundancy costs, as well as recruitment and other costs associated with changes in the management structure, was \$4.2 million. Anticipated annual savings from this exercise are approximately \$4.0 million and will largely be realised from 2016 onwards.

Other – charge of \$7.2 million

A provision has been set up within Chromium that relates to a legacy right of first refusal agreement with a third party. Under that agreement, Chromium pays a fixed annual fee in return for the right to acquire certain land in North Carolina for operating purposes. Payment of the fixed fee is also related to the continued use of certain disposal facilities. Based on the current operating plans of the Chromium business and the estimated value of this land, there is now a low likelihood that the Group will exercise this right of first refusal in the future. Hence a provision has been recorded for the remaining payments under that agreement in the amount of \$4.0 million.

Other items totalling \$2.2 million relate to the impairment of certain software licenses, as well as due diligence and other costs associated with investment projects that were not successful. In addition, the Group has also recorded a provision of \$1.0 million for the potential outcome of a regulatory case in Europe.

Other expenses

Other expenses are administration costs incurred and paid by the Group's pension schemes, which relate primarily to former employees of legacy businesses, and were \$2.1 million in 2015 compared to \$1.9 million in the previous year. The year on year comparison reflects the fact that these schemes are relatively stable, consisting mostly of deferred and pensioner members.

Net finance costs

	2015 \$million	2014 \$million
Finance income	0.2	0.3
Finance cost of borrowings	(1.2)	(1.6)
	(1.0)	(1.3)
Net pension finance costs	(1.8)	(3.1)
Discount unwind on provisions	(1.4)	(1.9)
	(4.2)	(6.3)

Net finance costs declined by \$2.1 million in 2015 to \$4.2 million due to lower net borrowing and pension finance costs and a reduction in the discount charge on provisions. Net borrowing costs relate mostly to amortised arrangement and commitment fees on unutilised borrowing facilities, as well as interest income and expense on deposits and borrowings. These costs were lower than the previous year, at \$1.0 million, due to lower average borrowings for the year. Pension finance costs were lower than the previous year at \$1.8 million due to a combination of lower pension deficits and lower discount rates at the start of the year, compared to the same time in the previous year. Discount rates, under IAS 19, are set at the beginning of each year based on corporate bond yields. Discount on provisions relates to the annual time value of the Group's environmental provisions, which are calculated on a discounted basis. In 2015 the charge was also lower than the previous year, at \$1.4 million, due to lower discount rates, which declined in line with long term US government bond rates.

Taxation

Tax charge

	2015 Effective rate per cent	2014 Effective rate per cent
	\$million	\$million
Before non-recurring items	19.3	26.3
Non-recurring items	7.2	(53.5)
Total	26.5	(27.2)

The tax charge of \$26.5 million (2014: credit of \$27.2 million) includes an adjustment to the prior year's non-recurring credit of \$4.7 million and a tax charge in respect of non-recurring items of \$2.5 million. Before these non-recurring tax charges, the tax charge was \$19.3 million (2014: \$26.3 million) and represents an effective tax rate of 16.6 per cent (2014: 18.5 per cent). The decrease in tax rate arises from the release of overseas tax provisions where uncertainties in the treatment of certain items has been resolved and from changes in the geographic mix of profits.

Earnings per share

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

Diluted earnings per share, before non-recurring items, was 20.8 cents compared to 24.8 cents in the previous year. The year on year reduction was mostly a result of lower operating profit and a lower tax rate in the current year. Basic earnings per share was 20.6 cents compared to 38.1 cents in 2014, and included a non-recurring debit of 0.4 cents compared to a credit of 13.0 cents in the previous year. Non-recurring items in 2015 are described earlier in this report, while the non-recurring credit in 2014 included 11.8 cents relating to the recognition of certain UK tax assets.

Distributions to shareholders

During 2015 the Group paid a final dividend in respect of the year end 31 December 2014 of 5.75 cents per share (2014: 5.50 cents) and a special dividend of 6.95 cents per share (2014: 5.86 cents). An interim dividend of 2.70 cents per share (2014: 2.70 cents) was paid on 2 October 2015 and the Board is recommending a final dividend of 5.75 cents per share and a special dividend of 8.00 cents per share, both of which will be paid on 27 May 2016.

Cash flow

The cash flow is summarised below.

	2015 \$million	2014 \$million
EBITDA ¹	149.5	175.3
Change in working capital	(12.9)	4.3
Capital expenditure	(31.3)	(34.9)
Other	(2.8)	(0.3)
Operating cash flow	102.5	144.4
Pension deficit payments	(22.8)	(49.5)
Interest and tax	(13.8)	(13.3)
Non-recurring items	20.1	-
Other	(3.2)	(0.8)
Free cash flow	82.8	80.8
Dividends paid	(71.1)	(64.7)
Acquisitions and disposals	-	(4.1)
Currency fluctuations	(1.9)	(1.9)
Movement in net cash	9.8	10.1
Net cash at start of year	64.2	54.1
Net cash at end of year	74.0	64.2

¹ EBITDA – earnings before interest, tax, non-recurring items, depreciation and amortisation

For the sixth consecutive year the Group is reporting a positive net cash flow, increasing the net cash balance at the end of 2015 by \$9.8 million to \$74.0 million. Consistent with a more challenging trading environment in 2015, EBITDA for the year was lower than the previous year by \$25.8 million at \$149.5 million and there was a cash outflow in working capital of \$12.9 million. However, these were more than offset by sale proceeds of \$26.0 million from the sale of part of the land at the Corpus Christi site in

the US and pension contributions for the year of \$22.8 million that were \$26.7 million lower than the previous year.

In working capital, inventory levels were reduced by \$18.0 million in line with lower trading levels and inventory days at the end of 2015 were in line with the previous year. Debtor balances also declined in line with lower sales, leaving debtor days at a similar level to the previous year. Creditor balances, however, declined by more than trading levels would imply. This was because creditor days at the end of 2014 were unusually high at 74 days, due to favourable timing of a number of supplier payments, particularly in relation to chrome ore shipments. Hence when creditor days returned to more normal levels (55 days) at the end of 2015, this led to an additional cash outflow in that year and is the main reason behind the overall working capital outflow of \$12.9 million.

Capital expenditure in 2015 was \$3.6 million lower than in 2014 at \$31.3 million, compared to depreciation for the year of \$26.9 million (2014: \$25.4 million). Spending was lower in the current year because the new decorative additives facility in New Martinsville, US, was largely completed in 2014, hence spending on that project was \$5.5 million lower in 2015. Otherwise capital expenditure in 2015 included the final investment in the new castor wax facility in Taiwan, which started production in the year. Investments in plant maintenance and productivity across the Group totalled \$22.1 million in 2015, compared to \$23.7 million in 2014.

Balance sheet

	2015 \$million	2014 \$million
Intangible fixed assets	362.5	373.0
Tangible fixed assets	211.2	211.7
Working capital	143.1	137.4
Net tax liabilities	(65.4)	(41.4)
Provisions and retirement benefit obligations	(67.4)	(100.8)
Net cash	74.0	64.2
Total Equity	658.0	644.1

Group equity increased by \$13.9 million in 2015 (2014: \$98.6million). Intangible fixed assets declined by \$10.5 million due mostly to a currency translation cost of \$8.3 million and amortisation charges of \$3.3 million. Tangible fixed assets were \$0.5 million lower than the previous year, with the depreciation charge of \$23.6 million and currency translation impact of \$5.8 million offsetting net additions of \$28.9 million. Working capital increased by \$5.7 million, as the reduction in trade and other creditors of \$42.1 million offset decreases in inventories of \$18.0 million and trade and other debtors of \$17.6 million. Net tax liabilities increased by \$24.0 million, as the tax charge on profits for the year exceeded actual cash tax payments and due to the tax effect of a fall in pension deficits. Movements in provisions and retirement benefit obligations are discussed elsewhere in this report. Net cash increased by \$9.8 million as described in the previous section.

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

	Year end	2015 Average	Year end	2014 Average
Pounds sterling	0.68	0.65	0.64	0.60
Euro	0.92	0.90	0.83	0.75

Provisions

The Group records a provision in the balance sheet when it has a present obligation as a result of past events, which is expected to result in an outflow of economic benefits in order to settle the obligation. The Group calculates provisions on a discounted basis. At the end of 2015 the Group held provisions of \$38.4 million (2014: \$35.0 million), consisting of environmental provisions of \$29.5 million (2014: \$31.7 million), self insurance provisions of \$3.1 million (2014: \$3.3 million) and restructuring and other provisions of \$5.8 million (2014: nil). In 2015 environmental provisions reduced by \$2.2 million driven mainly by increased spending of \$9.1 million (2014: \$5.1 million) offset by an increase in provision within Chromium following the sale of non-operational land at the Corpus Christi site, which has been treated as a non-recurring item. The self insurance provision represents the Group's estimate of its liability arising from retained liabilities under the Group's insurance programmes. Within the restructuring and other provisions categories, which were set up following various non-recurring charges made in the year, the \$5.8 million

balance includes the remaining liability under a right of first refusal agreement, a provision for an ongoing regulatory case in Europe and future payments relating to reorganisation measures taken during 2015.

Pensions and other post retirement benefits

	2015 \$million	2014 \$million
Net (surplus)/liability:		
UK	(6.7)	28.4
US	30.7	31.1
Other	5.0	6.3
	29.0	65.8

UK plan

The largest of the Group's retirement plans is the UK defined benefit pension scheme ("UK Scheme") which had a surplus, under IAS 19, of \$6.7 million at the end of 2015, compared to a deficit of \$28.4 million at the end of 2014. The UK Scheme is relatively mature, with approximately two thirds of its gross liabilities represented by pensions in payment, and is closed to new members. The improvement in the IAS 19 valuation was mainly due to contributions from the Company of \$21.1 million (2014: \$41.9 million) and structural improvements in the liability valuation of \$57.2 million (2014: decline of \$70.7 million) due to higher discount rates based on real corporate bond yields and other structural improvements emanating from the most recent triennial valuation. These positive influences more than offset negative asset returns of 2 per cent (2014: positive 13 per cent) due to weak equity markets and the financial cost of the liabilities of \$27.4 million (2014: \$35.6 million). Company contributions were lower in 2015 mainly because the 2014 contribution included a previously agreed one time payment of \$15.2 million. During the year the triennial valuation as of 30 September 2014 was concluded and showed a funding deficit that was lower than anticipated. This resulted in a new funding agreement being reached with the UK Trustees that foresees lower contributions going forward than previously anticipated. Under the new agreement the funding deficit is expected to be eliminated by 30 September 2018 and the maximum annual contributions by the Company in any year, in pounds sterling, are as follows:

Year payable	Amount (£million)
2016	7.2
2017	5.2
2018	3.9

US plans

In the US, the Group reports two post retirement plans under IAS 19: a defined benefit pension plan with a deficit value at the end of 2015 of \$24.4 million (2014: \$23.7 million), and a post retirement medical plan with a liability of \$6.3 million (2014: \$7.4 million). The US pension plan is smaller than the UK plan and is closed to future accruals. In 2015 the overall deficit value remained relatively stable as the financial cost of the liability for the year of \$5.1 million (2014: \$5.6 million) was approximately matched by employer contributions of \$2.7 million (2014: \$7.8 million) and positive changes due to updated actuarial assumptions of \$4.1 million (2014: negative \$16.9 million). The positive change of \$4.1 million in the year was mostly due to an increase in corporate bond yields of 45 basis points (2014: decline of 55 basis points). Asset returns in the year were close to zero (2014: plus 7 per cent) as US equity markets remained relatively stable for the year as a whole.

Other plans

Other liabilities at 31 December 2015 amounted to \$5.0 million (2014: \$6.3 million) and relate to pension arrangements for a relatively small number of employees in Germany and certain UK legacy benefits.

**Consolidated income statement
for the year ended 31 December 2015**

	Note	Before non-recurring items \$million	Non-recurring items (note 5) \$million	2015 After non-recurring items \$million	Before non-recurring items \$million	Non-recurring items (note 5) \$million	2014 After non-recurring items \$million
Revenue		678.8	-	678.8	790.4	-	790.4
Cost of sales		(418.8)	-	(418.8)	(486.1)	-	(486.1)
Gross profit		260.0	-	260.0	304.3	-	304.3
Distribution costs		(85.8)	-	(85.8)	(92.3)	-	(92.3)
Administrative expenses		(51.7)	(11.4)	(63.1)	(61.9)	6.3	(55.6)
Profit on property disposal		-	17.0	17.0	-	-	-
Operating profit		122.5	5.6	128.1	150.1	6.3	156.4
Other expenses		(2.1)	-	(2.1)	(1.9)	-	(1.9)
Finance income	3	0.2	-	0.2	0.3	-	0.3
Finance costs	4	(4.4)	-	(4.4)	(6.6)	-	(6.6)
Profit before income tax		116.2	5.6	121.8	141.9	6.3	148.2
Tax	6	(19.3)	(7.2)	(26.5)	(26.3)	53.5	27.2
Profit for the year		96.9	(1.6)	95.3	115.6	59.8	175.4
Attributable to:							
Equity holders of the parent		96.9	(1.6)	95.3	115.6	59.8	175.4
		96.9	(1.6)	95.3	115.6	59.8	175.4
Earnings per share							
Basic (cents)	7			20.6			38.1
Diluted (cents)	7			20.4			37.7

**Consolidated statement of comprehensive income
for the year ended 31 December 2015**

	2015 \$million	2014 \$million
Profit for the year	95.3	175.4
Other comprehensive income:		
Items that will not be reclassified subsequently to profit and loss:		
Remeasurements of retirement benefit obligations	17.4	(18.5)
Deferred tax associated with retirement benefit obligations	(6.6)	14.1
Items that may be reclassified subsequently to profit and loss:		
Exchange differences on translation of foreign operations	(21.7)	(11.6)
Effective portion of changes in fair value of cash flow hedges	(0.9)	0.1
Fair value of cash flow hedges transferred to income statement	(0.1)	(0.3)
Tax benefit associated with exercise of share options	-	2.8
Other comprehensive income	(11.9)	(13.4)
Total comprehensive income for the year	83.4	162.0
Attributable to:		
Equity holders of the parent	83.4	162.0
Total comprehensive income for the year	83.4	162.0

**Consolidated balance sheet
as at 31 December 2015**

	2015 31 December \$million	2014 31 December \$million
Non-current assets		
Goodwill and other intangible assets	362.5	373.0
Property, plant and equipment	211.2	211.7
ACT recoverable	34.0	42.0
Deferred tax assets	14.2	14.4
Total non-current assets	621.9	641.1
Current assets		
Inventories	119.5	137.5
Trade and other receivables	103.8	121.4
Derivatives	-	0.7
Cash and cash equivalents	79.1	73.7
Total current assets	302.4	333.3
Total assets	924.3	974.4
Current liabilities		
Bank overdrafts and loans	(5.1)	(8.1)
Trade and other payables	(79.9)	(122.0)
Derivatives	(0.3)	(0.2)
Current tax liabilities	(0.6)	(5.1)
Provisions	(9.5)	(6.7)
Total current liabilities	(95.4)	(142.1)
Non-current liabilities		
Loans and borrowings	-	(1.4)
Retirement benefit obligations	(29.0)	(65.8)
Deferred tax liabilities	(113.0)	(92.7)
Provisions	(28.9)	(28.3)
Total non-current liabilities	(170.9)	(188.2)
Total liabilities	(266.3)	(330.3)
Net assets	658.0	644.1
Equity		
Share capital	44.4	44.4
Share premium	20.2	18.7
Other reserves	93.0	116.4
Retained earnings	500.4	464.6
Total equity attributable to equity holders of the parent	658.0	644.1
Total equity	658.0	644.1

**Consolidated statement of changes in equity
for the year ended 31 December 2015**

	Share capital \$million	Share premium \$million	Translation reserve \$million	Hedging reserve \$million	Other reserves \$million	Retained earnings \$million	Total \$million	Non-controlling interest \$million	Total equity \$million
Balance at 1 January 2014	44.1	16.7	(28.8)	(6.7)	165.4	353.2	543.9	1.6	545.5
Comprehensive income									
Profit for the year	-	-	-	-	-	175.4	175.4	-	175.4
Other comprehensive income									
Exchange differences	-	-	(11.5)	-	(0.1)	-	(11.6)	-	(11.6)
Fair value of cash flow hedges transferred to the income statement	-	-	-	(0.3)	-	-	(0.3)	-	(0.3)
Effective portion of changes in fair value of cash flow hedges	-	-	-	0.1	-	-	0.1	-	0.1
Remeasurements of retirement benefit obligations	-	-	-	-	-	(18.5)	(18.5)	-	(18.5)
Tax benefit associated with exercise of share options	-	-	-	-	-	2.8	2.8	-	2.8
Deferred tax adjustment on pension scheme deficit	-	-	-	-	-	14.1	14.1	-	14.1
Transfer	-	-	-	-	(4.1)	4.1	-	-	-
Total other comprehensive income	-	-	(11.5)	(0.2)	(4.2)	2.5	(13.4)	-	(13.4)
Total comprehensive income	-	-	(11.5)	(0.2)	(4.2)	177.9	162.0	-	162.0
Transactions with owners									
Issue of shares by the Company	0.3	2.0	-	-	(0.1)	-	2.2	-	2.2
Share based payments	-	-	-	-	2.5	-	2.5	-	2.5
Deferred tax on share based payments recognised within equity	-	-	-	-	-	(1.8)	(1.8)	-	(1.8)
Dividends paid	-	-	-	-	-	(64.7)	(64.7)	-	(64.7)
Change in ownership interests in subsidiaries	-	-	-	-	-	-	-	(1.6)	(1.6)
Total transactions with owners	0.3	2.0	-	-	2.4	(66.5)	(61.8)	(1.6)	(63.4)
Balance at 31 December 2014	44.4	18.7	(40.3)	(6.9)	163.6	464.6	644.1	-	644.1
Balance at 1 January 2015	44.4	18.7	(40.3)	(6.9)	163.6	464.6	644.1	-	644.1
Comprehensive income									
Profit for the year	-	-	-	-	-	95.3	95.3	-	95.3
Other comprehensive income									
Exchange differences	-	-	(21.7)	-	-	-	(21.7)	-	(21.7)
Fair value of cash flow hedges transferred to the income statement	-	-	-	(0.1)	-	-	(0.1)	-	(0.1)
Effective portion of changes in fair value of cash flow hedges	-	-	-	(0.9)	-	-	(0.9)	-	(0.9)
Remeasurements of retirement benefit obligations	-	-	-	-	-	17.4	17.4	-	17.4
Deferred tax adjustment on pension scheme deficit	-	-	-	-	-	(6.6)	(6.6)	-	(6.6)
Transfer	-	-	-	-	(2.6)	2.6	-	-	-
Total other comprehensive income	-	-	(21.7)	(1.0)	(2.6)	13.4	(11.9)	-	(11.9)
Total comprehensive income	-	-	(21.7)	(1.0)	(2.6)	108.7	83.4	-	83.4
Transactions with owners									
Purchase of own shares	-	-	-	-	-	(0.6)	(0.6)	-	(0.6)
Issue of shares by the Company	-	1.5	-	-	(0.2)	-	1.3	-	1.3
Share based payments	-	-	-	-	2.1	-	2.1	-	2.1
Deferred tax on share based payments recognised within equity	-	-	-	-	-	(1.2)	(1.2)	-	(1.2)
Dividends paid	-	-	-	-	-	(71.1)	(71.1)	-	(71.1)
Total transactions with owners	-	1.5	-	-	1.9	(72.9)	(69.5)	-	(69.5)
Balance at 31 December 2015	44.4	20.2	(62.0)	(7.9)	162.9	500.4	658.0	-	658.0

**Consolidated cash flow statement
for the year ended 31 December 2015**

	2015 \$million	2014 \$million
Operating activities:		
Profit for the year	95.3	175.4
Adjustments for:		
Other expenses	2.1	1.9
Finance income	(0.2)	(0.3)
Finance costs	4.4	6.6
Tax charge/(credit)	26.5	(27.2)
Depreciation and amortisation	26.9	25.2
Decrease in provisions	(5.0)	(2.8)
Pension payments net of current service cost	(22.8)	(49.5)
Share based payments	2.1	2.5
Non-recurring items	(5.6)	(6.3)
Cash flow in respect of non-recurring items excluding pensions	(7.7)	(3.1)
Operating cash flow before movement in working capital	116.0	122.4
Decrease/(increase) in inventories	14.7	(12.7)
Decrease/(increase) in trade and other receivables	11.8	(0.1)
(Decrease)/increase in trade and other payables	(39.4)	17.1
Cash generated by operations	103.1	126.7
Income taxes paid	(12.7)	(12.0)
Interest paid	(1.2)	(1.6)
Net cash flow from operating activities	89.2	113.1
Investing activities:		
Interest received	0.2	0.3
Disposal of property, plant and equipment	24.0	0.9
Purchase of property, plant and equipment	(30.3)	(35.4)
Purchase of business	-	(4.1)
Acquisition of intangible assets	(1.1)	(0.4)
Net cash flow from investing activities	(7.2)	(38.7)
Financing activities:		
Issue of shares by the Company and the ESOT	1.4	2.1
Dividends paid	(71.1)	(64.7)
Receipt of unclaimed dividends	-	0.2
Purchase of shares by the ESOT	(0.6)	-
Decrease in borrowings	(3.9)	(0.3)
Net cash used in financing activities	(74.2)	(62.7)
Net increase in cash and cash equivalents	7.8	11.7
Cash and cash equivalents at 1 January	73.7	64.5
Foreign exchange on cash and cash equivalents	(2.4)	(2.5)
Cash and cash equivalents at 31 December	79.1	73.7

Notes to the financial statements

1 Preparation of the preliminary announcement

The financial information in this statement does not constitute the Company's statutory accounts for the years ended 31 December 2015 or 2014 but is derived from those accounts. Statutory accounts for 2014 have been delivered to the Registrar of Companies, and those for 2015 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

This preliminary announcement was approved by the Board of Directors on 1 March 2016.

2 Basis of preparation

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

The Group's financial statements have been prepared on the historical cost basis except that derivative financial instruments and financial instruments held for trading or available for sale are stated at their fair value. Non-current assets held for sale are stated at the lower of carrying amount and fair value less costs to sell. The preparation of financial statements requires the application of estimates and judgements that affect the reported amounts of assets and liabilities, revenues and costs and related disclosures at the balance sheet date. The accounting policies have been consistently applied across Group companies to all periods presented.

The Group and Company financial statements have been prepared on the going concern basis, as the directors are satisfied that the Group and Company have adequate resources to continue to operate for at least a period of 12 months from the date of approval of the financial statements. An explanation of the directors' assessment of using the going concern basis is given in the Directors' report in the Annual Report and Accounts 2015 which will be made available to shareholders on 23 March 2016.

Reporting currency

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

3 Finance income

	2015 \$million	2014 \$million
Interest on bank deposits	0.2	0.3

4 Finance costs

	2015 \$million	2014 \$million
Interest on bank loans	1.2	1.6
Pension and other post retirement liabilities	1.8	3.1
Unwind of discount on provisions	1.4	1.9
	4.4	6.6

5 Non-recurring items

	2015 \$million	2014 \$million
Land sale	17.0	-
Restructuring	(4.2)	-
Post employment benefits	-	4.9
Environmental provisions	-	(1.9)
Other	(7.2)	3.3
	5.6	6.3
Tax charge in relation to non-recurring items	(2.5)	(0.8)
Recognition of further UK tax assets	-	12.3
Recognition of ACT	(4.7)	42.0
	(1.6)	59.8

A number of items have been recorded under “non-recurring items” in 2015 by virtue of their size and/or one time nature, in order to provide a better understanding of the Group’s results. The net impact of these items on Group profit before tax for the year is a credit of \$5.6 million (2014: \$6.3 million). The items fall into three categories, as summarised below:

Land sale – net credit of \$17.0 million

On 26 July 2015, Chromium sold a non-operating portion of its site at Corpus Christi, US, for total proceeds of \$26.0 million. After transaction costs and deduction of the book value of the land, the net gain on the sale was \$23.8 million. The terms of the disposal crystallised certain future regulatory and monitoring obligations for the Group and the \$6.8 million one time cost of these have been deducted to arrive at a net profit on property disposal of \$17.0 million and added to the Group’s existing environmental provisions.

Restructuring – charge of \$4.2 million

In October 2015, the Group announced that it was taking certain actions to reduce costs by reducing its workforce and reorganising some parts of its management structure, including the recruitment of a new Group Chief Executive. The one time cost of this exercise including redundancy costs, as well as recruitment and other costs associated with changes in the management structure, was \$4.2 million. Anticipated annual savings from this exercise are approximately \$4.0 million and will largely be realised from 2016 onwards.

Other – charge of \$7.2 million

A provision has been set up within Chromium that relates to a legacy right of first refusal agreement with a third party. Under that agreement, Chromium pays a fixed annual fee in return for the right to acquire certain land in North Carolina for operating purposes. Payment of the fixed fee is also related to the continued use of certain disposal facilities. Based on the current operating plans of the Chromium business and the estimated value of this land, there is now a low likelihood that the Group will exercise this right of first refusal in the future. Hence a provision has been recorded for the remaining payments under that agreement in the amount of \$4.0 million.

Other items totalling \$2.2 million relate to the impairment of certain software licenses, as well as due diligence and other costs associated with investment projects that were not successful. In addition, the Group has also recorded a provision of \$1.0 million for the potential outcome of a regulatory case in Europe.

Taxation – charge of \$7.2 million

Within non-recurring items there is a tax charge of \$7.2 million of which \$2.5 million relates to the net tax on the non-recurring items recorded in 2015 and a charge of \$4.7 million arising from a reassessment of the ACT and deferred tax assets established in 2014.

6 Income tax expense

	2015 \$million	2014 \$million
Current tax:		
Recognition of UK Advance Corporation Tax credits	-	(42.0)
UK corporation tax	5.3	(6.0)
Overseas corporation tax	9.0	14.5
Adjustments in respect of prior years:		
UK	1.3	-
Overseas	(2.9)	-
Total current tax	12.7	(33.5)
Deferred tax:		
UK	2.4	(4.8)
Overseas	8.0	11.1
Adjustment in respect of prior years:		
UK	3.4	-
Total deferred tax	13.8	6.3
Income tax expense for the year	26.5	(27.2)
Comprising:		
Before non-recurring items	19.3	26.3
Non-recurring items *		
Overseas taxation on non-recurring items	2.5	0.8
Recognition of UK ACT and losses	-	(54.3)
UK ACT and deferred tax charge	4.7	-
Taxation on non-recurring items*	7.2	(53.5)
	26.5	(27.2)

* see Note 5 for details of non-recurring items

The tax charge on profit represents an effective tax rate on profit before non-recurring items for the year ended 31 December 2015 of 16.6 per cent (2014: 18.5 per cent). As a Group involved in overseas operations, the amount of profitability in each jurisdiction, transfer pricing regulations and local tax rate changes, will affect future tax charges.

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

	2015 \$million	2015 per cent	2014 \$million	2014 per cent
Profit before tax	121.8		148.2	
Tax on ordinary activities at 20.25 per cent (2014: 21.5 per cent)*	24.7	20.3	31.9	21.5
Difference in overseas effective tax rates	5.0	4.1	10.8	7.3
Income not chargeable for tax purposes	(5.0)	(4.1)	(6.8)	(4.6)
Expenses not deductible for tax purposes	0.4	0.3	-	-
Tax losses and other deductions	-	-	(9.2)	(6.2)
Tax rate adjustments to deferred tax	-	-	0.7	0.5
Adjustments in respect of prior years	(3.3)	(2.7)	(0.3)	(0.2)
Recognition of non-recurring tax items	4.7	3.9	(54.3)	(36.7)
Tax charge and effective tax rate for the year	26.5	21.8	(27.2)	(18.4)

* tax rate reflects reduction in UK corporation tax rate from 21 per cent to 20 per cent with effect from April 2015. The UK corporation tax rate will reduce to 19 per cent from 1 April 2017 and 18 per cent from 1 April 2020; these reductions were substantively enacted on 26 October 2015.

7 Earnings per share

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

	2015 \$million	2014 \$million
Earnings:		
Earnings for the purpose of basic earnings per share	95.3	175.4
Non-recurring items net of tax	1.6	(59.8)
Adjusted earnings	96.9	115.6
Number of shares:		
Weighted average number of shares for the purposes of basic earnings per share	462.2	460.7
Effect of dilutive share options	4.0	4.7
Weighted average number of shares for the purposes of diluted earnings per share	466.2	465.4
Earnings per share:		
Basic	20.6	38.1
Diluted	20.4	37.7
Basic before non-recurring items	21.0	25.1
Diluted before non-recurring items	20.8	24.8

8 Contingent liabilities

As is the case with other chemical companies, the Group occasionally receives notices of litigation relating to regulatory and legal matters. A provision is recognised when the Group believes it has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where it is deemed that an obligation is merely possible and that the probability of a material outflow is not remote, the Group would disclose a contingent liability. No contingent liability was considered to be reportable at 31 December 2015.

Annual Financial Report

In accordance with Disclosure and Transparency Rule 6.3.5, the following additional information is required to be made through a Regulatory Information Service ("RIS"): Principal risks and uncertainties; and Directors' responsibility statement. The information below, which is summarised and extracted from the 2015 Annual report and accounts that is to be published on 23 March 2016, is included solely for the purpose of complying with DTR 6.3.5(2) and the requirements it imposes on issuers on what material is to be communicated to the media in unedited full text through a RIS. A fuller description is set out in the 2015 Annual report and accounts.

Risk management

Like other chemical companies, the operations and activities of Elementis are exposed to different types of risk that, individually or in combination, have the potential to harm the Group with varying degrees of severity. Risks that are not appropriately managed or mitigated could cause financial, operational and reputational damage and threaten the Group's longer term viability.

The approach at Elementis is to view risk as being inherent in all business operations and activities, whether deriving from an external or internal source. To help our global businesses manage risk, the Board has approved a risk management policy and sets the tone for the Group's culture on risk, appetite for risk and the levels of risk tolerance.

The Board is ultimately responsible for risk, internal control and longer term viability and has defined its risk appetite around an approach towards how it will evaluate major opportunities and risks, whether these relate to key business decisions, strategic investments or particular events or incidents. As the nature of opportunity or risk can be distinctive, the approach is to review these on a case by case basis but with reference to strategic and operating plans, Group policies and guidance from management and advisers.

The risk management process is well established within Elementis and embedded throughout the Group. The Board sets the overall policy, culture and tone, and provides support and oversight. The management team provides leadership and has responsibility for implementing Group policies, identifying major risks and ensuring resources are allocated for effective risk management.

At both Board and management team levels, a programme exists to monitor and review major risks and controls on a routine basis. In addition, specific time is set aside during the year to focus on specific risks and controls, different parts of the business or aspects of the risk management process.

Following a comprehensive risk assessment process at the business leadership, management team and Board level, 15 principal risks have been identified that are disclosed under the nine headings below.

Principal risks and uncertainties

The following is a summary of the principal risks agreed by the Board: global economic conditions and competitive pressure in the marketplace (including from currency movement); growth opportunities (including acquisitions) and product innovation may not materialise; business interruption caused by supply chain failure of key raw materials; major regulatory enforcement action, litigation and/or other claims arising from products and/or historical and ongoing operations; increased regulation/technological obsolescence; business interruption caused by a major event or natural catastrophe (e.g. operations/HSE, IT or transport incident caused by process/system failure or human error, or by fire, storm and/or flood); cyber security incident; energy sector volatility resulting from geopolitical dynamics; and succession planning. A full description of these risks and the mitigating actions taken by the Company will appear in the 2015 Annual report and accounts.

Related party transactions

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

Directors' responsibility statement

The following is an extract of the full statement prepared in connection with the Company's Annual Report and Accounts (comprising both consolidated and parent company financial statements) for the year ended 31 December 2015. The full text of the Directors' responsibility statement will appear in the 2015 Annual report and accounts.

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

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

ENDS