28 February 2012

AZ ELECTRONIC MATERIALS S.A.

AUDITED PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

A STRONG SET OF RESULTS; GOOD GROWTH IN REVENUE AND PROFITS

Highlights

US$m	2011	2010	Change
Revenue	**791.8**	682.1	**+16%**
Adjusted (underlying)[1]:			
EBITDA	**261.0**	225.6	**+16%**
EBITDA margin	**33.0%**	33.1%	**(0.1)pts**
Operating Profit	**150.7**	127.4	**+18%**
Operating Cash Flow	**206.3**	200.0	**+3%**
Profit after Tax	**134.1**	65.7	**+104%**
Earnings per Share	**35.2c**	26.9c	**+31%**
Pro-forma Adjusted[1]:			
Profit after Tax	**134.1**	112.8	**+19%**
Earnings per Share	**35.2c**	29.6c	**+19%**
Statutory:			
Operating Profit	**150.7**	124.3	**+21%**
Profit/(Loss) after Tax	**96.5**	(139.2)	**+169%**
Basic and Diluted Earnings/(Loss) per Share	**25.3c**	(56.9)c	**+145%**
Net Debt	**343.4**	423.0	**(19)%**
Leverage (x Adjusted EBITDA)	**1.3**	1.9	**(0.6)**
Dividend per Share	**12.3c**	-	**-**

- Strong trading performance in a challenging economic environment.
- Total revenue up 16% to US$791.8m (up 10% at constant currencies[2]).
- Adjusted EBITDA up 16% to US$261.0m (up 8% at constant currencies[2]).
- **IC Materials division** revenue up 22% to US$545.1m (up 15% at constant currencies[2]), reflecting continued strength in demand for niche materials used in new technology nodes and on additional layers of our customers' products.
- **Optronics division** revenue up 8% to US$224.1m (up 1% at constant currencies[2]), driven by market share gains despite challenging trading conditions in the global flat panel display market.
- Strong cash flow reduced net debt to US$343.4m; net debt to Adjusted EBITDA multiple improved to 1.3x (2010: 1.9x).
- Recommending final dividend of 8.5 cents per share, bringing the total dividend for the year to 12.3 cents per share.

1. See definitions below.
2. Calculated by comparing 2011 results with 2010, retranslated at weighted average 2011 exchange rates.

Outlook

We remain mindful of the uncertain macroeconomic environment which continues to impact consumer markets and most of our customers. We therefore expect the more challenging trading conditions that we experienced towards the end of 2011 to continue into the first half of 2012.

At this time, industry analysts are forecasting that the current weakness in our markets will be corrected during the second half of 2012, with good growth expected in both wafer starts and flat panel area, giving us confidence that we can make further progress in the current year. We therefore remain committed to investing in our business and technologies, developing leadership positions and growth in line with our long-term guidance.

Geoff Wild, CEO of AZ, commented:

"I am pleased to report a strong set of results and good growth in revenue and profits in our first full year of trading as a listed company. We have continued to invest substantially in the core drivers of our future success - our products, our processes and our people - in order to meet the requirements of our customers across the globe and ensure sustainable, long-term growth for our business."

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The Company will host a results presentation to analysts today at 8.15am (GMT) at the offices of FTI Consulting, Holborn Gate, 26 Southampton Buildings, London WC2A 1PB. A simultaneous live audiocast of the presentation will be available via the Investors section of the Company's website at www.az-em.com.

Definitions

Adjusted EBITDA is defined as operating profit before depreciation, amortisation of intangible assets, exceptional items, and monitoring fees. **Adjusted Operating Profit** is defined as operating profit before exceptional items and monitoring fees. There were no exceptional items or monitoring fees impacting operating profit or EBITDA during the 2011 financial year. The requirement to pay monitoring fees to AZ's previous shareholders ceased on 3 November 2010. **Adjusted Operating Cash Flow** is defined as Adjusted EBITDA less any changes in working capital (excluding those relating to transaction costs), less net cash payments in relation to capital expenditure.

Adjusted Profit after Tax is Profit after Tax adding back amortisation of intangible assets (and, in the prior year, exceptional items, monitoring fees, finance costs in respect of Convertible Preferred Equity Certificates (CPECs) that were capitalised as part of the IPO transaction, and certain non-recurring exchange differences arising on borrowings), net of tax where appropriate. **Adjusted Earnings per Share (EPS)** is Adjusted Profit after Tax divided by the weighted average number of shares in issue during the year.

Pro-forma financial information in the prior year illustrates the underlying financial performance of the Group for 2010 as if the pre-IPO restructuring, the IPO and the issue of new equity capital had taken place prior to 1 January 2010. This is for illustrative purposes and addresses a hypothetical situation only. It therefore does not represent the Group's actual financial results in the year ended 31 December 2010. The pro-forma adjustments are explained in detail further below.

About AZ (www.az-em.com)

AZ is a leading global producer and supplier of high quality, high-purity specialty chemical materials, operating in the high growth electronics market. Its materials are used in integrated circuits ("ICs") and devices, flat panel displays ("FPDs"), light-emitting diodes ("LEDs") and photolithographic printing. AZ is a critical partner to the leading global electronic players because our chemical technology allows them to enhance existing processes and enables them to innovate new products. This is critically important in the "digital world" where there is increasing global demand and a drive towards smaller, faster, more powerful and less expensive technology. AZ operates in ten countries, namely China, India, South Korea, Taiwan, Hong Kong, Japan, Singapore, the USA, France and Germany. It also has corporate and administrative offices in Luxembourg, the UK and Hong Kong, and employs over 1,000 people globally.

Cautionary statement regarding forward-looking statements

This document may contain certain forward-looking statements with respect to the operations, performance and financial condition of the Group. These statements are made in good faith and are based on current expectations or beliefs, as well as assumptions about future events. By their nature, future events and circumstances can cause results and developments to differ materially from those anticipated. The Company undertakes no obligation to update any forward-looking statements contained in this document, whether as a result of new information, future events or otherwise. Nothing in this document should be construed as a profit forecast or an invitation to deal in the securities of the Company.

GROUP RESULTS

AZ delivered a strong trading performance during the year ended 31 December 2011 in a challenging economic environment. Revenues in 2011 were US$791.8m, an increase of 16% over the previous year (2010: US$682.1m). The positive growth trends of 2010 continued into the first half of the year, and despite the expected softening in demand in the IC and FPD industries during the second half of the year, we saw continued revenue growth in both the IC Materials and Optronics divisions during that period. Our operating performance benefited significantly from increased volumes and a favourable shift in product mix towards IC Niche materials, with Adjusted EBITDA increasing by 16% to US$261.0m (2010: US$225.6m). Currency translation contributed US$38.7m (6%) and US$16.8m (8%) to the increase in revenue and Adjusted EBITDA respectively. The Adjusted EBITDA margin was maintained at 33% in 2011 despite increased R&D and corporate cost expenditure.

The Group recorded a net profit for the year of US$96.5m, compared to a net loss of US$139.2m in 2010 which reflected the financing costs of AZ's pre-IPO capital structure. On a pro-forma basis, net profit in 2010 was US$72.0m. Adjusted Earnings per Share in 2011 were 35.2 cents, up 19% on last year's pro-forma equivalent of 29.6 cents, reflecting the increasing profitability of our business.

We continued to invest for the future, spending US$54.0m on research and development ("R&D") and US$50.5m on capital expenditure (6.8% and 6.4% of revenue respectively). Our investment in R&D remains highly focused and customer-oriented, with a particular focus on niche products where AZ can command a market leadership position. In accordance with International Financial Reporting Standards, all R&D costs have been expensed in the Group's income statement. As is typical for AZ, much of the capital expenditure was for advanced analytical equipment and the facilities required for the development of next generation products. In addition, the growing requirement to partner locally with our customers has led us to invest substantially in quality, analytical and production capabilities that are close to their operations. Our new facilities in Korea and Taiwan, which underline this commitment, will be operational from later in 2012. We also undertook a major review of R&D, intellectual property and supply chain management during the year, which is part of a longer term project to globalise, optimise and protect our management of key operating processes.

Adjusted Operating Cash Flow was US$206.3m (2010: US$200.0m) representing a conversion rate of 79% of Adjusted EBITDA, which was lower than the conversion rate of 89% in the previous year due to increased investment. Net debt at 31 December 2011 was US$343.4m (2010: US$423.0m) being 1.3 times Adjusted EBITDA (2010: 1.9 times).

The Board

We have made significant progress in strengthening the Board through the appointment of three new independent Non-Executive Directors: Adrian Whitfield, Adrian Auer and Dr. David Price. We also welcomed Mike Powell in September as our new Chief Financial Officer, succeeding Ken Greatbatch who retired after seven years in the post. Franck Falézan and Jean-François Félix, the representatives of The Carlyle Group and Vestar Capital Partners respectively, stepped down as Non-Executive Directors at the end of 2011.

Dividend

We announced an interim dividend of 3.8 cents per Ordinary share in August 2011, which was paid in October. The Board is now recommending a final dividend of 8.5 cents per Ordinary share, making a total dividend payment of 12.3 cents per Ordinary share for the year (representing approximately 35% of Adjusted Earnings per Share in 2011). Subject to shareholders' approval, the final dividend will be paid on 11 May 2012 to shareholders on the register at the close of business on 30 March 2012.

Outlook

We remain mindful of the uncertain macroeconomic environment which continues to impact consumer markets and most of our customers. We therefore expect the more challenging trading conditions that we experienced towards the end of 2011 to continue into the first half of 2012.

At this time, industry analysts are forecasting that the current weakness in our markets will be corrected during the second half of 2012, with good growth expected in both wafer starts and flat panel area, giving us confidence that we can make further progress in the current year. We therefore remain committed to investing in our business and technologies, developing leadership positions and growth in line with our long-term guidance.

OPERATING REVIEW

IC MATERIALS

The IC Materials business produces and sells materials used in the manufacture of integrated circuits ("ICs"). The division comprises the IC Niche materials and IC Conventional materials businesses, where demand for these products is broadly correlated to the production and use of silicon wafer starts at our customers' fabrication facilities.

IC Materials revenue for the year increased by 22% to US$545.1m (up 15% at constant currencies), and represented 69% of the Group's total revenue in 2011. Adjusted EBITDA increased by 32% to US$219.2m (up 23% at constant currencies).

IC Materials	**2011**	2010	Increase	
	US$m	US$m	(as reported)	(at constant currencies)
IC Niche	**352.1**	266.4	32%	25%
IC Conventional	**193.0**	182.2	6%	1%
IC Materials – Total Revenue	**545.1**	448.6	22%	15%
Adjusted EBITDA	**219.2**	165.6	32%	23%
Adjusted EBITDA margin	**40.2%**	36.9%	3.3pts	2.6pts

IC Niche

Revenue increased by 32% to US$352.1m (up 25% at constant currencies), significantly ahead of the 3% estimate made by the independent market forecaster DRAMeXchange for industry growth of memory wafer starts in 2011. In particular, this performance was driven by robust demand for materials required to produce NAND flash memory, with AZ's materials being used in new technology nodes and on additional layers of our customers' products. Moreover, the penetration of our dielectric and yield enhancement materials at certain customers in the second half of 2010 benefited AZ in 2011, as those customers ramped the associated nodes within their production mix. As we would expect, some of our customers using relatively large dispense volumes of our materials have reduced the amount dispensed per wafer as they optimise production. Although this trend is a typical feature of our customers' manufacturing processes, the effect has been to offset some of the benefits seen from market share gains and increased product penetration.

During the year, our Spinfil® dielectric materials continue to be used across the memory chip industry for the most advanced NAND flash and DRAM processes. We have continued to win business on some of the latest technology nodes in the memory sector, and are proud to serve all major DRAM and NAND manufacturers. Our dielectric business in the logic area started to grow through the second half of the year, and we are excited about the potential for further IC Niche product penetration in both the logic and foundry areas in the coming years.

Work commenced during the year on the expansion of our Taiwanese and Korean facilities which will lead to the local production of several major products. The investment in our quality, analytical and production capabilities has been welcomed by our customers who, in the wake of the Japanese earthquake and tsunami, are actively seeking to secure the supply of key materials through more localised supply and, in some cases, dual sourcing.

Our lithographic yield enhancement products continue to perform well, with very strong progress made during the year with both our FIRM® rinse and top anti-reflective coatings (TARC) product areas. Pattern enhancement products, particularly in respect of our RELACS® shrink material, have also continued to perform well at some of our major Japanese and Korean customers. We are expecting notable expansion of our TARC business at a major foundry supplier in Taiwan and multiple customers continue to expand rinse and shrink material applications for their latest technology nodes. Going forward, these demands will be supported by the aforementioned new manufacturing facility in Taiwan which will commence production in 2012.

Our joint development programme with IBM in respect of Directed Self-Assembly ("DSA") continues to attract significant interest amongst our customers, partly due to the delay in the commercial manufacture of EUV lithography equipment, as well as interest in advanced methods of contact hole fabrication.

AZ renewed its exclusive distribution agreement with Dow Chemical to continue marketing CMP slurries under the Klebosol® brand, until the end of 2016. Together, Dow and AZ are the global leader in the supply of low-defect colloidal silica to the semiconductor market.

IC Conventional
IC Conventional revenues increased by 6% to US$193.0m (up 1% at constant currencies), one percentage point behind the growth of total industry wafer starts in 2011 (based on a growth estimate of 2% made by the independent market forecaster VLSI Research). The Group saw good volume growth from the semiconductor packaging and gallium arsenide sectors, notably with our thick film resists and edge bead removers ("EBRs"), offsetting price attrition and lower trading volumes in certain lower margin ancillary products.

OPTRONICS
The Optronics division produces and sells products that are critical to the manufacture of flat panel displays ("FPDs"). There are two product categories within the division: FPD Photoresist, which supplies light-sensitive processing materials for FPDs; and Optronics Other, which includes photoresist, ancillaries and silicon chemistry-based products for AZ's "Light & Energy" business (serving displays, lighting, solar and other non-electronic markets). Demand for FPD Photoresist products is broadly correlated to the area of FPD glass substrate utilised at our customers' manufacturing lines.

AZ continued to focus its Optronics business on the market leaders in the Asia-based FPD manufacturing industry where the Group's technical expertise, local presence and ability to support customers' rapidly changing innovation roadmaps are key. Optronics represented 28% of the Group's total revenue in 2011. Revenue for the year increased by 8% to US$224.1m (up 1% at constant currencies), as AZ continued to leverage its market leading positions and presence in Asia. Adjusted EBITDA decreased by 4% to US$62.8m (down 11% at constant currencies).

Optronics	**2011**	2010	Increase/(Decrease)	
	US$m	US$m	(as reported)	(at constant currencies)
FPD Photoresist	**177.2**	158.9	12%	5%
Optronics Other	**46.9**	48.5	(3)%	(10)%
Optronics – Total Revenue	**224.1**	207.4	8%	1%
Adjusted EBITDA	**62.8**	65.3	(4)%	(11)%
Adjusted EBITDA margin	**28.0%**	31.5%	(3.5)pts	(3.8)pts

FPD Photoresist
Revenue in this product line increased by 12% to US$177.2m (up 5% at constant currencies), one percentage point ahead of the growth of glass area in 2011 (based on a growth estimate of 4% made by the independent market forecaster DisplaySearch).

Our FPD Photoresist products continue to enjoy strong market positions, strengthened further in the year with new business at one of the world's largest FPD manufacturers in Japan. In addition, AZ has won significant photoresist business in three customer fabrication facilities for FPDs that have recently been built in China, and has further improved its strong market position in Taiwan. A new R&D Centre was opened in Hsinchu, Taiwan, which further strengthens our collaborative R&D activities with customers in the area.

Notwithstanding this strong performance, the rate of growth of the flat panel market has reduced from recent historic levels, largely as a result of weaker world-wide demand for televisions. This has moderated FPD Photoresist revenue growth, particularly in the latter part of 2011. However, demand from touch panel customers continues to be robust due to the continued demand for mobile devices such as smartphones, tablet computers and e-readers.

Optronics Other
Optronics Other revenue decreased by 3% to US$46.9m (down 10% at constant currencies). This was principally due to the ceding of some low margin EBR business at one of our customers, enabling the Group to re-assign resources to the production of higher value-added photoresist. This decline in revenue was partially offset by some promising opportunities within our Light & Energy business that started to gather momentum during the year, particularly in LEDs. However, the level of growth was slower than we anticipated due to delays with some of our customers' new product lines.

Our tandem resists are now the standard half-tone resists for several of our customers. One of our products in this area is being used by a major customer who is at the forefront of OLED TV development.

We are generating significant interest with our new silicon technology materials (siloxanes and silazanes) and are sampling products for new applications with more customers. In particular, our spin-on glass material for flat panel purposes is gaining significant traction for use in both advanced LCD and OLED applications, alongside our existing FPD and LED photoresist business. We are working closely with our key customers in this area to achieve full qualification for its use in the manufacturing process.

In October, we acquired the polysilazanes coatings and resins business of Clariant AG for a cash consideration of approximately US$5.2m (€4m). The acquisition allows us to consolidate our global position in polysilazane technology and provides the Group with access to key raw materials and intellectual property necessary for the planned long-term growth of our Light & Energy business.

PRINTING AND OTHER

Products in this division are used to make printing plates for the production of printed materials including newspapers, magazines and books.

Revenue for the year decreased by 13% to US$22.6m (down 17% at constant currencies), and represented approximately 3% of the Group's total revenue in 2011. Adjusted EBITDA was US$(0.8)m, a decrease of US$3.9m on the previous year (2010: US$3.1m). This slowdown is due to our customers in this area transitioning to a new digital printing technology, which generally consumes less of our materials, as well as weakness in the end user markets. While we continue to support our customers during this transition, we have taken measures to actively control our own cost base in order to reflect the trading conditions within this industry.

STRATEGY

AZ is focused on delivering sustainable long-term value for shareholders. Our strategy to achieve this objective is to:

- Focus on attractive niche markets where we can attain leadership through organic growth and/or strategic acquisition;
- Continue a world class, integrated R&D platform;
- Capture growth in existing and new opportunities across our customer base;
- Develop new and innovative niche IC products and enabling technologies;
- Capitalise on FPD industry expansion by leveraging existing customer relationships and local presence;
- Pursue new market opportunities using existing technologies; and
- Prioritise investment in Asia and maintain a capital-light, cash generative structure.

To measure our success in pursuing this strategy the Group monitors certain key performance indicators; revenue growth, R&D costs, Adjusted EBITDA, Adjusted EBITDA margin, capital expenditure and Adjusted Operating Cash Flow. Progress against these indicators is detailed in the Company's 2011 Annual Report & Accounts.

FINANCIAL REVIEW

In the year ended 31 December 2011, AZ once again achieved good revenue and profit growth, with strong underlying cash flow. As a specialty chemicals business focused on advanced technology, AZ runs a "capital-light" business model investing primarily in R&D and related equipment which allows a high proportion of profits to be converted into cash.

A strong operating performance

Revenue for the year increased by 16% to US$791.8m (2010: US$682.1m). The two largest divisions, IC Materials and Optronics, performed strongly, driven by increased volumes and product mix benefits. IC Niche products and FPD Photoresist, together, now represent 67% of the Group's revenue (2010: 62%) as we continue our strategic focus on market-leading and innovative niche products. This has driven the gross profit margin 1.2 percentage points higher to 46.8% (2010: 45.6%), with the impact of a favourable shift in product mix towards IC Niche materials being partially offset by some selling price reductions.

Adjusted EBITDA increased by 16% to US$261.0m (2010: US$225.6m). The Adjusted EBITDA margin was maintained at 33% in 2011 despite increased R&D and corporate cost expenditure.

Currency translation contributed US$38.7m (6%) and US$16.8m (8%) to the increase in revenue and Adjusted EBITDA respectively.

The Adjusted Operating Profit margin at 19.0% was in line with the previous year (2010: 18.7%). Adjusted Operating Profit in the previous year was statutory operating profit before US$3.1m of monitoring fees and net exceptional items. There were no adjustments to operating profit during the 2011 financial year.

Profit before tax amounted to US$125.6m versus the loss before tax of US$90.6m reported in 2010. The loss in 2010 principally reflected the financing costs of the pre-IPO capital structure. On a pro-forma basis, profit before tax in 2010 was US$110.0m.

Adjusted Operating Cash Flow was US$206.3m (2010: US$200.0m), representing a 79% (2010: 89%) conversion of Adjusted EBITDA. Net debt was reduced by US$79.6m since 31 December 2010 to US$343.4m at 31 December 2011, being 1.3 times Adjusted EBITDA (2010: 1.9 times). This strong position reflects the continued de-leveraging of our balance sheet as a result of the strength of cash generation from within the business.

Growth in each of our core businesses

Revenue growth and higher profits were achieved in the year in the two principal divisions, IC Materials and Optronics, both on a full year comparative basis and compared to the second half of 2010.

Revenue	H1 2011 US$m	H2 2011 US$m	2011 US$m	2010 US$m	Increase/(Decrease) (as reported)	Increase/(Decrease) (at constant currencies)
IC Materials						
- IC Niche	173.3	178.8	352.1	266.4	32%	25%
- IC Conventional	95.9	97.1	193.0	182.2	6%	1%
Total IC Materials	**269.2**	**275.9**	**545.1**	**448.6**	**22%**	**15%**
Optronics						
- FPD Photoresist	87.8	89.4	177.2	158.9	12%	5%
- Optronics Other	22.0	24.9	46.9	48.5	(3)%	(10)%
Total Optronics	**109.8**	**114.3**	**224.1**	**207.4**	**8%**	**1%**
Printing and Other	**12.8**	**9.8**	**22.6**	**26.1**	**(13)%**	**(17)%**
Group	**391.8**	**400.0**	**791.8**	**682.1**	**16%**	**10%**

The positive growth trends of 2010 continued into the first half of the year, and despite the expected softening in demand in the IC and FPD industries during the second half of the year, we saw continued revenue growth in both the IC Materials and Optronics divisions during that period.

In the IC Materials division, good growth was achieved across both Niche and Conventional products. Revenue in the second half of the year was US$275.9m, up 14% on the same period last year (H2 2010: US$242.7m) and up 2% on the first half of 2011. The reported Adjusted EBITDA margin for the IC Materials division was 3.3 percentage points higher than in 2010 (2.6 percentage points higher, at constant currencies). This increase was due to higher volumes and improvements in product mix, offset by some price reductions.

Trading in the Optronics business was robust despite challenging trading conditions in the global flat panel display market. Revenue in the second half of the year was US$114.3m, up 7% on the same period last year (H2 2010: US$106.6m) and up 4% on the first half of 2011. The reported Adjusted EBITDA margin in Optronics decreased by 3.5 percentage points compared to 2010 (3.8 percentage points lower, at constant currencies), primarily due to planned price reductions, higher material costs, and increased R&D investment.

In our Printing and Other division, revenue for the year was down 13% to US$22.6m (2010: US$26.1m), principally due to our customers in this area switching from analogue to digital printing technology, which generally consumes less of our materials. The Adjusted EBITDA margin in the second half of the year of minus 16.3% was significantly impacted by these lower trading volumes. A restructuring programme has been implemented to reflect this change in trading conditions in our associated cost base, resulting in a US$0.8m charge during the year. Profitability is expected to return to the business in 2012.

Corporate costs increased by US$8.5m over the previous year, after excluding the impact of foreign exchange gains and losses in both years. This increase was primarily driven by employment and administrative costs in the UK and Hong Kong associated with our transition to public company status, as well as legal and consultancy fees related to our ongoing supply chain and IP restructuring programme.

Adjusted EBITDA	H1 2011 US$m	H2 2011 US$m	2011 US$m	2010 US$m	Increase/(Decrease) (as reported)	Increase/(Decrease) (at constant currencies)
IC Materials	106.6	112.6	219.2	165.6	32%	23%
Margin %	*39.6%*	*40.8%*	*40.2%*	*36.9%*	*3.3pts*	*2.6pts*
Optronics	32.7	30.1	62.8	65.3	(4)%	(11)%
Margin %	*29.8%*	*26.3%*	*28.0%*	*31.5%*	*(3.5)pts*	*(3.8)pts*
Printing and Other	0.8	(1.6)	(0.8)	3.1	(126)%	(125)%
Margin %	*6.3%*	*(16.3)%*	*(3.5)%*	*11.9%*	*(15.4)pts*	*(15.3)pts*
Corporate costs	(10.6)	(9.6)	(20.2)	(8.4)	140%	130%
Group	**129.5**	**131.5**	**261.0**	**225.6**	**16%**	**8%**
Margin %	*33.1%*	*32.9%*	*33.0%*	*33.1%*	*(0.1)pts*	*(0.6)pts*

Continued investment in future sustainable growth

AZ has continued to invest for the future, spending US$54.0m (2010: US$42.0m) on research and development ("R&D") with a particular focus on niche products where the Group can command a market leadership position. In accordance with International Financial Reporting Standards, all R&D costs have been expensed in the Group's income statement.

Of the total R&D expenditure, US$41.0m was in the IC Materials division (2010: US$32.4m) – primarily in IC Niche products – which represented 7.5% of IC Materials revenue (2010: 7.2%). R&D expenditure in the Optronics division was US$10.6m (2010: US$7.5m), being 4.7% of Optronics revenue (2010: 3.6%), reflecting increased investment in AZ's silicon chemistry portfolio to support the planned growth of our Light & Energy business. 61% of R&D costs were incurred in Asia (2010: 56%), 27% in the USA (2010: 32%), and 12% in Europe (2010: 12%).

Capital expenditure for the year was US$50.5m (2010: US$32.6m) of which US$20.9m was invested in advanced equipment used in R&D to develop new products (2010: US$17.7m). Capital investment to expand production capacity was US$19.7m (2010: US$8.6m) and a further US$9.9m (2010: US$6.3m) was invested to support AZ's asset base.

In addition, AZ acquired Clariant AG's polysilazane coatings and resins business during the year for a cash consideration of approximately US$5.2m (€4m), to support the future growth of our silicon chemistry business within the Optronics sector.

Continued strong cash generation
In the first half of 2011, the conversion of Adjusted EBITDA into Adjusted Operating Cash Flow was 66% due to the timing of capital expenditure payments accrued for at the prior year-end. As expected, this conversion rate has rebounded well in the second half of the year, rising to 79% by the end of 2011.

Working capital was stable during the year and at 31 December 2011 was equivalent to 15% of revenue for the year (2010: 14%). Normal payment terms that impact accounts receivable and payable vary by country and have not changed significantly in 2011. Inventory levels at 10% of revenue for the year (2010: 11%) include raw materials, work-in-progress and finished goods, and are the focus of constant attention to optimise levels whilst ensuring security of supply.

Cash generated from operations in the year was used to pay interest of US$24.6m and tax of US$75.3m, to repay debt of US$64.7m, to pay an interim dividend of US$14.5m, to acquire a business for US$5.2m, and for capital investment of US$49.5m.

Net debt
At 31 December 2011, gross outstanding borrowings were US$491.4m (31 December 2010: US$556.7m) and cash balances amounted to US$148.0m (31 December 2010: US$133.7m). Net debt was therefore US$343.4m, giving a ratio of net debt to Adjusted EBITDA of 1.3 times at the end of the year (2010: 1.9 times).

Covenants attaching to our debt facilities compare Adjusted EBITDA to net debt, and to interest costs. At 31 December 2011, AZ's performance was well within the covenant criteria.

At 31 December 2011, 86% of the Group's borrowings were denominated in US Dollars and the remaining 14% was denominated in Euros.

Finance costs and Tax
Finance costs in the year decreased substantially to US$26.7m (2010: US$216.5m). This included interest costs on bank overdrafts and loans of US$15.5m (2010: US$60.2m) and interest rate swap costs of US$10.8m (2010: US$10.6m). Finance costs in 2010 reflected the Group's pre-IPO capital structure, as explained in the pro-forma financial information further below.

The tax charge for the year was US$29.1m (2010: US$48.6m), consisting of a current tax charge of US$71.3m (2010: US$61.1m) offset by a net deferred tax credit of US$42.2m (2010: US$12.5m) relating to withholding taxes and the amortisation of intangible assets.

Included within the net deferred tax credit of US$42.2m is a non-recurring credit of US$15.0m that is principally due a change in the corporate tax rate in Japan, effected in December 2011 and applicable to future years. This has the effect of reducing the Group's overall deferred tax liability. Therefore, excluding this US$15.0m credit from the tax charge for the year, the underlying effective tax rate for the Group was 35.1%.

Pro-forma financial information for the previous year
In the year ended 31 December 2010, the pre-IPO restructuring, the IPO and the issue of new equity capital had a substantial impact on AZ's consolidated income statement and balance sheet. The pro-forma financial information table below illustrates the underlying financial performance of the Group for 2010 as if these events had taken place prior to 1 January 2010. This is presented for illustrative purposes and addresses a hypothetical situation only.

The pro-forma adjustments were as follows:

- Transaction costs of US$16.4m, representing costs of US$11.8m relating to the Listing and US$4.6m relating to reorganisation of the Group, and non-recurring monitoring fees of US$1.5m;
- Finance costs of US$182.7m, representing the fair value adjustments and imputed interest charge on Convertible Preferred Equity Certificates that were capitalised as part of the IPO transaction (US$120.0m), a non-recurring foreign exchange loss arising on the Group restructuring at the time of Listing (US$23.9m), a write-off of fees on termination of loans (US$2.8m), and interest charges on debt which was repaid at the time of Listing (US$36.0m); and
- Tax of US$10.6m, representing the tax effect of the above transactions (US$0.6m) and the offsetting of a non-recurring withholding tax provision movement (US$11.2m).

Pro-forma profit after tax in 2010	Reported 2010 US$m	Pro-forma adjustments US$m	Pro-forma 2010 US$m
Adjusted EBITDA	**225.6**		**225.6**
Depreciation	(21.4)		(21.4)
Amortisation	(76.8)		(76.8)
Adjusted Operating Profit	**127.4**		**127.4**
Net exceptional items and monitoring fees	(3.1)	17.9	14.8
Operating Profit	**124.3**	**17.9**	**142.2**
Net investment income and finance costs	(214.9)	182.7	(32.2)
(Loss)/Profit before Tax	**(90.6)**	**200.6**	**110.0**
Taxation charge	(48.6)	10.6	(38.0)
(Loss)/Profit after Tax	**(139.2)**	**211.2**	**72.0**
Effective tax rate			34.5%

Earnings per Share and Dividend

The Directors believe that Adjusted Earnings per Share ("EPS"), with amortisation of intangible assets added back, provides a better basis for comparison with other companies than statutory earnings per share. Adjusted EPS, using the weighted average number of shares in issue during the year, were 35.2 cents (2010: 26.9 cents). On a pro-forma basis for 2010, adjusting for the impact of the IPO and the post-IPO number of shares in issue, Adjusted EPS for 2010 were 29.6 cents, as set out in the table below.

In arriving at Adjusted Profit after Tax for the year of US$134.1m, amortisation of intangible assets of US$37.6m (stated net of corresponding current and deferred tax credits of US$44.7m) has been added back to profit after tax. The net credit of US$44.7m includes US$13.1m, principally to eliminate the impact of the recent change in corporate tax rate in Japan. One of the consequences of this change in tax rate is that it has reduced the Group's deferred tax liability arising on the fair value of intellectual property, thereby leading to a one-off deferred tax credit of US$13.1m being included within the Group's overall net tax charge.

Adjusted Earnings per Share	**Reported 2011 US$m**	Reported 2010 US$m	Pro-forma adjustments US$m	Pro-forma 2010 US$m
Profit/(Loss) after Tax	**96.5**	**(139.2)**	**211.2**	**72.0**
Add back (net of tax, where appropriate):				
Amortisation	37.6	49.6		49.6
Reversal of impairment of intangible assets	-	(10.0)		(10.0)
Restructuring costs	-	0.4		0.4
Transaction costs and monitoring fees	-	17.9	(17.9)	-
Finance costs in respect of CPECs	-	120.0	(120.0)	-
Exchange differences	-	24.7	(23.9)	0.8
Write-off of prepaid debt arrangement fees	-	2.3	(2.3)	-
Adjusted Profit after Tax	**134.1**	**65.7**	**47.1**	**112.8**
Shares in issue:				
- Weighted average	380.9m	244.6m		
- At year-end				380.9m
Adjusted / Pro-forma Adjusted EPS	**35.2 cents**	**26.9 cents**		**29.6 cents**

On a statutory basis, basic and diluted earnings per share in 2011 were 25.3 cents (2010: loss per share 56.9 cents), as detailed in Note 7 below.

The Board is recommending a final dividend of 8.5 cents per Ordinary share which, when added to the interim dividend of 3.8 cents per Ordinary share, brings the total dividend for the full year to 12.3 cents per Ordinary share. This represents approximately 35% of Adjusted EPS in 2011. Subject to shareholders' approval, this will be paid on 11 May 2012 to shareholders on the register at the close of business on 30 March 2012. The shares will have an ex-dividend date of 28 March 2012.

Dividends are declared in US Dollars and, unless a shareholder elects to receive dividends in US Dollars prior to 16 April 2012, will be paid in GB Pounds Sterling. This will be at the exchange rate prevailing on or about 23 April 2012 and confirmed by means of an RNS announcement to the London Stock Exchange on or about 24 April 2012.

Currency impact on trading
AZ reports its results in US Dollars and conducts its business in many foreign currencies. With 39.8% of AZ revenues being generated in US Dollars during the year (2010: 40.9%), the other important trading currencies are:

- Japanese Yen: 31.4% of 2011 revenues (2010: 28.7% of revenues)
- Taiwanese Dollar: 16.5% of 2011 revenues (2010: 15.5% of revenues)
- Euro: 6.8% of 2011 revenues (2010: 8.4% of revenues)
- Korean Won: 2.4% of 2011 revenues (2010: 3.0% of revenues)

Based on the current mix of non-US Dollar denominated revenue and profit, a 1% movement in the Group's non-US Dollar trading currencies (relative to the US Dollar) changes revenue by approximately US$5m and Adjusted EBITDA by approximately US$1m.

Risk management and internal controls
Robust management information systems and business planning have been central to the development of the Group thus far. To ensure the continued resilience of our systems, additional resources have been committed to direct a programme of enhanced internal control and risk management. This involves wider involvement in risk mitigation and targeted reviews of systems and processes as part of a co-ordinated internal audit programme.

Principal risks and uncertainties
The Company has identified certain principal risks that could prevent the Group achieving its strategic objectives and has assessed how these risks could best be mitigated through a combination of internal controls, risk management and external insurance cover purchase. These risks were last formally assessed in December 2011 and will be reviewed and updated on a regular basis.

A summary of the nature of the risks faced by the Group is as follows:

- Risks related to the Company, including supply chain failure, failure to develop commercially successful new products, failure to protect proprietary technologies, failure to recruit and retain the best talent, and fluctuations in raw material prices; and
- Risks related to the industry, including dependence on the macroeconomic cycle, increased competitor activity, fluctuations in foreign exchange rates and the risks associated with operating in different countries.

A more detailed description and assessment is included in the Company's 2011 Annual Report & Accounts.

RESPONSIBILITY STATEMENT

The responsibility statement below has been prepared in connection with the Company's Annual Report & Accounts for the year ended 31 December 2011. Certain parts thereof are not included within this announcement.

We confirm that to the best of our knowledge and belief:

- the consolidated financial statements of AZ Electronic Materials S.A., prepared in accordance with International Financial Reporting Standards as adopted in the European Union, give a true and fair view of the assets, liabilities, financial position, cash flows and loss of the Company and Group; and

- the Directors' Report (which constitutes the management report, as defined by Luxembourg Law) includes a fair review of the development and performance of the business and the position of the Company and Group, together with a description of the principal risks and uncertainties it faces.

This responsibility statement was approved by the Board on 27 February 2012 and is signed on its behalf by:

Geoff Wild
Chief Executive Officer

Mike Powell
Chief Financial Officer

27 February 2012

Consolidated income statement

Continuing operations	Notes	**Year ended 31 December 2011 US$m**	Year ended 31 December 2010 US$m
Revenue	2	**791.8**	682.1
Cost of goods sold		**(421.2)**	(370.8)
Gross profit		**370.6**	311.3
Operating costs	3	**(219.9)**	(187.0)
Operating profit		**150.7**	124.3
Investment income		**1.6**	1.6
Finance costs	4	**(26.7)**	(216.5)
Profit/(loss) before tax		**125.6**	(90.6)
Tax	5	**(29.1)**	(48.6)
Profit/(loss) for the year from continuing operations		**96.5**	(139.2)
Attributable to:			
Equity holders of AZ Electronic Materials S.A.		**96.5**	(139.2)
Earnings/(loss) per share from continuing operations			
Basic and diluted (cents)	7	**25.3**	(56.9)

The accompanying Notes are integral to this financial information.

Consolidated statement of comprehensive loss

	Year ended 31 December 2011 US$m	Year ended 31 December 2010 US$m
Profit/(loss) for the year	**96.5**	(139.2)
Cash flow hedges: gains/(losses) arising during the year	**8.8**	(3.4)
Exchange differences on translation of foreign operations	**21.5**	148.5
Other comprehensive income	**30.3**	145.1
Tax charge relating to components of other comprehensive income	**(1.0)**	(7.5)
Other comprehensive income for the year	**29.3**	137.6
Total comprehensive income/(loss) for the year	**125.8**	(1.6)
Attributable to:		
Equity holders of AZ Electronic Materials S.A.	**125.8**	(1.6)

The accompanying Notes are integral to this financial information.

Consolidated balance sheet

	Notes	**As at 31 December 2011 US$m**	As at 31 December 2010 US$m
ASSETS			
Non-current assets			
Goodwill		**413.4**	410.0
Intangible assets		**665.5**	721.0
Property, plant and equipment		**224.2**	201.6
Investments		**6.4**	6.5
Deferred income tax assets		**12.3**	13.4
Derivative financial assets		**–**	0.2
		1,321.8	1,352.7
Current assets			
Inventory		**79.5**	74.7
Trade and other receivables		**157.5**	151.2
Derivative financial assets		**0.7**	0.3
Current income tax assets		**1.8**	0.4
Cash and cash equivalents		**148.0**	133.7
		387.5	360.3
Total assets		**1,709.3**	1,713.0
EQUITY			
Share capital		**38.1**	38.1
Share premium		**367.7**	367.7
Other reserves		**1,357.7**	1,342.9
Accumulated deficit		**(1,013.9)**	(1,111.1)
Equity attributable to owners		**749.6**	637.6
LIABILITIES			
Non-current liabilities			
Borrowings	8	**473.2**	539.3
Deferred income tax liabilities		**269.8**	304.3
Derivative financial liabilities		**8.5**	11.5
Liability for share-based payments		**0.1**	0.3
Retirement benefit obligations		**14.4**	13.5
		766.0	868.9
Current liabilities			
Trade and other payables		**122.1**	129.4
Current income tax liabilities		**50.7**	51.7
Borrowings	8	**18.2**	17.4
Derivative financial liabilities		**2.7**	8.0
		193.7	206.5
Total liabilities		**959.7**	1,075.4
Total equity and liabilities		**1,709.3**	1,713.0

The accompanying Notes are integral to this financial information.

Consolidated statement of changes in equity

	Note	Share capital US$m	Share premium US$m	Reverse asset acquisition reserve US$m	Other reserves US$m	Accumulated deficit US$m	Total equity US$m
Balance at 1 January 2010		1,250.0	–	(1,244.4)	(10.2)	(972.5)	(977.1)
Loss for the year		–	–	–	–	(139.2)	(139.2)
Reverse asset acquisition		–	–	1,244.4	(6.9)	–	1,237.5
Capital reduction		(1,222.4)	–	–	1,222.4	–	–
Issue of share capital		10.5	367.7	–	–	–	378.2
Equity-settled share-based payments		–	–	–	–	0.6	0.6
Other comprehensive income for the year		–	–	–	137.6	–	137.6
Balance at 31 December 2010		38.1	367.7	–	1,342.9	(1,111.1)	637.6
Profit for the year		–	–	–	–	96.5	96.5
Equity-settled share-based payments		–	–	–	–	0.7	0.7
Other comprehensive income for the year		–	–	–	29.3	–	29.3
Distributions to shareholders	6	–	–	–	(14.5)	–	(14.5)
Balance at 31 December 2011		**38.1**	**367.7**	**–**	**1,357.7**	**(1,013.9)**	**749.6**

The accompanying Notes are integral to this financial information.

Consolidated cash flow statement

	Notes	**Year ended 31 December 2011 US$m**	Year ended 31 December 2010 US$m
Net cash provided by operating activities	9	**155.1**	129.4
Cash flows from investing activities			
Purchases of property, plant and equipment		**(46.3)**	(24.1)
Proceeds on disposal of property, plant and equipment		**0.1**	–
Purchases of intangible assets		**(3.3)**	(1.3)
Interest received		**0.7**	0.7
Acquisition of subsidiary	10	**(5.2)**	–
Net cash used in investing activities		**(54.0)**	(24.7)
Cash flows from financing activities			
Dividends paid	6	**(14.5)**	–
Proceeds from issuing ordinary shares		**–**	400.5
Costs of issuing shares	11	**(7.8)**	(14.5)
Repayments of borrowings		**(64.7)**	(459.1)
Net cash used in financing activities		**(87.0)**	(73.1)
Net increase in cash		**14.1**	31.6
Cash and cash equivalents at the beginning of the year		**133.7**	99.9
Effect of foreign exchange rate changes on cash balances		**0.2**	2.2
Cash and cash equivalents at the end of year		**148.0**	133.7

The accompanying Notes are integral to this financial information.

1. Summary of significant accounting policies

Basis of accounting

The financial information set out above does not constitute the statutory accounts for the years ended 31 December 2011 or 2010, but is derived from those accounts. The Company's 2011 Annual Report & Accounts will be published shortly. The auditors have reported on those accounts: their reports were unqualified and did not draw attention to any matters by way of emphasis without qualifying their report.

While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRSs), this announcement does not itself contain sufficient information to comply with IFRSs. The Company expects to publish full financial statements that comply with IFRSs in March 2011.

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2010 as described in the Group's Annual report for that year.

2. Segment information

The Group has identified its reportable segments, recognising the different characteristics of those segments as reflected in the information provided to the members of the Global Management Team ("GMT") that is responsible for the day-to-day management of the Group. The GMT includes the Chief Executive Officer, Chief Financial Officer and the heads of the Business Divisions.

The Group is focused on the ultimate end use of the products manufactured and has determined that the appropriate reportable segments are:

IC Materials: being high-purity, advanced technology products for use in integrated circuits and devices;
Optronics: being products used in the production of flat panel displays for use in televisions, computer monitors and similar equipment and LED technology;
Printing and Other: being mainly printing and similar products used in photo lithographic processes; and
Corporate: being staff and running costs of corporate offices.

The accounting policies of the reportable segments are the same as the Group's accounting policies. The GMT uses Adjusted EBITDA to measure the profitability of each segment. Adjusted EBITDA represents operating profit excluding amortisation of intangible assets and depreciation in order to provide management with a consistent comparison of the Group's business, on a year on year basis and with other businesses. During the prior year, there were additional items excluded from operating profit in arriving at Adjusted EBITDA. These were restructuring costs, transaction costs, reversal of impairment of intangible assets and monitoring fees.

Information regarding the Group's reporting segments is reported as follows:

Segment revenues

The following is an analysis of the Group's revenue generated from external customers by reportable segment:

	2011 US$m	2010 US$m
IC Materials	**545.1**	448.6
Optronics	**224.1**	207.4
Printing and Other	**22.6**	26.1
Total revenue	**791.8**	682.1

All the revenue is derived from the sale of goods and is from continuing operations. There are no inter segment sales.

Below is a breakdown of total sales revenue by product type:

	2011 US$m	2010 US$m
IC Niche	**352.1**	266.4
IC Conventional	**193.0**	182.2
Total IC Materials revenue	**545.1**	448.6
FPD Photoresist	**177.2**	158.9
Optronics Other	**46.9**	48.5
Total Optronics revenue	**224.1**	207.4
Total Printing and Other revenue	**22.6**	26.1
Total revenue	**791.8**	682.1

IC Niche products comprise a number of specialty materials, specifically spin-on dielectrics, colloidal silica CMP slurries and lithographic process material that facilitate yield and pattern enhancements. IC Conventional products constitute more widely available, and generally older products for photolithographic processes, specifically photoresists including thick film resists, edge bead removers and other ancillary products.

Segment results

The following is an analysis of the Group's Adjusted EBITDA by reportable segment:

Year ended 31 December 2011 (US$m)	**IC Materials**	**Optronics**	**Printing and Other**	**Corporate**	**Total**
Adjusted EBITDA	**219.2**	**62.8**	**(0.8)**	**(20.2)**	**261.0**
Depreciation	**(18.4)**	**(8.4)**	**(1.2)**	**–**	**(28.0)**
Adjusted EBITA	**200.8**	**54.4**	**(2.0)**	**(20.2)**	**233.0**
Amortisation of intangible assets	**(55.7)**	**(25.3)**	**(1.3)**	**–**	**(82.3)**
Operating profit/(loss)	**145.1**	**29.1**	**(3.3)**	**(20.2)**	**150.7**
Net investment income and finance costs					**(25.1)**
Profit before tax					**125.6**
Tax					**(29.1)**
Profit after tax					**96.5**

Year ended 31 December 2010 (US$m)	IC Materials	Optronics	Printing and Other	Corporate	Total
Adjusted EBITDA	165.6	65.3	3.1	(8.4)	225.6
Depreciation	(13.2)	(7.3)	(0.9)	–	(21.4)
Adjusted EBITA	152.4	58.0	2.2	(8.4)	204.2
Amortisation of intangible assets	(52.4)	(23.3)	(1.1)	–	(76.8)
Adjusted operating profit/(loss)	100.0	34.7	1.1	(8.4)	127.4
Exceptional items:					
– Transaction costs	–	–	–	(16.4)	(16.4)
– Restructuring costs	(0.4)	(0.1)	(0.1)	–	(0.6)
– Reversal of impairment of intangible assets	8.7	–	1.7	5.0	15.4
Monitoring fees	–	–	–	(1.5)	(1.5)
Operating profit/(loss)	108.3	34.6	2.7	(21.3)	124.3
Net investment income and finance costs					(214.9)
Loss before tax					(90.6)
Tax					(48.6)
Loss after tax					(139.2)

Geographic information

The Group's revenue from external customers by geographic area of the Group's selling locations is as follows:

	2011 US$m	2010 US$m
Taiwan	**209.1**	181.5
Korea	**186.4**	136.1
Japan	**141.5**	135.3
China	**64.2**	57.1
Singapore	**34.0**	26.4
India	**0.2**	–
Total Asia	**635.4**	536.4
Germany	**52.6**	51.0
France	**14.7**	16.4
Total Europe	**67.3**	67.4
USA	**89.1**	78.3
Total USA	**89.1**	78.3
Total revenue	**791.8**	682.1

3. Operating costs

	2011 US$m	2010 US$m
Selling and marketing costs:		
Amortisation of intangible assets	**82.3**	76.8
Other expenses	**25.5**	25.3
Total selling and marketing costs	**107.8**	102.1
Research & development costs	**54.0**	42.0
Distribution costs	**7.6**	7.1
Administrative costs:		
Reversal of impairment of intangible assets	–	(15.4)
Other expenses	**53.8**	55.0
Total administrative costs	**53.8**	39.6
Other gains and losses	**(3.3)**	(3.8)
Total	**219.9**	187.0

In 2010, total administrative costs include exceptional items (transaction costs US$16.4m, restructuring costs US$0.6m and reversal of impairment of intangibles US$15.4m) and monitoring fees US$1.5m, there were no such costs for the current year.

4. Finance costs

	2011 US$m	2010 US$m
Interest on bank overdraft and loans	**15.5**	60.2
Interest imputed on debt component of CPECs	–	3.4
Retirement benefits	**0.8**	0.7
Fair value losses on interest rate swaps transferred from equity for cash flow hedges of floating rate debt	**10.8**	10.6
Exchange differences (ineffective net investment hedge)	**(0.6)**	24.7
Losses on derivatives designated at fair value through profit or loss:		
Interest rate derivatives	**0.2**	0.3
Convertible Preferred Equity Certificates (CPECs)	–	116.6
Total finance costs	**26.7**	216.5

5. Tax

The amounts recognised in the income statement were as follows:

	2011 US$m	2010 US$m
Current tax	**65.3**	53.6
Withholding taxes – current	**6.0**	7.5
Total current tax charge	**71.3**	61.1
Deferred tax	**(35.1)**	(23.8)
Withholding taxes – deferred	**(7.1)**	11.3
Total deferred tax credit	**(42.2)**	(12.5)
Total tax	**29.1**	48.6

6. Dividends

	2011 US$m	2010 US$m
Amounts recognised as distributions to equity holders in the year:		
Interim dividend for the year ended 31 December 2011 of 3.8 cents (2010: Nil) per share	**14.5**	–
Proposed final dividend for the year ended 31 December 2011 of 8.5 cents (2010: Nil) per share	**32.4**	–

The proposed final dividend is subject to approval by the shareholders at the Annual General Meeting and has not been included as a liability at the year end.

7. Earnings/(loss) per share

The calculation of basic earnings per share has been based on the profit/(loss) for the year and the number of shares for the relevant periods set out below.

	2011	2010
Profit/(loss) attributed to shareholders (US$m)	**96.5**	(139.2)
Weighted average number of shares for the purposes of basic earnings per share	**380,913,552**	244,558,012
Effect of dilutive potential ordinary shares		
- share options	**39,131**	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**380,952,683**	244,558,012
Basic and diluted earnings/(loss) per share (cents)	**25.3**	(56.9)

During the prior year, there were a number of share transactions due to the contribution of the CPECs (64,449,598 new shares issued) and the new shares issued under the global offer (104,886,954 new shares issued). The weighted average number of shares for 2010 has been calculated taking into account these events and therefore only partially reflects the new IPO shares issued in October 2010.

In the calculation of adjusted earnings per share, the profit/(loss) attributable to shareholders has been adjusted for amortisation of intangible assets. In the current year, the add back for amortisation of intangible assets includes a US$13.1m reduction principally to eliminate the impact of the recent change in corporate tax rate in Japan. In the prior year adjustments have been made for one-off costs comprising exchange differences on ineffective net investment hedges, fair value movements on the convertible loan notes, reversal of impairments, restructuring costs, transaction costs, monitoring fees and write-off of deferred fees on termination of loans.

	2011 US$m	2010 US$m
Profit/(loss) after tax from continuing operations	**96.5**	(139.2)
Deduct (net of tax where appropriate):		
reversal of impairment of intangible assets	**–**	(10.0)
Add back (net of tax where appropriate):		
restructuring costs	**–**	0.4
transaction costs	**–**	16.4
monitoring fees	**–**	1.5
write off of deferred fees on termination of loans	**–**	2.3
amortisation of intangible assets	**37.6**	49.6
exchange differences (ineffective net investment hedge)	**–**	24.7
finance costs in respect of CPECs	**–**	120.0
Adjusted profit after tax from continuing operations	**134.1**	65.7
Weighted average number of shares	**380,913,552**	244,558,012
Adjusted basic earnings per share (cents)	**35.2**	26.9

8. Financial liabilities – borrowings

	2011 US$m	2010 US$m
Non current		
Senior debt	**473.2**	539.3
Total	**473.2**	539.3
Current		
Senior debt	**18.2**	17.4
Total	**18.2**	17.4
Total borrowings	**491.4**	556.7

9. Cash generated from operations

	Notes	2011 US$m	2010 US$m
Profit/(loss) for the year		**96.5**	(139.2)
Adjustments for:			
Income tax expense	5	**29.1**	48.6
Depreciation on property, plant and equipment		**28.0**	21.4
Amortisation of intangible assets		**82.3**	76.8
Reversal of impairment of intangible assets		**–**	(15.4)
Loss on sale of property, plant and equipment		**0.4**	1.3
Share-based payments charge		**0.5**	0.6
Finance costs	4	**27.3**	191.8
Investment incomes		**(0.7)**	(0.7)
Decrease in provisions		**–**	(0.7)
Exchange differences on financial liabilities	4	**(0.6)**	24.7
Changes in working capital:			
Increase in inventories		**(3.6)**	(6.9)
Increase in trade and other receivables		**(4.3)**	(9.5)
Increase in trade and other payables		**0.1**	21.9
Cash generated from operations		**255.0**	214.7
Income taxes paid		**(75.3)**	(41.2)
Interest paid		**(24.6)**	(44.1)
Net cash from operating activities		**155.1**	129.4

10. Acquisition of subsidiary

On 1 October 2011, the Group acquired Clariant AG's polysilazane coatings and resins business for a cash consideration of US$5.2m (€4m), to support the future growth of the silicon chemistry business within the Optronics sector.

11. Costs of issuing shares

In 2010, the company issued shares to investors and senior management. Costs of US$22.3m which related directly to the issue of new shares were set off against the share premium account. Of the total costs, US$7.8m remained in creditors at 31 December 2010 and was paid during the year ending 31 December 2011.

SHAREHOLDER INFORMATION

1. Company website: www.az-em.com

The Company's Half-Year and Annual Reports to shareholders, and results announcements and presentations, are available to view and download at our website, www.az-em.com. Shareholders can also access current AZ share price information, the latest news about the Company, its products and operations, and details of future events and how to obtain further information.

2. Company Registrar: Capita Registrars www.capitaregistrars.co.uk

Enquiries concerning shareholdings, dividends and changes in personal details should be referred to the Company's registrar, Capita Registrars ("Capita") in the first instance. They can be contacted at ssd@capitaregistrars.com or otherwise as follows:

Telephone:

- 0871 664 0300 (calls cost 10p per minute plus network extras)
- +44 (0) 20 8639 3399 (from outside the UK)
- Lines are open from 9.00am to 5.30pm, Monday to Friday, excluding public holidays

Share Registrar (Shareholders):

Capita Registrars (Jersey) Limited
12 Castle Street
St Helier
Jersey JE2 3RT
Channel Islands

Depository Interests (Depository Interest holders):

Capita IRG Trustees Limited
The Registry
Regulated Business
34 Beckenham Road
Kent BR3 4TU
United Kingdom

Alternatively, shareholders can view and manage their shareholding through AZ's share portal which is hosted by Capita - simply log on to www.capitashareportal.com and follow the registration instructions.

3. 2011 Final Dividend and related services

The Board is recommending a final dividend for the year ended 31 December 2011 of 8.5 cents per Ordinary share, subject to shareholder approval being obtained at the Company's Annual General Meeting. The final dividend will be paid on 11 May to shareholders registered at the close of business on 30 March 2012.

Related services (briefly described below) will be offered in support of this final dividend payment. Full details are available on the Investors section of the Company's website at www.az-em.com. This includes a direct link to the AZ share portal hosted by Capita (through whom the services are to be provided) and from where reference booklets and application forms can be downloaded and services applied for online.

- **Currency election for cash dividends**

  The final dividend has been declared in US Dollars but will be paid in GB Pounds Sterling unless a currency election is made to receive the dividend in US Dollars. The US$:GB£ exchange rate to be used will be that prevailing on or about 24 April 2012 and notified by the Company by means of a

public announcement to the London Stock Exchange the following day. To be valid in respect of the final dividend, completed currency election forms must be returned to Capita by 16 April 2012. Depository Interest holders who wish to make a currency election should either reference their CREST Manual (if they are CREST participants) or contact their CREST sponsor (if they are CREST members), who will be able to take appropriate action on their behalf.

- **Dividend payments to UK shareholders - Dividend Mandates**

  UK shareholders may request that their dividends be paid directly into a nominated UK bank or building society account through the Bankers' Automated Clearing System (BACS). This arrangement is only available in respect of dividends paid in GB Pounds Sterling. To take advantage of this facility in respect of the interim dividend, completed mandate forms must be received by Capita by 16 April 2012.

- **Dividend payments to overseas shareholders - International Payment Service**

  For international shareholders who would prefer to receive payment of their dividends in local currency and direct into their local bank account, an International Payment Service ("IPS") is available. To be valid in respect of the final dividend, completed IPS application forms must be received by Capita by 16 April 2012.

- **Dividend Reinvestment Plan**

  A Dividend Reinvestment Plan ("DRIP") is a simple and convenient means by which shareholders can increase their holding in the Company by using dividends to buy more shares instead of receiving the cash payment. To be valid in respect of the final dividend, completed DRIP mandates must be received by Capita by 16 April 2012.

4. 2011 Final Dividend timetable

	2012
Preliminary Announcement, including final dividend declaration in US Dollars*	28 February
Annual Report mailed to Shareholders and Depository Interest holders	26 March
Ex-dividend date	28 March
Record date	30 March
Deadline for return of currency elections, IPS mandates, dividend mandates and DRIP elections	16 April
Exchange rate announced for GB Pound Sterling default payment of final dividend	24 April
Annual General Meeting seeking Shareholder approval of final dividend	2 May
Payment date	11 May

* The 2011 final dividend will be paid by the Company without deduction of Luxembourg withholding tax.

The tax outcomes of receiving a dividend from the Company will depend on the specific circumstances of Shareholders and Depository Interest holders. If you are in any doubt as to your tax position, you should consult an appropriately qualified professional advisor.

5. Investor and media enquiries

For any investor enquiries, please contact Majid Nazir (Head of Investor Relations) at AZ Electronic Materials, by telephone on +44 (0) 20 8622 3825 or by email at majid.nazir@az-em.com.

For any media enquiries, please contact Edward Bridges or Nick Hasell at FTI Consulting, by telephone on +44 (0) 20 7269 7147 or by email at azem@fticonsulting.com.