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Q1 2015 conference call

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Agenda

- **Brian Purves, Chief Executive**
  - Q1 2015 overview
  - Market situation
  - Divisional performance
- **Andy Beaden, Group Finance Director**
  - Quarterly earnings review
  - Liquidity and capital resources
- **Brian Purves**
  - Summary
  - Outlook
- **Questions?**

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Q1 2015 overview

- **Revenue**
  - $116.9m compared to $123.3m in Q1 2014.
  - FX translation differences reduced revenue by $8.6m.
  - Rare earth surcharge now nil—was $0.9m in Q1 2014.
  - Luxfer Magtech added $7.1m, and AF revenues were down $7.1m.
  - Other trading revenues up $3.1m.
- **Profitability**
  - Trading profit $10.5m, down $1.8m on Q1 2014.
    - FX impact was $1.1m.
    - Continued weakness in our AF market.
    - Improvements in countermeasures and SCBA markets.
  - Adjusted EBITDA at $15.4m v $16.9m for Q1 2014.
  - Began implementing cost-reduction plans, especially in AF business stream.
  - Basic EPS of ($0.02) on net loss (Q1 2014: $0.27 on net income) and adjusted EPS fully diluted of $0.25 (Q1 2014: $0.28).

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Q1 2015 overview

- **Underlying strengthening in certain key markets; continued weakness in AF; different timing of certain Elektron revenues.**
  - Demand has improved for SCBA composite cylinders with year-on-year growth as the North American market recovers from regulatory issues of 2014.
  - Continued low oil price has impacted oil and gas-related revenues.
  - The expected timing of industrial catalyst orders in 2015 differs from 2014. Q1 2014 boosted by large orders, while we expect 2015 sales to be strong in Q2/Q3.
  - Stronger demand for military powders after a difficult 2014.
  - Sales of high-performance alloys lower than prior year, although order book at quarter end at expected levels.
  - Cost-reduction activity underway throughout the Group, including AF restructuring activities.

Restructuring of AF and cost savings

- **During Q1 we have established plans to rationalize our AF manufacturing to reduce break-even point in the face of continued weak demand and low oil price.**
  - Utah manufacturing facility mothballed and employees laid off.
  - Type 4 AF cylinder production to be focused on Riverside, California, plant.
  - Intention to cease manufacturing in Germany later this year announced.
    - Some planned workforce reductions already made.
    - Other plants will seek to obtain product and customer approvals.
  - Canada will become source of all Type 3 AF cylinders.
  - Nottingham, England, facility will assemble European bus systems from Canadian cylinders.

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Restructuring of AF and cost savings

- **Q1 – Decision to rationalize facilities results in need to impair certain assets as a post-balance sheet adjustment (non-cash $7.5m).**
  - Manufacturing assets not being transferred elsewhere and intangibles.
  - Certain inventories.
- **Q1 – Planned workforce reductions already announced and/or implemented (cash $0.5m).**
  - Utah, some Germany.
- **Q2 – Planned workforce reductions announced in Q2, other adjustments (cash $3m - $4m).**
  - Germany, some Utah and other locations.

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Restructuring of AF and cost savings

- **Outlook for AF operations**
  - Near-term benefit from closure of Utah and consolidation into Riverside.
  - Some near-term benefit from lower headcount in Germany, and by year-end from planned further consolidation of manufacturing facilities.
  - Overall objective to be able, post restructuring, to break even at current depressed level of sales.
  - North American sales outlook improving.
  - Overall AF business stream expected to be profitable again in 2016.
  - Retaining ability to respond to market recovery.
  - Reduced capacity will encourage focus on profitable niches.

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Elektron Division

	Elektron Q1 $m
Net revenue	*56.3*
RE surcharge	*0.9*
2014 Revenue analysis	**57.2**
Changes in period:	
FX translation	(3.2)
Rare earth surcharge	(0.9)
Luxfer Magtech	7.1
Trading movements	(1.7)
Net revenue	*58.5*
RE surcharge	*-*
2015 Revenue analysis	**58.5**
Trading variance	(2.8%)

- **Underlying Q1 revenue decreased by $1.7m or 2.8% compared to Q1 2014.**
  - Luxfer Magtech added $7.1m.
  - Higher demand for recycling and commercial alloys offset lower sales of high-performance aerospace alloys.
  - Zirconium sales impacted by timing of revenues for intermittent industrial catalyst orders.
  - Improved demand for military and commercial magnesium powders.
  - Stronger start to rolled products and graphic arts.

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Luxfer Gas Cylinders

Gas Cylinders Division

	Gas Cylinders Q1 $m
Net revenue	*66.1*
RE surcharge	*-*
2014 Revenue analysis	**66.1**
Changes in period:	
FX translation	**(5.4)**
Rare earth surcharge	-
Trading movements	**(2.3)**
Net revenue	*58.4*
RE surcharge	*-*
2015 Revenue analysis	**58.4**
Trading variance	(3.8%)

- **Q1 underlying revenue (excluding FX translation) down $2.3m or 3.8% on Q1 2014.**
  - AF revenue down 7.1m or 67%.
  - Non-AF revenue up 4.8m or 9.8%.
  - Demand is improving for our SCBA composite cylinders as the market recovers from the regulatory issues of 2014.
  - Superform revenue improved, with increases in both tooling and formed-goods sales.

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Update on selected strategic growth initiatives

Magnesium alloys for aircraft seating

- Market development work continues.
- At the April Hamburg Aircraft Interiors Expo, one aircraft seat manufacturer publicly exhibited a prototype seat containing our magnesium alloys, and two other seat companies privately exhibited prototypes containing our material.
- All these companies were promoting the weight-saving benefits of magnesium alloys against conventional aluminum alloys currently used in the industry.

AF Type 4 cylinders

- Although we are currently in a difficult end-market with lower demand than expected, we have now launched a range of new Type 4 polymer-lined cylinders, and we continue to win new customers in the North American market.
- We believe our ultra-lightweight composite cylinders have been well received in the marketplace, and North American customers in particular have shown significant interest.

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Update on selected strategic growth initiatives

- **Synermag® bio-absorbable medical alloys**
  - Our partner in the biomedical industry reported good progress with medical trials of an in-body device intended to support a request for CE (Conformité Européenne) approval.
  - In support of this project, we have now qualified our medical alloy production facilities to the ISO13485 standard for manufacturers of medical devices.
- **Zirconium sorption technology**
  - With respect to Luxfer Magtech's products for detecting and decontaminating chemical agents, we have begun the process of replacing older sorption chemicals with our new zirconium-based technology, which we believe creates a superior decontamination product.
  - We expect to undertake first-article testing of the material later this year, targeting availability of some new products in late 2015 or early 2016.

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Group Finance Director

Andy Beaden

FINANCIAL REVIEW

Group revenue

	Elektron Q1 $m	Gas Cylinders Q1 $m	Group Q1 $m
Net revenue	*56.3*	*66.1*	*122.4*
RE surcharge	*0.9*	-	*0.9*
2014 Revenue analysis	**57.2**	**66.1**	**123.3**
Changes in period:			
FX translation	**(3.2)**	**(5.4)**	**(8.6)**
Rare earth surcharge	**(0.9)**	-	**(0.9)**
Luxfer Magtech	**7.1**	-	**7.1**
Trading movements	**(1.7)**	**(2.3)**	**(4.0)**
Net revenue	*58.5*	*58.4*	*116.9*
RE surcharge	-	-	-
2015 Revenue analysis	**58.5**	**58.4**	**116.9**
Trading variance	(2.8%)	(3.8%)	(3.3%)

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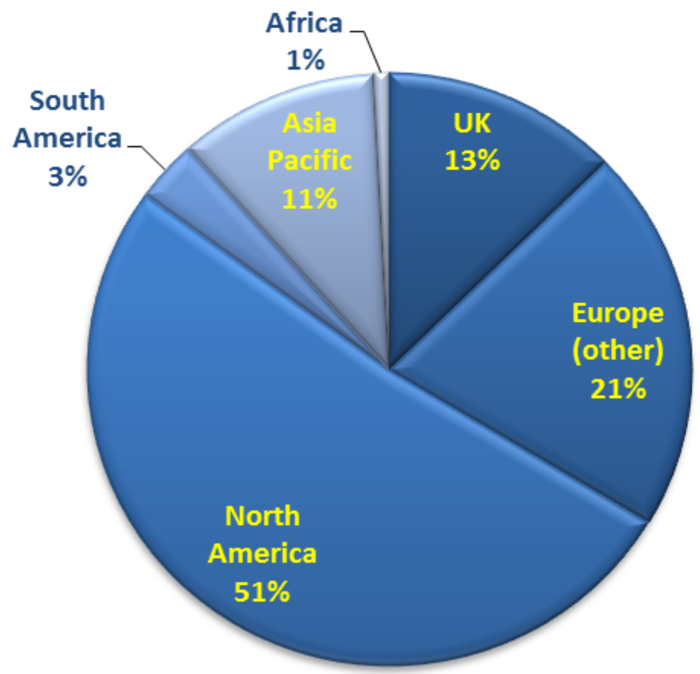
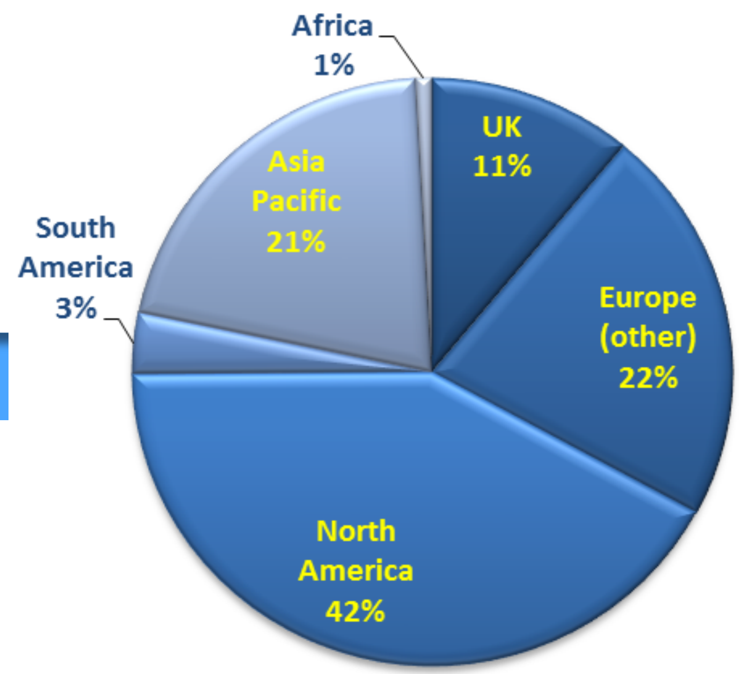
Geographic sales trends

Q1 2015



$116.9 million

Q1 2014



$123.3 million

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Trading profit and adjusted EBITDA analysis

Trading profit $M		2015 Q1	2014 Q1
Gas Cylinders	**Trading profit $M**	1.3	1.6
	ROS %	*2.2%*	*2.4%*
Elektron	**Trading profit $M**	9.2	10.7
	ROS %	*15.7%*	*18.7%*
GROUP	**Trading profit $M**	10.5	12.3
	ROS %	*9.0%*	*10.0%*
Changes for	**Gas Cylinders**	*(18.8%)*	
2015 v 2014	**Elektron**	*(14.0%)*	
	GROUP	*(14.6%)*	

Adjusted EBITDA $M	2015 Q1	2014 Q1
Gas Cylinders	3.2	3.6
Elektron	12.2	13.3
GROUP	15.4	16.9
GROUP adjusted EBITDA Margin %	*13.2%*	*13.7%*

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.

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Summary income statement

$m	2015 Q1	2014 Q1	Variance Q1 $m	Variance Q1 %
Revenue	**116.9**	**123.3**	**(6.4)**	(5.2%)
Costs of sales	(90.8)	(94.4)		
Gross margin	**26.1**	**28.9**	**(2.8)**	(9.7%)
Gross margin %	*22.3%*	*23.4%*		
Distribution costs	(1.8)	(2.1)		
Administrative expenses	(13.8)	(14.5)		
Share of results of joint ventures	-	-		
TRADING PROFIT	**10.5**	**12.3**	**(1.8)**	(14.6%)
Group ROS %	*9.0%*	*10.0%*		
Restructuring & other expense	(8.0)	-		
OPERATING PROFIT	**2.5**	**12.3**	**(9.8)**	(79.7%)
Finance Costs:				
Acquisitions and disposals	-	(0.2)		
Net interest charges	(1.7)	(1.4)		
IAS 19 finance charge (non-cash)	(0.7)	(0.7)		
Unwind of discount on contingent consideration	(0.1)	-		
PROFIT BEFORE TAX	**0.0**	**10.0**	**(10.0)**	(100.0%)
Taxation	(0.5)	(2.8)		
NET (LOSS) / INCOME	**(0.5)**	**7.2**	**(7.7)**	(106.9%)
Earnings per ADS- Basic	*($0.02)*	*$0.27*		
NET INCOME adj	**6.9**	**8.0**	**(1.1)**	(13.8%)
Adj. Earnings per ADS - Basic	*$0.26*	*$0.30*		
Adj. Earnings per ADS - Fully Diluted	*$0.25*	*$0.28*		
Adj EBITDA	15.4	16.9	(1.5)	(8.9%)

NOTE: (i) Adjusted earnings per share is adjusted net income divided by the weighted average number of ordinary shares outstanding. Each £0.50 ordinary share now represents one American Depositary Share (ADS).

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Balance sheet analysis

	December 2014 $M	Trading $M	FX Translation $M	Rationalization $M	March 2015 $M
Tangible Fixed Assets	143.8	(2.1)	(4.5)	(2.1)	135.1
Intangible Fixed Assets	93.3	(0.4)	(2.3)	(3.6)	87.0
Investments	7.4	0.5	(0.3)	-	7.6
Deferred Tax Assets	19.2	(1.3)	(0.9)	1.6	18.6
Long term assets	**263.7**	**(3.3)**	**(8.0)**	**(4.1)**	**248.3**
Assets held for sale	1.2	-	-	-	1.2
Inventories	*104.6*	*1.0*	*(3.3)*	*(1.8)*	*100.5*
Receivables	*73.6*	*8.0*	*(2.9)*	-	*78.7*
Payables	*(62.8)*	*(1.9)*	*1.8*	-	*(62.9)*
Working capital	**116.6**	**7.1**	**(4.4)**	**(1.8)**	**117.5**
Income taxes (current and deferred)	(0.4)	-	-	-	(0.4)
Provisions	(4.2)	0.7	0.1	(0.5)	(3.9)
Dividends payable	-	(2.7)	-	-	(2.7)
Capital employed	**375.7**	**1.8**	**(12.3)**	**(6.4)**	**358.8**
Retirement benefit net liabilities	(90.9)	(3.9)	3.8	-	(91.0)
Contingent consideration	(2.6)	-	-	-	(2.6)
Invested capital	**282.2**	**(2.1)**	**(8.5)**	**(6.4)**	**265.2**
Banking Revolver	(32.7)	0.0	0.1	-	(32.6)
Bank and other Loans	-	-	-	-	-
Cash and short term deposits	14.6	0.7	0.4	-	15.7
Loan notes due 2018	(63.9)	(0.2)	0.1	-	(64.0)
Loan notes due 2021	(24.8)	(0.2)	0.1	-	(24.9)
Net assets	**175.4**	**(1.8)**	**(7.8)**	**(6.4)**	**159.4**
Total debt	**(121.4)**	**(0.4)**	**0.3**		**(121.5)**
Net debt	**(106.8)**	**0.3**	**0.7**		**(105.8)**
Capital & reserves:					
Ordinary share capital	25.3	-	-	-	25.3
Share premium	56.2	-	-	-	56.2
Deferred equity	150.9	-	-	-	150.9
Retained earnings	308.8	(3.5)	-	(6.4)	298.9
Other IFRS reserves & ESOP	(32.0)	1.7	(7.8)	-	(38.1)
Merger reserve	(333.8)	-	-	-	(333.8)
Equity	**175.4**	**(1.8)**	**(7.8)**	**(6.4)**	**159.4**

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Cash flow

	2015 Q1 $m	2014 Q1 $m
Operating profit	2.5	12.3
Depreciation & amortization	4.6	4.3
Non-cash restructuring	7.5	-
Share based compensation charges	0.3	0.3
Share of results of joint venture	-	-
Increase in assets classified as held for sale	-	(1.2)
Increase in working capital	(4.6)	(12.1)
Movement in provisions	(0.2)	(0.1)
Income tax (paid) / received	(0.1)	0.1
Movement in retirement benefit obligations	(2.1)	(2.3)
Net cash from operating activities	**7.9**	**1.3**
Purchase of PPE	(2.5)	(3.1)
Purchase of intangible assets	-	(0.3)
Investment in joint ventures (debt)	(0.5)	-
Net cash flow in purchase of business	-	(2.7)
Interest income received from joint ventures	0.2	0.1
Net cash flow before financing	**5.1**	**(4.7)**
Net interest paid	(1.7)	(1.2)
Dividends paid	(2.7)	(2.7)
Amendment to banking facilities - financing costs	-	(1.3)
Cash flow	**0.7**	**(9.9)**

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Chief Executive

Brian Purves

SUMMARY & OUTLOOK

Summary: Q1 2015

- ## Gas Cylinders
  - With the exception of AF revenues, the Gas Cylinders Division had a stronger first quarter.
  - North American SCBA market showing signs of improvement on 2014.
  - Strong first quarter from Superform.
- ## Elektron
  - Solid contribution from Luxfer Magtech.
  - Timing of industrial catalyst sales has adversely impacted the comparison to Q1 2014, though this is expected to reverse in Q2 and Q3 2015.
  - Weakness in oil and gas markets.
  - Military powders recovering after a difficult 2014.
- ## Summary
  - Underlying improvement masked by exchange impact and weak AF market.
  - Adjusted EPS in line with market expectations.

Outlook for 2015

- **Elektron**
  - Remains highly profitable, and with a full year of contribution from our new Luxfer Magtech business (acquired July 29, 2014), we still expect a higher profit result from Elektron in 2015.
  - Improvement expected in the military powders sector after a difficult 2014.
  - We continue to invest in developing and commercializing our strategic growth products.
  - First-article testing of zirconium sorption materials into Magtech decontamination products.
- **Gas Cylinders**
  - U.S. SCBA market expected to continue returning to growth.
  - Certain AF sectors likely to remain impacted by continuing low oil prices.
  - AF rationalization actions will progressively improve profitability by year-end.
  - Overall, higher profit result still expected from Cylinders in 2015.

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Group outlook for 2015

- Improvement expected in both Gas Cylinders (supported by AF rationalization) and Elektron (supported by full-year of Luxfer Magtech)
- Continued focus on improving working capital turns.
- Overall trading profit expected to be at least in line with current analyst consensus.
- Continued milestone successes being achieved with strategic growth projects.

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Questions?

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Appendices

Reconciliation of non-GAAP measures

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Reconciliation of non-GAAP measures

Adjusted net income and EBITDA:

	2015 Q1 $m	2014 Q1 $m
Net (loss) / income for the period - as reported	**(0.5)**	**7.2**
Accounting charges relating to acquisitions and disposals of businesses		
Unwind of discount on contingent consideration	0.1	-
Acquisitions and disposals	-	0.2
Amortization on acquired intangibles	0.4	-
IAS 19 -retirement benefits finance charge (non-cash)	0.7	0.7
Restructuring & other expense	8.0	-
Other share based compensation charges	0.3	0.3
Tax thereon	(2.1)	(0.4)
Adjusted net income	**6.9**	**8.0**
Add back: tax thereon	2.1	0.4
Tax expense	0.5	2.8
Interest costs (net)	1.7	1.4
Depreciation and amortization	4.6	4.3
Less: amortization on acquired intangibles	(0.4)	-
Adjusted EBITDA	**15.4**	**16.9**

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Reconciliation of non-GAAP measures

Segmental adjusted EBITDA and trading profit:

		2015 Q1	2014 Q1
Gas Cylinders	Adjusted EBITDA $M	3.2	3.6
	Other Share based compensation charges	(0.1)	(0.1)
	Depreciation and amortization	(1.8)	(1.9)
	Trading Profit $M	1.3	1.6
Elektron	Adjusted EBITDA $M	12.2	13.3
	Other Share based compensation charges	(0.2)	(0.2)
	Depreciation and amortization	(2.8)	(2.4)
	Trading Profit $M	9.2	10.7
GROUP	Adjusted EBITDA $M	15.4	16.9
	Other Share based compensation charges	(0.3)	(0.3)
	Depreciation and amortization	(4.6)	(4.3)
	Trading Profit $M	10.5	12.3

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Reconciliation of non-GAAP measures

Return on invested capital (ROIC):

		2012 (restated) $M	2013 $M	2014 $M	Q1 2014 $M	Q1 2015 $M
Trading profit - per income statement		68.5	59.2	44.8	12.3	10.5
Effective rate tax per income statement		*28.8%*	*27.0%*	*19.6%*	*28.0%*	*28.0%* [1]
Notional tax		(19.7)	(16.0)	(8.8)	(3.4)	(2.9)
Trading profit after notional tax		48.8	43.2	36.0	8.9	7.6
Annualized after tax trading profit	**(A)**	**48.8**	**43.2**	**36.0**	**35.6**	**30.4**
Bank and other loans		63.5	63.8	121.4	64.1	121.5
Cash		(40.2)	(28.4)	(14.6)	(18.5)	(15.7)
Net debt		23.3	35.4	106.8	45.6	105.8
Total shareholders equity		148.8	191.7	175.4	190.2	159.4
Invested capital		**172.1**	**227.1**	**282.2**	**235.8**	**265.2**
Average invested capital	**(B)**	**173.6**	**199.6**	**254.7**	**231.5**	**273.7**
Return on invested capital	**(A) / (B)**	**28%**	**22%**	**14%**	**15%**	**11%**

1 The effective tax rate has been calculated for Q1 2015 based on profit before tax excluding exceptional asset write offs. Additionally the tax credit associated with these write offs has been added back to the reported tax charge as part of the calculation

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