# LUXFER

## Q2 2016 conference call

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*Innovative solutions in materials technology*

# Forward-looking statements



This presentation contains forward-looking statements. Examples of such forward-looking statements include, but are not limited to: (i) statements regarding the Group's results of operations and financial condition, (ii) statements of plans, objectives or goals of the Group or its management, including those related to financing, products or services, (iii) statements of future economic performance; and (iv) statements of assumptions underlying such statements. Words such as "believes", "anticipates", "expects", "intends", "forecasts" and "plans" and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. The Group cautions that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include, but are not limited to: (i) future revenues being lower than expected; (ii) increasing competitive pressures in the industry; (iii) general economic conditions or conditions affecting demand for the services offered by us in the markets in which we operate, both domestically and internationally, including as a result of the Brexit referendum, being less favorable than expected; (iv) worldwide economic and business conditions and conditions in the industries in which we operate; (v) fluctuations in the cost of raw materials and utilities; (vi) currency fluctuations and hedging risks; (vii) our ability to protect our intellectual property; and (viii) the significant amount of indebtedness we have incurred and may incur and the obligations to service such indebtedness and to comply with the covenants contained therein. The Group cautions that the foregoing list of important factors is not exhaustive. These factors are more fully discussed in the sections "Forward-Looking Statements" and "Risk factors" in our Annual Report on Form 20-F for the year ended December 31, 2015, filed with the U.S. Securities and Exchange Commission on March 15, 2016. When relying on forward-looking statements to make decisions with respect to the Group, investors and others should carefully consider the foregoing factors and other uncertainties and events. Such forward-looking statements speak only as of the date on which they are made, and the Group does not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

# Agenda



## Brian Purves, Chief Executive Officer

- Q2 2016 summary and overview
- Q2 update on selected strategic growth initiatives

## Andy Beaden, Group Finance Director

- Q2 2016 financial review
- Divisional performance
- Capital structure update

## Brian Purves, Chief Executive Officer

- Summary: Q2 2016
- Group outlook for 2016

## Questions?

## Appendices

# Q2 2016 summary



**Results in line with expectations**

- Gas Cylinders profitability continues to be much improved.
- Elektron revenue compressed but with stronger mix.

**Long-term debt successfully re-scheduled**

**Some additional market softness following ‘Brexit’ vote**

- Main obvious near-term impact is on exchange rates.

**Changed timing on some contract business will favor Q4 and lower Q3**

**Adjusted diluted EPS guidance maintained at 5% to 10% improvement over 2015**



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# Q2 2016 overview



## Results in line with expectations

- Improved adjusted diluted EPS of $0.29 (Q2 2015: $0.28) and basic EPS of $0.25 (Q2 2015: $0.11).
- Adjusted EBITDA of $16.3m compared to $16.7m in Q2 2015; $0.3m of the difference related to FX translation.
- Trading profit of $11.0m, marginally down on $11.7m in Q2 2015.
  - Gas Cylinders momentum remained favorable, being almost double that of Q2 2015 and 10% up on Q1 2016.
  - Lower Elektron trading profit in line with expectations based on ongoing product transition in the catalyst sector.

## Revenue still compressed but with stronger mix

- $111.0m compared to $122.8m in Q2 2015.
- FX translation differences reduced revenue by $2.7m.
- Other revenues down $9.1m, mainly in automotive and lower-margin products.



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## North American SCBA remains up, product transition continuing in Elektron, more favorable sales mix

- Composite cylinder sales up, with SCBA revenues strong, and improved sales in North American alternative fuel (AF) market.
- Gas Cylinders revealing sustainable profit recovery post 2015's right-sizing moves, product repositioning and new product launches.
- Improvements in aluminum cylinders revenue driven by higher demand in EU industrial and medical markets.
- Superform performance diminished due to delays on key customer projects.
- Recovery in high-performance magnesium alloy sales in the quarter.
- Elektron revenues lower, predominantly due to product transition in catalysis sector and reduced low-margin magnesium recycling volumes.
- Stronger product mix in both divisions resulted in Group return on sales improving to 9.9% in Q2 2016 compared to 9.5% in Q2 2015.

**SynerMag® bioresorbable alloy:** In June 2016, BIOTRONIK announced that it had received CE marking for its magnesium scaffold, branded Magmaris®, which uses a specially tailored version of our SynerMag® bioresorbable alloy.

The first operation with the commercial product was reported in early July at Al Qasimi hospital in Sharjah, United Arab Emirates. Four scaffolds (or stents) were used in the procedure, although a 2013 study indicated average use of 1.45 stents in similar procedures.

**Luxfer Magtech geographic expansion:** We acquired a European distributor in Q2 to aid sales of our Luxfer Magtech products outside the USA. Several tenders are out for supply to both military and civilian agencies.

## Group Finance Director

# Andy Beaden

# FINANCIAL REVIEW




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# Group revenue



| | Gas Cylinders Q2 $M | Gas Cylinders YTD $M | Elektron Q2 $M | Elektron YTD $M | Group Q2 $M | Group YTD $M |
|---|---|---|---|---|---|---|
| **2015 Revenue** | **62.7** | 121.1 | **60.1** | 118.6 | **122.8** | 239.7 |
| Changes in period: | | | | | | |
| FX translation | **(1.4)** | (2.4) | **(1.3)** | (2.2) | **(2.7)** | (4.6) |
| Trading movements | **(0.8)** | 0.9 | **(8.3)** | (16.2) | **(9.1)** | (15.3) |
| **2016 Revenue** | **60.5** | 119.6 | **50.5** | 100.2 | **111.0** | 219.8 |
| Trading variance | (1.3%) | 0.8% | (14.1%) | (13.9%) | (7.6%) | (6.5%) |

# Gas Cylinders Division



| | Gas Cylinders Q2 $M | YTD $M |
|---|---|---|
| **2015 Revenue** | **62.7** | 121.1 |
| Changes in period: | | |
| FX translation | **(1.4)** | (2.4) |
| Trading movements | **(0.8)** | 0.9 |
| **2016 Revenue** | **60.5** | 119.6 |
| Trading variance | (1.3%) | 0.8% |

## Q2 underlying revenue* down by $0.8m or 1.3% compared to Q2 2015

- North American SCBA sales continue to be strong.
- Higher sales of traditional aluminum cylinders.
- Improved sales of AF products in North America.
- Superform revenues lower compared to Q2 2015 due to delays in major automotive customer projects.

* At constant translation exchange rates.



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| | Elektron Q2 $M | YTD $M |
|---|---|---|
| **2015 Revenue** | **60.1** | 118.6 |
| Changes in period: | | |
| FX translation | **(1.3)** | (2.2) |
| Trading movements | **(8.3)** | (16.2) |
| **2016 Revenue** | **50.5** | 100.2 |
| Trading variance | (14.1%) | (13.9%) |

## Q2 underlying revenue* down by $8.3m or 14.1% compared to Q2 2015

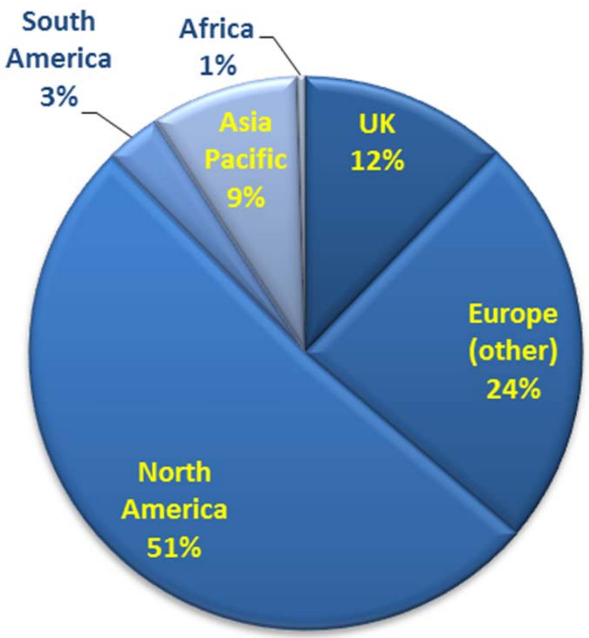
- Fall mainly due to reductions in automotive catalysis and magnesium recycling.
- Improved demand for high-performance magnesium alloys.
- Photoengraving revenue also higher.
- Compressed defense spending still impacting magnesium powders.
- SoluMag® material on trial with a number of prospective oil and gas customers.

* At constant translation exchange rates.

# Geographic sales trends

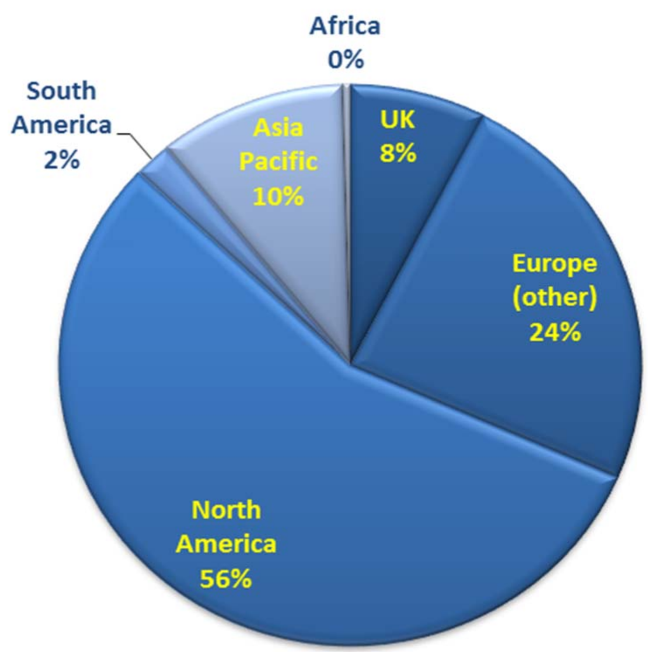
## Revenue by destination

### Q2 2015




**$122.8m**

### Q2 2016




**$111.0m**



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# Trading profit and adjusted EBITDA analysis



| Trading profit $M | | 2016 Q1 | 2016 Q2 | 2016 YTD | 2015 Q1 | 2015 Q2 | 2015 YTD |
|---|---|---|---|---|---|---|---|
| **Gas Cylinders** | **Trading profit $M** | 3.0 | 3.3 | 6.3 | 1.3 | 1.7 | 3.0 |
| | ***ROS %*** | *5.1%* | *5.5%* | *5.3%* | *2.2%* | *2.7%* | *2.5%* |
| **Elektron** | **Trading profit $M** | 8.8 | 7.7 | 16.5 | 9.2 | 10.0 | 19.2 |
| | ***ROS %*** | *17.7%* | *15.2%* | *16.5%* | *15.7%* | *16.6%* | *16.2%* |
| **GROUP** | **Trading profit $M** | 11.8 | 11.0 | 22.8 | 10.5 | 11.7 | 22.2 |
| | ***ROS %*** | *10.8%* | *9.9%* | *10.4%* | *9.0%* | *9.5%* | *9.3%* |
| *Trading profit* | **Gas Cylinders** | *130.8%* | *94.1%* | *110.0%* | | | |
| *changes for* | **Elektron** | *(4.3%)* | *(23.0%)* | *(14.1%)* | | | |
| *2016 v 2015* | **GROUP** | *12.4%* | *(6.0%)* | *2.7%* | | | |

| Adjusted EBITDA $M | 2016 Q1 | 2016 Q2 | 2016 YTD | 2015 Q1 | 2015 Q2 | 2015 YTD |
|---|---|---|---|---|---|---|
| **Gas Cylinders** | 5.0 | 5.4 | 10.4 | 3.2 | 3.7 | 6.9 |
| **Elektron** | 11.8 | 10.9 | 22.7 | 12.2 | 13.0 | 25.2 |
| **GROUP** | 16.8 | 16.3 | 33.1 | 15.4 | 16.7 | 32.1 |
| ***GROUP adjusted EBITDA margin %*** | *15.4%* | *14.7%* | *15.1%* | *13.2%* | *13.6%* | *13.4%* |

*N.B. trading profit is Luxfer's IFRS 8 segment profit measure. Adjusted EBITDA is also used by the chief operating decision maker. See appendices for non-GAAP reconciliations.*

# Net income and EPS



| | Q2 2016 | Q2 2015 | Q2 YTD 2016 | Q2 YTD 2015 |
|---|---|---|---|---|
| **Other income statement items:** | **$M** | **$M** | **$M** | **$M** |
| Restructuring and other expense | (0.1) | (2.9) | (0.2) | (10.9) |
| Operating profit | 10.9 | 8.8 | 24.7 | 11.3 |
| Net interest | (1.5) | (1.9) | (3.1) | (3.6) |
| **Net income:** | **$M** | **$M** | **$M** | **$M** |
| Net income | 6.7 | 3.1 | 15.4 | 2.6 |
| Adjusted net income | 7.9 | 7.6 | 16.0 | 14.5 |
| Adjusted effective tax rate | 24.8% | 26.9% | 25.2% | 27.1% |
| Adjusted basic EPS | $0.30 | $0.28 | $0.61 | $0.54 |
| Adjusted diluted EPS | $0.29 | $0.28 | $0.60 | $0.53 |
| Dividend per share | $0.125 | $0.10 | $0.25 | $0.20 |

***NOTE:*** The calculation of earnings per share is performed separately for each discrete quarterly period, and for the year-to-date period. As a result, the sum of the discrete quarterly earnings per share amounts in any particular year-to-date period may not be equal to the earnings per share amount for the year-to-date period.

# Liquidity and capital resources



| | Q2 YTD 2016 $M | Q2 YTD 2015 $M | FY 2015 $M |
|---|---|---|---|
| Return on invested capital | 13% | 12% | 12% |
| Invested capital | 248.8 | 273.0 | 264.4 |
| Net debt | 101.9 | 98.4 | 94.7 |
| Net debt : Adjusted EBITDA for LTM (last 12 months) | 1.6 | 1.5 | 1.5 |
| Trading working capital | 96.4 | 111.1 | 88.6 |
| Net cash flows from continuing operating activities | 12.6 | 24.3 | 52.8 |
| Net cash flows before financing | 8.7 | 18.2 | 31.6 |
| Funds returned to shareholders *(Dividends and share buy-backs)* | 12.7 | 7.1 | 12.7 |



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# Capital structure update



- $50m of our existing $65m Loan Notes due 2018 have been transitioned to tiered maturities in 2023 and 2026, with lower fixed interest rates achieved on the new terms, extending capital structure maturities with reduced costs.
- Resulting lower interest expense will positively impact H2 2016 and beyond.
- The maturity date on $25m extended from June 2018 to June 2023 with a reduction in fixed interest rate from 6.19% to 4.88%.
- The maturity date of $25m also extended to June 2026 at a fixed interest rate of 4.94%.
- Effective date for the new terms was June 29, 2016.
- Enhances the Group’s capital structure via extended maturities, reduced costs and improved flexibility for future growth.

# Chief Executive Officer

## Brian Purves

# SUMMARY & OUTLOOK




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# Summary: Q2 2016



## Gas Cylinders

- Continued improvement in profitability following the successful restructuring of AF, product re-positioning and new product launches.
- North American sales momentum remains strong; European demand has seen some slight improvements in Q2 2016.

## Elektron

- Continued transition in catalysis sector; low-margin magnesium recycling remains weak.
- Improved demand for high-performance magnesium alloys.
- New SoluMag® alloy now out for trials with several potential oil and gas customers.
- Photoengraving business solid, but defense revenue still compressed.

## Summary

- Both divisions have seen a favorable change in sales mix, with the small reduction in trading profit primarily driven by lower sales volumes in the Elektron Division.
- Q2 new product launch and expanded distribution will help to drive improved financial metrics in Elektron.
- Adjusted EPS $0.29, 1 cent ahead of Q2 2015, YTD $0.60, 13% ahead of H1 2015.

# Group outlook for 2016



- **Guidance:** On adjusted diluted EPS, maintained at 5-10% improvement.
- Q2 2016 performance was as expected.
- U.K. vote on June 23 to leave European Union:
  - Has created uncertainty about near-term economic outlook for the U.K. and Eurozone economies, but current trading arrangements will remain in place for several years.
  - No direct effect yet seen, or currently expected, on Luxfer, other than currency.
    - GBP currency devaluation likely to reduce U.S. dollar value of non-U.S. earnings through the second half of 2016.
    - Little offset from euro transactions this year due to our hedged position, but. . .
    - We see net positive effect on earnings from improved FX transaction rates on sales into EU for 2017 and beyond if current exchange rates are maintained.
- Certain Elektron contract shipments have been moved, at customer's request, from Q3 to Q4.
- Reduced financing costs will benefit remainder of year.
- EPS versus 2015 further helped by Q1 share buy-back and lower tax rates.

# Questions?




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# Appendices


## Summary financial statements and reconciliation of non-GAAP measures

# Summary income statement



| | 2016 | 2016 | 2016 | 2015 | 2015 | 2015 | Variance Q2 | | Variance YTD | |
|---|---|---|---|---|---|---|---|---|---|---|
| $M | Q1 | Q2 | YTD | Q1 | Q2 | YTD | $M | % | $M | % |
| **REVENUE** | **108.8** | **111.0** | **219.8** | **116.9** | **122.8** | **239.7** | **(11.8)** | (9.6%) | **(19.9)** | (8.3%) |
| Cost of sales | (82.4) | (84.3) | (166.7) | (90.8) | (93.7) | (184.5) | | | | |
| **Gross profit** | **26.4** | **26.7** | **53.1** | **26.1** | **29.1** | **55.2** | **(2.4)** | (8.2%) | **(2.1)** | (3.8%) |
| *Gross margin %* | *24.3%* | *24.1%* | *24.2%* | *22.3%* | *23.7%* | *23.0%* | | | | |
| Distribution costs | (1.9) | (2.0) | (3.9) | (1.8) | (2.2) | (4.0) | | | | |
| Administrative expenses | (12.8) | (13.5) | (26.3) | (13.8) | (14.8) | (28.6) | | | | |
| Share of results of joint ventures and associates | 0.1 | (0.2) | (0.1) | - | (0.4) | (0.4) | | | | |
| **TRADING PROFIT** | **11.8** | **11.0** | **22.8** | **10.5** | **11.7** | **22.2** | **(0.7)** | (6.0%) | **0.6** | 2.7% |
| *Group ROS %* | *10.8%* | *9.9%* | *10.4%* | *9.0%* | *9.5%* | *9.3%* | | | | |
| Profit on sale of redundant site | 2.1 | - | 2.1 | - | - | - | | | | |
| Restructuring and other expense | (0.1) | (0.1) | (0.2) | (8.0) | (2.9) | (10.9) | | | | |
| **OPERATING PROFIT** | **13.8** | **10.9** | **24.7** | **2.5** | **8.8** | **11.3** | **2.1** | 23.9% | **13.4** | N/A |
| Finance costs: | | | | | | | | | | |
| Net interest costs | (1.6) | (1.5) | (3.1) | (1.7) | (1.9) | (3.6) | | | | |
| IAS 19R retirement benefits finance charge | (0.5) | (0.5) | (1.0) | (0.7) | (0.8) | (1.5) | | | | |
| Unwind of discount on deferred contingent consideration from acquisitions | (0.1) | (0.1) | (0.2) | (0.1) | (0.1) | (0.2) | | | | |
| **PROFIT ON OPERATIONS BEFORE TAXATION** | **11.6** | **8.8** | **20.4** | **0.0** | **6.0** | **6.0** | **2.8** | 46.7% | **14.4** | N/A |
| Income tax expense | (2.9) | (2.1) | (5.0) | (0.5) | (2.9) | (3.4) | | | | |
| **NET INCOME / (LOSS) FOR THE PERIOD** | **8.7** | **6.7** | **15.4** | **(0.5)** | **3.1** | **2.6** | **3.6** | N/A | **12.8** | N/A |
| *Earnings per share - Basic* | *$0.33* | *$0.25* | *$0.58* | *$(0.02)* | *$0.11* | *$0.09* | | | | |
| **ADJUSTED NET INCOME** | **8.1** | **7.9** | **16.0** | **6.9** | **7.6** | **14.5** | **0.3** | 3.9% | **1.5** | 10.3% |
| *Adjusted earnings per share - Basic* | *$0.30* | *$0.30* | *$0.61* | *$0.26* | *$0.28* | *$0.54* | | | | |
| *Adjusted earnings per share - Diluted* | *$0.30* | *$0.29* | *$0.60* | *$0.25* | *$0.28* | *$0.53* | | | | |
| Adjusted EBITDA | 16.8 | 16.3 | 33.1 | 15.4 | 16.7 | 32.1 | (0.4) | (2.4%) | 1.0 | 3.1% |

***NOTE:*** The calculation of earnings per share is performed separately for each discrete quarterly period, and for the year-to-date period. As a result, the sum of the discrete quarterly earnings per share amounts in any particular year-to-date period may not be equal to the earnings per share amount for the year-to-date period.

# Balance sheet analysis



| | 31 December 2015 $M | Trading $M | Shareholder Returns $M | Pension Movements $M | FX Translation $M | 30 June 2016 $M |
|---|---|---|---|---|---|---|
| Property, plant and equipment | 136.0 | (2.6) | - | - | (3.2) | 130.2 |
| Intangible assets | 87.0 | - | - | - | (4.3) | 82.7 |
| Investments | 7.2 | (0.7) | - | - | (0.1) | 6.4 |
| Deferred income tax assets | 13.8 | (1.1) | - | 4.8 | (1.2) | 16.3 |
| **Long term assets** | **244.0** | **(4.4)** | **-** | **4.8** | **(8.8)** | **235.6** |
| *Inventories* | *91.8* | *1.6* | - | - | *(2.4)* | *91.0* |
| *Trade and other receivables* | *62.3* | *13.4* | - | - | *(1.9)* | *73.8* |
| *Trade and other payables* | *(65.5)* | *(3.4)* | - | - | *0.5* | *(68.4)* |
| **Trading working capital** | **88.6** | **11.6** | **-** | **-** | **(3.8)** | **96.4** |
| Net tax liabilities (excluding deferred tax assets) | (1.1) | (0.9) | - | 0.9 | - | (1.1) |
| Provisions | (5.3) | 0.6 | - | - | 0.2 | (4.5) |
| Dividends payable | - | - | (3.4) | - | - | (3.4) |
| **Capital employed** | **326.2** | **6.9** | **(3.4)** | 5.7 | **(12.4)** | **323.0** |
| Retirement benefits | (58.9) | - | - | (16.8) | 4.6 | (71.1) |
| Deferred contingent consideration | (2.9) | (0.2) | - | - | - | (3.1) |
| **Invested capital** | **264.4** | **6.7** | **(3.4)** | **(11.1)** | **(7.8)** | **248.8** |
| Banking revolver | (42.5) | (54.1) | - | - | 0.2 | (96.4) |
| Cash and cash equivalents | 36.9 | 64.7 | (12.7) | (5.4) | 0.1 | 83.6 |
| Loan notes due 2018 | (64.2) | (0.1) | - | - | 0.1 | (64.2) |
| Loan notes due 2021 | (24.9) | (0.1) | - | - | 0.1 | (24.9) |
| **Net assets** | **169.7** | **17.1** | **(16.1)** | **(16.5)** | **(7.3)** | **146.9** |
| **Total debt** | **(131.6)** | **(54.3)** | - | - | **0.4** | **(185.5)** |
| **Net debt** | **(94.7)** | **10.4** | **(12.7)** | **(5.4)** | **0.5** | **(101.9)** |
| **Capital & reserves:** | | | | | | |
| Ordinary share capital | 25.3 | - | - | - | - | 25.3 |
| Deferred share capital | 150.9 | - | - | - | - | 150.9 |
| Share premium account | 56.4 | - | - | - | - | 56.4 |
| Treasury shares | (1.3) | - | (6.0) | - | - | (7.3) |
| Retained earnings | 316.6 | 18.1 | (10.1) | (16.5) | - | 308.1 |
| Other reserves | (44.4) | (1.0) | - | - | (7.3) | (52.7) |
| Merger reserve | (333.8) | - | - | - | - | (333.8) |
| **Total equity** | **169.7** | **17.1** | **(16.1)** | **(16.5)** | **(7.3)** | **146.9** |



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| | 2016 Q1 $M | 2016 Q2 $M | 2016 YTD $M | 2015 Q1 $M | 2015 Q2 $M | 2015 YTD $M |
|---|---|---|---|---|---|---|
| Operating profit | 13.8 | 10.9 | 24.7 | 2.5 | 8.8 | 11.3 |
| Depreciation and amortization | 4.6 | 4.7 | 9.3 | 4.6 | 4.7 | 9.3 |
| Profit on sale of redundant site | (2.1) | - | (2.1) | - | - | - |
| Share-based compensation charges net of cash settlement | 0.4 | 0.2 | 0.6 | 0.3 | 0.3 | 0.6 |
| Non-cash restructuring charges | - | - | - | 7.5 | 1.2 | 8.7 |
| Share of results of joint ventures and associates | (0.1) | 0.2 | 0.1 | - | 0.4 | 0.4 |
| (Increase) / decrease in working capital | (10.2) | (1.9) | (12.1) | (4.6) | 4.2 | (0.4) |
| Movement in retirement benefits obligations | (1.4) | (1.3) | (2.7) | (2.1) | (2.3) | (4.4) |
| Movement in provisions | (0.6) | - | (0.6) | (0.2) | 1.4 | 1.2 |
| Acquisition and disposal costs paid | (1.2) | - | (1.2) | - | - | - |
| Income taxes paid | (0.2) | (3.2) | (3.4) | (0.1) | (2.3) | (2.4) |
| **NET CASH FLOWS FROM CONTINUING OPERATING ACTIVITIES** | **3.0** | **9.6** | **12.6** | **7.9** | **16.4** | **24.3** |
| Purchases of property, plant and equipment | (3.2) | (3.7) | (6.9) | (2.5) | (2.6) | (5.1) |
| Purchases of intangible assets | (0.2) | (0.4) | (0.6) | - | (0.7) | (0.7) |
| Proceeds from sale of redundant site | 3.0 | - | 3.0 | - | - | - |
| Cash receieved as compensation for insured loss | - | 0.2 | 0.2 | - | - | - |
| Investment in joint ventures - debt funding | 1.0 | (0.5) | 0.5 | (0.5) | - | (0.5) |
| Interest income received from joint ventures | 0.1 | 0.1 | 0.2 | 0.2 | - | 0.2 |
| Net cash flow on purchase of businesses | - | (0.3) | (0.3) | - | - | - |
| **NET CASH FLOWS BEFORE FINANCING** | **3.7** | **5.0** | **8.7** | **5.1** | **13.1** | **18.2** |
| Interest paid on banking facilities | (1.5) | (1.9) | (3.4) | (1.7) | (1.6) | (3.3) |
| Draw down on banking facilities | 19.5 | 34.6 | 54.1 | - | 34.6 | 34.6 |
| Dividends paid | (3.4) | (3.3) | (6.7) | (2.7) | (2.7) | (5.4) |
| Purchase of shares for ESOP | - | (0.1) | (0.1) | - | - | - |
| Proceeds from issue of shares | - | - | - | - | 0.2 | 0.2 |
| Purchase of treasury shares | (6.0) | - | (6.0) | - | (1.7) | (1.7) |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | **12.3** | **34.3** | **46.6** | **0.7** | **41.9** | **42.6** |

# Reconciliation of non-GAAP measures



## Adjusted net income and EBITDA:

| | 2016 Q1 $M | 2016 Q2 $M | 2016 YTD $M | 2015 Q1 $M | 2015 Q2 $M | 2015 YTD $M |
|---|---|---|---|---|---|---|
| **Net income / (loss) for the period - as reported** | **8.7** | **6.7** | **15.4** | **(0.5)** | **3.1** | **2.6** |
| Accounting charges relating to acquisitions and disposals of businesses: | | | | | | |
| Unwind of discount on deferred contingent consideration from acquisitions | 0.1 | 0.1 | 0.2 | 0.1 | 0.1 | 0.2 |
| Amortization on acquired intangibles | 0.3 | 0.4 | 0.7 | 0.4 | 0.3 | 0.7 |
| IAS 19R retirement benefits finance charge | 0.5 | 0.5 | 1.0 | 0.7 | 0.8 | 1.5 |
| Profit on sale of redundant site | (2.1) | - | (2.1) | - | - | - |
| Restructuring and other expense | 0.1 | 0.1 | 0.2 | 8.0 | 2.9 | 10.9 |
| Other share-based compensation charges | 0.4 | 0.6 | 1.0 | 0.3 | 0.3 | 0.6 |
| Income tax thereon | 0.1 | (0.5) | (0.4) | (2.1) | 0.1 | (2.0) |
| **Adjusted net income** | **8.1** | **7.9** | **16.0** | **6.9** | **7.6** | **14.5** |
| (Deduct) / add back : | | | | | | |
| Income tax thereon | (0.1) | 0.5 | 0.4 | 2.1 | (0.1) | 2.0 |
| Income tax expense | 2.9 | 2.1 | 5.0 | 0.5 | 2.9 | 3.4 |
| Net interest costs | 1.6 | 1.5 | 3.1 | 1.7 | 1.9 | 3.6 |
| Depreciation and amortization | 4.6 | 4.7 | 9.3 | 4.6 | 4.7 | 9.3 |
| Less: Amortization on acquired intangibles | (0.3) | (0.4) | (0.7) | (0.4) | (0.3) | (0.7) |
| **Adjusted EBITDA** | **16.8** | **16.3** | **33.1** | **15.4** | **16.7** | **32.1** |



LUXFER GROUP

# Reconciliation of non-GAAP measures



## Segmental adjusted EBITDA and trading profit:

| | | 2016 Q1 | 2016 Q2 | 2016 YTD | 2015 Q1 | 2015 Q2 | 2015 YTD |
|---|---|---|---|---|---|---|---|
| **Gas Cylinders** | **Adjusted EBITDA $M** | **5.0** | **5.4** | **10.4** | **3.2** | **3.7** | **6.9** |
| | Other share-based compensation charges | (0.2) | (0.3) | (0.5) | (0.1) | (0.2) | (0.3) |
| | Depreciation and amortization | (1.8) | (1.8) | (3.6) | (1.8) | (1.8) | (3.6) |
| | **Trading profit $M** | **3.0** | **3.3** | **6.3** | **1.3** | **1.7** | **3.0** |
| **Elektron** | **Adjusted EBITDA $M** | **11.8** | **10.9** | **22.7** | **12.2** | **13.0** | **25.2** |
| | Other share-based compensation charges | (0.2) | (0.3) | (0.5) | (0.2) | (0.1) | (0.3) |
| | Depreciation and amortization | (2.8) | (2.9) | (5.7) | (2.8) | (2.9) | (5.7) |
| | **Trading profit $M** | **8.8** | **7.7** | **16.5** | **9.2** | **10.0** | **19.2** |
| **Group** | **Adjusted EBITDA $M** | **16.8** | **16.3** | **33.1** | **15.4** | **16.7** | **32.1** |
| | Other share-based compensation charges | (0.4) | (0.6) | (1.0) | (0.3) | (0.3) | (0.6) |
| | Depreciation and amortization | (4.6) | (4.7) | (9.3) | (4.6) | (4.7) | (9.3) |
| | **Trading profit $M** | **11.8** | **11.0** | **22.8** | **10.5** | **11.7** | **22.2** |

# Reconciliation of non-GAAP measures



## Return on invested capital (ROIC):

| | | 2012 (restated)* | 2013 | 2014 | 2015 | Q1 2015 | Q2 2015 | Q3 2015 | Q4 2015 | Q1 2016 | Q2 2016 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | $M | $M | $M | $M | $M | $M | $M | $M | $M | $M |
| Trading profit - per income statement | | 68.5 | 59.2 | 44.8 | 42.3 | 10.5 | 11.7 | 10.6 | 9.5 | 11.8 | 11.0 |
| *Effective tax rate - per income statement* | | *28.8%* | *27.0%* | *19.6%* | *37.1%* | *0.0%* | *48.3%* | *21.8%* | *37.3%* | *25.0%* | *23.9%* |
| Notional tax | | (19.7) | (16.0) | (8.8) | (15.7) | 0.0 | (5.7) | (2.3) | (3.5) | (3.0) | (2.6) |
| Trading profit after notional tax | | 48.8 | 43.2 | 36.0 | 26.6 | 10.5 | 6.0 | 8.3 | 6.0 | 8.8 | 8.4 |
| **Annualized trading profit after notional tax** | **(A)** | **48.8** | **43.2** | **36.0** | **26.6** | **42.0** | **24.0** | **33.2** | **24.0** | **35.2** | **33.6** |
| Bank and other loans | | 63.5 | 63.8 | 121.4 | 131.6 | 121.5 | 156.7 | 137.2 | 131.6 | 150.8 | 185.5 |
| Cash and cash equivalents | | (40.2) | (28.4) | (14.6) | (36.9) | (15.7) | (58.3) | (39.6) | (36.9) | (48.9) | (83.6) |
| Net debt | | 23.3 | 35.4 | 106.8 | 94.7 | 105.8 | 98.4 | 97.6 | 94.7 | 101.9 | 101.9 |
| Total equity | | 148.8 | 191.7 | 175.4 | 169.7 | 159.4 | 174.6 | 161.9 | 169.7 | 160.0 | 146.9 |
| **Invested capital** | | **172.1** | **227.1** | **282.2** | **264.4** | **265.2** | **273.0** | **259.5** | **264.4** | **261.9** | **248.8** |
| **Average invested capital** | **(B)** | **173.6** | **199.6** | **254.7** | **273.3** | **273.7** | **269.1** | **266.3** | **262.0** | **263.2** | **255.4** |
| **Return on invested capital** | **(A) / (B)** | **28%** | **22%** | **14%** | **10%** | **15%** | **9%** | **12%** | **9%** | **13%** | **13%** |
| Adjusted net income for the period | 1 | 45.0 | 39.8 | 30.9 | 29.5 | 6.9 | 7.6 | 7.6 | 7.4 | 8.1 | 7.9 |
| Income tax charge for the period | 2 | 17.0 | 12.6 | 7.1 | 9.5 | 0.5 | 2.9 | 1.7 | 4.4 | 2.9 | 2.1 |
| Income tax on adjustments to net income | 3 | 0.3 | 2.2 | 2.9 | (0.9) | 2.1 | (0.1) | 0.4 | (3.3) | (0.1) | 0.5 |
| Adjusted income tax charge | (C) (2 + 3) | 17.3 | 14.8 | 10.0 | 8.6 | 2.6 | 2.8 | 2.1 | 1.1 | 2.8 | 2.6 |
| Adjusted profit before taxation | (D) (1 + 2 + 3) | 62.3 | 54.6 | 40.9 | 38.1 | 9.5 | 10.4 | 9.7 | 8.5 | 10.9 | 10.5 |
| Adjusted effective tax rate | (C) / (D) = (E) | *27.8%* | *27.1%* | *24.4%* | *22.6%* | *27.4%* | *26.9%* | *21.6%* | *12.9%* | *25.7%* | *24.8%* |
| Trading profit - per income statement (as above) | (F) | 68.5 | 59.2 | 44.8 | 42.3 | 10.5 | 11.7 | 10.6 | 9.5 | 11.8 | 11.0 |
| Adjusted notional tax | (E) x (F) | (19.0) | (16.0) | (11.0) | (9.5) | (2.9) | (3.2) | (2.3) | (1.2) | (3.0) | (2.7) |
| Adjusted trading profit after notional tax | | 49.5 | 43.2 | 33.8 | 32.8 | 7.6 | 8.5 | 8.3 | 8.3 | 8.8 | 8.3 |
| **Annualized adjusted trading profit after notional tax** | **(G)** | **49.5** | **43.2** | **33.8** | **32.8** | **30.5** | **33.8** | **33.2** | **33.1** | **35.1** | **33.1** |
| **Adjusted return on invested capital** | **(G) / (B)** | **29%** | **22%** | **13%** | **12%** | **11%** | **13%** | **12%** | **13%** | **13%** | **13%** |