

27 July 2023

**ELEMENTIS plc**

("Elementis" or the "Group")

**INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023****Resilient performance, results in line with expectations**

- Revenue down 6% (down 4% on an underlying basis\*) to \$364m, with improved pricing and product mix partially offsetting lower volumes.
- Adjusted operating profit of \$53m up against H2 2022 (\$42m) and down 10% (7% on an underlying basis\*) against prior year period (\$58m). Strong Personal Care and materially improved Talc performance offset by weaker Coatings volumes.
- Adjusted operating margin of 14.4% compared to 15.0% in the prior year period as improved price/mix and proactive cost management actions help to optimise performance.
- Profit from continuing operations of \$26m compared to \$18m in prior year period, with lower adjusting items<sup>6</sup> partially offset by higher net interest costs and UK corporation tax.
- Net debt of \$255m down from \$367m at the end of 2022 driven by the successful disposal of Chromium. Net debt to EBITDA<sup>5</sup> down from 2.2x (31 December 2022) to 2.0x, with further progress expected at the year end.

**Further strategic progress, well positioned for sustainable growth and value creation**

- Completion of Chromium disposal for \$170m with \$139m of proceeds - Elementis now a less cyclical, higher margin and lower carbon intensive business.
- New Performance Specialties business driving greater market focus, enhanced growth opportunities and reduced costs - Talc performance recovery on track with a combination of effective price and cost management.
- Delivered \$25m of revenue from new business opportunities and 8 new product launches. On course for targeted \$10m of annual cost savings by the end of 2023.
- Capital Markets Day on 14 November to update on continuing strategic progress.

**Guidance unchanged – strength in a challenging demand environment**

- Full year outlook unchanged, with the Group expected to deliver an improved financial performance and reduction in leverage, in line with expectations.

**FINANCIAL SUMMARY**

|  | <b>Six months ended<br/>30 June 2023</b> | Six months ended<br>30 June 2022 | % Change<br>Reported |
|--|--|----------------------------------|----------------------|
| Revenue  | <b>\$364m</b>                            | \$387m                           | -6%                  |
| Profit for the period                            | <b>\$26m</b>                             | \$18m                            | +44%                 |
| Basic earnings per share <sup>2</sup>            | <b>4.4c</b>                              | 3.1c                             | +42%                 |
| Adjusted operating profit <sup>1</sup>           | <b>\$53m</b>                             | \$58m                            | -10%                 |
| Adjusted profit before tax <sup>1</sup>          | <b>\$45m</b>                             | \$46m                            | -3%                  |
| Adjusted diluted earnings per share <sup>2</sup> | <b>5.6c</b>                              | 6.1c                             | -8%                  |
| Adjusted operating cash flow <sup>3</sup>        | <b>\$13m</b>                             | \$13m                            | +1%                  |
| Net debt <sup>4</sup>                            | <b>\$255m</b>                            | \$393m                           | -35%                 |
| Ordinary dividend per share                      | <b>—</b>                                 | —                                | —                    |

Commenting on the results, CEO, Paul Waterman said:

“The Group has performed well in a weak demand environment, reflecting the strength of its business model and the benefits of proactive self-help actions. Personal Care had a strong first half, gaining from innovative new product launches and new business success. Performance Specialties demonstrated its resilience as our new streamlined operating structure enabled a material Talc performance recovery and improved focus on higher value added products in attractive growth markets. Whilst we are mindful of continued macro-economic risks, the Group is well positioned to manage these impacts and deliver against full year expectations”.

**Notes:**

\* Adjusted for constant currency. See Finance Report.

1 – See note 5

2 – See note 9

3 – See Finance Report

4 – See note 12

5 – See unaudited pro forma information

6 – As detailed in note 5

**Further information**

A virtual presentation for investors and analysts will be held at 09:00 BST on 27 July 2023. The presentation will be webcast on [www.elementis.com](http://www.elementis.com) and a copy of this Interim Results announcement can also be found on this website. Conference call dial in details:

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# Business review

## CEO's report

Following the successful sale of Chromium in the first quarter and the creation of our Performance Specialties segment, Elementis is a more focused specialty chemicals business that brings a distinctive combination of expertise, innovation and teamwork to every formulation challenge. We create high-value specialty additives that enhance the performance of our customers' products and make a positive change in the world; unique chemistry, sustainable solutions.

In the first six months of the year the Group delivered a resilient financial performance despite weak demand conditions and customer destocking in several key markets. This is testament to the attractiveness of our business model and the ongoing effectiveness of our proactive pricing and cost management. Personal Care (now 44% of Group profit) performed well with strong revenue and earnings growth, while Performance Specialties displayed encouraging resilience as materially improved Talc earnings partially offset weaker Coatings volumes. The Group's performance, combined with continued strategic momentum as part of our Innovation, Growth and Efficiency agenda, has put us in a good position to deliver on expectations for 2023, and make further progress towards our medium-term performance objectives. The next update on our continuing strategic progress will be at our Capital Markets Day on 14 November 2023.

### Group performance

Following the disposal of the Chromium business in January 2023 all prior year Group figures have been restated to exclude Chromium and allocate the \$7m of annual stranded costs to the Personal Care and Performance Specialties segments.

In the six months to 30 June 2023, revenue declined 4% on an underlying basis\* (down 6% on a reported basis) to \$364m as pricing and mix improvements partially offset weaker volumes in Performance Specialties. Adjusted operating profit declined 10% on a reported basis to \$53m, with lower revenues partially offset by proactive cost management across the organisation. As a result, continuing margins declined from 15.0% to 14.4%. Reported operating profit increased from \$27m to \$44m due to a \$22m reduction in adjusting items.

### Personal Care

In the six months to 30 June 2023, Personal Care revenue increased 7% on an underlying basis\* to \$112m (up 6% on a reported basis) driven by improved price/mix and continued strategic progress.

Sales into colour cosmetics applications was an area of strength, up 16% on the prior year period driven by new product launches such as Bentone® Plus Glow. Asia and skin care, two strategic focus areas for the business also showed continued positive momentum. Sales in Asia grew 5%, with notable progress in Japan and South Korea as recent investments in sales and marketing resources and new products more than offset a slow start to the year in China. In skin care, our sales grew 7% against a strong prior year comparative as recent new product launches such as Bentone™ Luxe XO continued to gain traction with customers.

Adjusted operating profit for Personal Care increased 16% on an underlying\* basis (14% on a reported basis) to \$27m, representing an adjusted operating margin of 24.5% versus 22.7% in the prior year period.

### Performance Specialties

At the end of 2022, following the sale of Chromium, we streamlined our business by combining the Talc and Coatings segments into one operating division, Performance Specialties. This step has enabled a stronger end market focus on growth opportunities. We will continue to report Talc performance for transparency.

In the period, Performance Specialties revenue declined 9% on an underlying basis\* to \$252m (down 11% on a reported basis) with volume weakness across both Coatings and Talc partially offset by pricing benefits and improved mix. Adjusted operating profit declined 21% on an underlying basis\* (23% on a reported basis) to \$34m with a strong Talc performance recovery partially offsetting the volume led decline in Coatings.

## **Coatings**

In Coatings, revenue declined 12% on an underlying basis\* (down 14% on a reported basis) against a very strong prior year comparative to \$181m. All regions experienced weaker performance as a result of lower end market demand and significant destocking throughout the value chain. In the Americas and EMEA sales declined 18% and 15% respectively due to weaker performance in both decorative and industrial markets linked to lower manufacturing, construction and residential activity, along with customer destocking. In Asia, where approximately 80% of our sales are linked to industrial end markets, revenue declined 13% due to weak manufacturing activity in China post the lifting of COVID-19 related restrictions.

Adjusted operating profit declined 38% on an underlying basis\* (40% on a reported basis) from \$42m to \$25m with improved price/mix offset by materially weaker volumes across all key end markets and geographies. As a result, adjusted operating profit margins decreased from a record high of 20.2% in the prior year period to 14.0%.

## **Talc**

In Talc, revenue decreased 2% on a reported basis (flat on an underlying basis\*) from \$73m to \$71m with the benefit from price actions, implemented in late 2022, and improved mix offsetting weaker year on year volumes.

Revenue from industrial talc (representing over 85% of total Talc revenue) was modestly down on an underlying basis\* against the prior year period, with successful price increases in response to variable cost inflation offset by volume declines. While volumes sequentially improved from the last quarter of the previous year, they declined across all key end markets versus the prior year period linked to weak manufacturing activity and customer destocking. Sales to paper customers, which represent only 8% of total Talc revenue, rose strongly against a prior year period that was impacted by strike action at our main customers production plant.

Adjusted operating profit increased materially from \$3m to \$9m, with margins rising from 4% to 13%. The delivery of cost synergies linked to the creation of the Performance Specialties business, variable cost decreases and the benefits of pricing actions all contributed to the performance improvement.

## **Balance sheet**

At 30 June 2023 net debt was \$255m compared to \$367m at the end of 2022, with weaker earnings and working capital outflows, in line with our typical seasonality, offset by \$139m of proceeds received from the disposal of the Chromium business in Q1 2023. Leverage at the end of the period was 2.0x net debt to adjusted EBITDA\*\* (2.2x at 31 December 2022). Further progress on debt and leverage reduction is expected in the second half, driven by improved underlying cashflow generation, in line with typical seasonality.

## **Interim dividend**

The Board recognises the importance of a dividend to our shareholders. Given the continued macroeconomic uncertainty and the desire to further reduce leverage, the Board has decided it is prudent not to declare an interim dividend for 2023. The Board will keep future dividends under review and will restart payments as soon as it is appropriate to do so.

## **Strategic progress – Innovation, Growth & Efficiency**

In recent years, we have made significant progress positioning Elementis as a premium performance additives company, based on unique assets, value chains, and with clear opportunities for growth. Our strategic pillars of Innovation, Growth and Efficiency are designed to leverage this differentiated portfolio and the execution of our strategic priorities will deliver our medium term performance objectives of:

- **17% adjusted operating profit margin:** driven by Innovation, Growth and Efficiency
- **90%+ adjusted operating cash conversion:** consistent with 5 year average historical performance
- **Leverage under 1.5x net debt / EBITDA:** consistent with debt reduction track record

## ***Innovation***

Innovation is a key pillar for the growth of Elementis. We are recognised as a global leader in developing performance driven additives that address unmet consumer and market needs. We continue to focus on creating solutions for our customers that deliver product performance improvements and efficiency gains, while always focusing on how sustainability can be improved for our customers. We leverage our strong customer relationships with industry technology leaders and strive to become the innovation partner of choice.

At present, 72% of our revenue is from products that are natural or naturally derived<sup>†</sup>. While this is a strong proportion, we are focused on improving this further. In the first half of the year we launched 8 new products, including two exciting new Personal Care products. Bentone Hydroclay™ 700 is a 100% natural combination of high purity hectorite clay and xanthan gum that allows the creation of silky smooth and light skin products. Responding to the up-and-coming “skin glow” trend, Bentone® Plus Glow is a new hectorite gel technology that combines hectorite clay with naturally derived active ingredients to combat signs of dull and flaky skin. Customer feedback on both these products has been extremely positive as they deliver excellent performance, reduce product development times, increase the speed to market for fast and agile brands, and are natural.

## ***Growth***

New products and new business will drive future growth. While near term growth is challenged by macroeconomic headwinds and customer destocking, we see long-term sustainable growth across all of our Personal Care and Performance Specialties markets, with attractive incremental revenue opportunities.

In Personal Care, Asia represents under 15% of our sales and the medium term aim is to double our cosmetics sales in the region. Despite headwinds in China, we achieved good growth in the first half, benefiting from recent product launches (for instance our JSQI gels) and investments in local sales and marketing resources. Today our Asia business is nearly twice the size it was three years ago, and with significant runway for further progress. In skin care, which represents approximately \$20m of annual sales, we continue to make good progress leveraging the unique benefits of hectorite clay into a new market and have already delivered on our medium term ambition to add \$10m of high margin sales since 2019.

In Performance Specialties, our high margin growth platforms in Coatings have a track record of success, increasing from approximately 30% of total revenue in 2019 to just under 40% today. While near term growth has been challenged we remain well positioned for further success. In the first half we expanded our NiSAT series for premium decorative paints with Rheolate® PHX 7025. This product offers market leading performance attributes in a 100% active powdered format that requires no biocides, emulsifiers or surfactants, resulting in a volatile organic compound free product with significantly lower transportation emissions. Furthermore, the launch of Dapro® Bio 9910, a new 96% bio based defoamer product, extends our waterborne industrial additives portfolio and enhances the sustainability credentials of our technology solutions.

## ***Efficiency***

In recent years our supply chain organisation has faced multiple efficiency challenges including materials shortages and rapid cost inflation. The start of this year has been characterised by low demand. Again we have responded proactively, this time with particular focus on costs. Hiring and travel spend has been limited, and operations optimised to match the low demand environment, including reduced production runs and optimised maintenance plans. These activities have helped our first half performance.

Our new AP Actives plant in India will create a cost advantaged and resilient supply chain, generate material savings in 2024 and being a closed water production facility, significantly lower our environmental impact. Our global process engineers have delivered continuous improvement gains from areas such as debottlenecked spray drying capacity in Newberry, California and insourced raw materials at our operations in Milwaukee. Combined with further progress in procurement, leveraging our global scope and scale, we achieved \$3m of efficiency savings in the first half across these two areas.

The macroeconomic environment in 2023 remains uncertain but we are confident that through a mixture of targeted innovation, agile supply chain management and continued efficiency focus, we can defend and improve margins over time.

## **Outlook**

While global economic risks persist, the Group has again demonstrated resilience and the importance of its self-help agenda. We will continue to maintain our focus on Innovation, Growth and Efficiency and in 2023 expect to capture \$50m of new business opportunities, create 15 new products and deliver \$10m of additional efficiency savings.

For the rest of the year, we are confident that our first half performance, combined with continued proactive cost management, means we are well positioned to deliver an improved financial performance in line with expectations and a further reduction in leverage.

## **Notes:**

Where we refer to adjusted performance measures (e.g. adjusted operating profit), see Note 5

\* Adjusted for FX (where constant currency reflects prior year results translated at current year exchange rates). See Finance Report for the constant currency impact at a business unit level

\*\* Excluding the impact of IFRS 16

† Naturally derived products defined in accordance with ISO 16128 standard and explicitly excludes ingredients derived from fossil fuels

# Finance report

| Revenue<br>for the six months ended 30 June | 2022<br>\$m  | Effect of<br>exchange<br>rates<br>\$m | Increase/<br>(decrease)<br>2023<br>\$m | 2023<br>\$m  |
|---|--------------|---------------------------------------|--|--------------|
| <i>Coatings</i>                             | 209.3        | (4.1)                                 | (24.2)                                 | 181.0        |
| <i>Talc</i>                                 | 72.5         | (1.4)                                 | (0.1)                                  | 71.0         |
| Performance Specialties                     | 281.8        | (5.5)                                 | (24.3)                                 | 252.0        |
| Personal Care                               | 105.6        | (1.2)                                 | 7.4                                    | 111.8        |
| <b>Revenue</b>                              | <b>387.4</b> | <b>(6.7)</b>                          | <b>(16.9)</b>                          | <b>363.8</b> |

| Adjusted operating profit*<br>for the six months ended 30 June | 2022<br>\$m | Effect of<br>exchange<br>rates<br>\$m | Increase/<br>(decrease)<br>2023<br>\$m | 2023<br>\$m |
|--|-------------|---------------------------------------|--|-------------|
| <i>Coatings</i>  | 42.2        | (1.0)                                 | (15.8)                                 | 25.4        |
| <i>Talc</i>  | 2.7         | (0.1)                                 | 6.4                                    | 9.0         |
| Performance Specialties  | 44.9        | (1.1)                                 | (9.4)                                  | 34.4        |
| Personal Care  | 24.0        | (0.4)                                 | 3.8                                    | 27.4        |
| Central Costs  | (10.7)      | –                                     | 1.4                                    | (9.3)       |
| <b>Adjusted operating profit</b>                               | <b>58.2</b> | <b>(1.5)</b>                          | <b>(4.2)</b>                           | <b>52.5</b> |

Note: All prior year numbers are restated to reflect the allocation of Chromium stranded costs to the remaining business units.

| Operating profit<br>for the six months ended 30 June | 2023<br>Operating<br>profit/(loss)<br>\$m | Adjusting<br>items<br>\$m | 2023<br>Adjusted<br>operating<br>profit/(loss)*<br>\$m | 2022<br>Operating<br>profit/(loss)<br>\$m | Adjusting<br>items<br>\$m | 2022<br>Adjusted<br>operating<br>profit/(loss)*<br>\$m |
|--|---|---------------------------|--|---|---------------------------|--|
| <i>Coatings</i>                                      | 24.9                                      | 0.5                       | 25.4   | 41.0                                      | 1.2                       | 42.2   |
| <i>Talc</i>  | 6.3                                       | 2.7                       | 9.0  | (23.3)                                    | 26.0                      | 2.7  |
| Performance Specialties                              | 31.2                                      | 3.2                       | 34.4   | 17.7                                      | 27.2                      | 44.9   |
| Personal Care  | 23.1                                      | 4.3                       | 27.4   | 19.8                                      | 4.2                       | 24.0   |
| Central Costs  | (10.5)                                    | 1.2                       | (9.3)  | (10.2)                                    | (0.5)                     | (10.7)   |
| <b>Total operating profit</b>                        | <b>43.8</b>                               | <b>8.7</b>                | <b>52.5</b>  | <b>27.3</b>                               | <b>30.9</b>               | <b>58.2</b>  |

\*See note 5

## Group results

Group revenue for the first six months of 2023 was \$363.8m compared to \$387.4m in the same period last year, a decrease of \$23.6m (6.1%). Excluding the impact of currency, Group revenue declined by 4.4%, driven primarily by weak market demand and customer destocking in Coatings, partially offset by strong Personal Care.

Group adjusted operating profit was \$52.5m compared to \$58.2m in the same period last year, a decrease of 9.8%, or 7.4% excluding currency movements, representing an adjusted operating profit margin of 14.4%, down from the prior year margin of 15.0%. Operating profit increased from \$27.3m in the prior year period to \$43.8m primarily driven by the impact of the adjusting items in 2022 (see Note 5 for further information).

## Central costs

Central costs are costs that are not identifiable as expenses of a particular business and comprise the global corporate offices in the UK and US which include the Board of Directors, executive and senior management. The decrease in the adjusted operating loss for the first half of 2023 was primarily due to movements in adjusting items, partially offset by underlying cost inflation.

## Adjusting items

In addition to the statutory results, the Group uses alternative performance measures, such as adjusted operating profit and adjusted diluted earnings per share, to provide additional useful analysis of the performance of the Group. The Board considers these non-GAAP measures as an alternative way to measure the Group's performance. Adjusting items in the 6 months ended June 2023 resulted in a charge of \$10.2m before tax, a decrease of \$13.0m against the same period last year. The key categories of adjusting items are summarised below. For more information on adjusting items and the Group's policy for adjusting items, please see Note 5.

| Charge/(credit)                                    | 2023<br>Six months<br>ended<br>30 June<br>\$m | 2022<br>Six months<br>ended<br>30 June<br>\$m | 2022<br>Year<br>ended<br>31 December<br>\$m |
|--|---|---|---|
| Adjusting items:                                   |   |   |   |
| Business transformation                            | 1.2   | 0.8   | 4.8   |
| Environmental provisions                           | 0.4   | (0.5)   | (3.8)                                       |
| Impairment of property, plant and equipment        | –   | 23.0  | 23.0  |
| Impairment of goodwill                             | –   | –   | 103.4                                       |
| Amortisation of intangibles arising on acquisition | 7.1   | 7.6   | 14.9  |
| <b>Total charge to operating profit</b>            | <b>8.7</b>                                    | <b>30.9</b>                                   | <b>142.3</b>                                |
| Mark to market of derivatives                      | 1.5   | (7.7)   | (6.6)                                       |
| Tax credit in relation to adjusting items          | (2.6)   | (5.0)   | (8.3)                                       |
| <b>Total adjusting items</b>                       | <b>7.6</b>                                    | <b>18.2</b>                                   | <b>127.4</b>                                |

In the first half of 2023, \$8.7m of charges to operating profit were classified as adjusting items. Of these items, \$7.1m relates to the amortisation of intangibles arising on acquisitions. Business transformation costs of \$1.2m included costs incurred in relation to the closure of the Charleston plant announced in November 2020. A charge of \$0.4m to the environmental provision is comprised of a credit of \$0.8m related to the impact of changes in discount rates and a charge of \$1.2m related to extra remediation work identified.

The charge to finance costs of \$1.5m represents movements in mark to market valuation of financial instruments which are not in hedging relationships.

An explanation of other adjusting items relating to the previous period can be found within the Finance Report of the 2022 Annual Report and Accounts.

## Other expenses

Other expenses are administration costs incurred and paid by the Group's pension schemes, which relate primarily to former employees of legacy businesses and were \$0.5m in the period compared to \$0.6m in the previous year.

## Net finance costs

| Net finance costs<br>for the six months ended 30 June | 2023<br>\$m  | 2022<br>\$m  |
|---|--------------|--------------|
| Finance income  | 0.4          | 0.1          |
| Finance cost of borrowings                            | (7.5)        | (10.6)       |
|   | (7.1)        | (10.5)       |
| Net pension finance income/(expense)                  | –            | 0.3          |
| Unwind of discount on provisions                      | (0.5)        | (0.3)        |
| Fair value movement on derivatives                    | (0.1)        | 7.7          |
| Interest on lease liabilities                         | (0.7)        | (0.7)        |
| <b>Net finance costs</b>                              | <b>(8.4)</b> | <b>(3.5)</b> |

Net finance costs for the first six months of the year of \$8.4m were \$4.9m higher than the same period last year. Within this total, net interest costs were \$3.4m lower at \$7.1m due to a reduced level of borrowings and an effective interest rate hedging policy. Net pension finance costs were \$nil in 2023 compared with a \$0.3m credit in 2022 due an higher discount rates. The unwind of discount on provisions of \$0.5m was \$0.2m higher compared to 2022 as a result of higher discount rates. The interest on lease liabilities in the period remained in line with the previous year. The fair value movement on derivatives which are not in hedging relationships was significantly lower than the prior year as a result of foreign exchange fluctuations.

## Tax

The Group reports an adjusted tax charge for the first half of 2023 of \$11.8m (2022: \$10.4m); giving rise to an adjusted effective tax rate of 26.2% (2022: 22.4%). The adjusted effective tax rate is higher than the prior year due the increase in UK corporation tax rate from 19% to 25% effective from 1 April 2023.

Tax on adjusting items for the first half of 2023 amounts to a credit of \$2.6m (2022: credit of \$5.0m); resulting in a total statutory tax charge for the period of \$9.2m (2022: \$5.4m) and a reported effective tax rate of 26.4% (2022: 23.3%).

For the full year 2023, we are currently forecasting an adjusted effective tax rate of c.26%.

## Earnings per share

Statutory basic earnings per share was 4.4 cents for the period compared to basic earnings per share of 3.1 cents in the prior period.

Basic adjusted and diluted adjusted earnings per share for the first half of 2023, calculated on the adjusted earnings of \$33.3m (2022: \$36.0m), was 5.7 cents and 5.6 cents compared to 6.2 cents and 6.1 cents respectively for the same period last year.

Note 9 provides disclosure of earnings per share calculations both including and excluding the effects of adjusting items and the potential dilutive effects of outstanding and exercisable options.

## Adjusted cash flow

Cash flow is summarised below:

| Adjusted cash flow<br>for the six months ended 30 June                        | 2023<br>\$m    | 2022<br>\$m    |
|---|----------------|----------------|
| Profit before interest, tax, depreciation and amortisation (Adjusted EBITDA)* | 74.0           | 78.2           |
| Change in working capital   | (46.2)         | (51.2)         |
| Net capital expenditure   | (13.8)         | (15.1)         |
| Other   | (1.1)          | 0.9            |
| <b>Adjusted operating cash flow</b>   | <b>12.9</b>    | <b>12.8</b>    |
| Pension contribution net of current service cost                              | (0.9)          | 0.4            |
| Net interest paid   | (10.8)         | (11.1)         |
| Tax   | (10.7)         | (9.1)          |
| Adjusting items   | (0.9)          | (1.1)          |
| Other (including payment of lease liabilities)                                | (1.2)          | (3.7)          |
| <b>Free cash flow</b>   | <b>(11.6)</b>  | <b>(11.8)</b>  |
| Acquisitions and disposals  | 139.2          | –              |
| Discontinued operations   | (12.0)         | 6.0            |
| Currency fluctuations   | (4.3)          | 13.4           |
| <b>Decrease/(increase) in net debt</b>  | <b>111.3</b>   | <b>7.6</b>     |
| Net debt at start of period   | (366.8)        | (401.0)        |
| <b>Net debt as at end of period</b>   | <b>(255.5)</b> | <b>(393.4)</b> |

\*See alternative performance measures on page 30

Net debt as at 30 June 2023 of \$255.5m is significantly down on the 2022 year end position of \$366.8m due to the disposal of the Chromium business. Adjusted operating cash flow in the period of \$12.9m was slightly higher than the comparative 2022 period of \$12.8m, with lower net working capital outflow and lower net capital expenditure partially offset by lower earnings.

Net capital expenditure in the period was \$13.8m, \$1.3m lower than the previous year. Capital spending for the whole year is expected to be c.\$40m.

There were \$1.3m of pension payments to the UK pension scheme in the period (2022: nil). The next triennial review to set any future contribution levels is due in September 2023.

Net tax payments in the period of \$10.7m were slightly higher than the prior period due to the phasing of tax instalment payments.

Dividend payments were nil in the first six months of 2023 (2022: nil). The Board recognises the importance of a dividend to our shareholders. However, given the continued macroeconomic uncertainty and the desire to further reduce leverage, the Board has decided it is prudent not to declare an interim dividend for 2023. The Board will keep future dividends under review and will restart payments as soon as it is appropriate to do so.

Overall the Group had a net debt position at 30 June 2023 of \$255.5m, representing a net debt/EBITDA ratio of 2.0x on a pre-IFRS 16 basis (2.2x at December 2022). Further reduction in leverage is expected by the year end, driven by improved trailing months earnings and robust cash conversion.

### Working capital

|                                      | 30 June<br>2023 | 30 June<br>2022 | 31 December<br>2022 |
|--------------------------------------|-----------------|-----------------|---------------------|
| Working capital days                 |                 |                 |                     |
| Inventory                            | 128             | 116             | 129                 |
| Debtors                              | 44              | 43              | 37                  |
| Creditors                            | 60              | 72              | 82                  |
| Average working capital to sales (%) | 25.3            | 19.4            | 22.5                |

Total working capital for the Group of \$192.2m was \$50.7m higher than at 31 December 2022, driven by increased debtors and lower creditors. As a result, debtors days increased from 37 days (31 December 2022) to 44 days and creditor days decreased from 82 days (31 December 2022) to 60 days. Inventory days have remained reasonably stable and we are looking to reduce absolute inventory levels in the second half.

### Balance sheet

|                               | 30 June<br>2023<br>\$m | 30 June<br>2022<br>\$m | 31 December<br>2022<br>\$m |
|-------------------------------|------------------------|------------------------|----------------------------|
| Property, plant and equipment | 385.3                  | 452.6                  | 386.4                      |
| Other net assets              | 708.9                  | 830.2                  | 764.3                      |
| Net debt                      | (255.5)                | (393.4)                | (366.8)                    |
| Equity                        | 838.7                  | 899.4                  | 783.9                      |

Property, plant and equipment decreased by \$1.1m compared to the value at 31 December 2022, primarily as a result of depreciation of \$18.2m for the 6 months offset by net capital expenditure of \$13.4m and currency translation. Other net assets decreased by \$55.4m primarily as a result of the disposal of the Chromium business which was completed on 31 January 2023.

Equity increased by \$54.8m compared to 31 December 2022, primarily as a result of the statutory profit in the period of \$27.5m, net of \$9.3m from the impact of the disposal of the Chromium business, foreign exchange gains of \$8.4m and gains from impact of accounting for cash flow hedges of \$7.8m. The remainder of the movement relates primarily to share based payment provisions and actuarial losses on pensions, net of the deferred tax impact.

The main dollar currency exchange rates as at 30 June 2023 and average rates in the period were:

|          | 2023<br>30 June | 2023<br>Average | 2022<br>30 June | 2022<br>Average |
|----------|-----------------|-----------------|-----------------|-----------------|
| Sterling | 0.79            | 0.82            | 0.82            | 0.77            |
| Euro     | 0.92            | 0.93            | 0.96            | 0.91            |

### Pensions and post retirement plans

|   | UK<br>\$m   | US<br>\$m    | Other<br>\$m | Total<br>\$m |
|---|-------------|--------------|--------------|--------------|
| <b>Movement in net deficit</b>                          |             |              |              |              |
| Net surplus/(deficit) in schemes at 1 January 2023      | 26.4        | (3.5)        | (5.4)        | 17.5         |
| Current service cost                                    | –           | (0.3)        | (0.2)        | (0.5)        |
| Contributions   | 1.3         | 0.7          | (0.1)        | 1.9          |
| Administration costs                                    | (0.4)       | (0.1)        | –            | (0.5)        |
| Net interest expense                                    | 0.7         | (0.5)        | (0.2)        | –            |
| Actuarial gain/(loss)                                   | (4.5)       | 3.6          | (0.2)        | (1.1)        |
| Currency translation difference                         | 1.3         | –            | 0.3          | 1.6          |
| <b>Net surplus/(deficit) in schemes at 30 June 2023</b> | <b>24.8</b> | <b>(0.1)</b> | <b>(5.8)</b> | <b>18.9</b>  |

During the period the surplus, under IAS 19, on the Group's pension and post-retirement medical plans increased by \$1.4m to a net surplus of \$18.9m. During the first six months of 2023 the UK scheme had an annualised loss on scheme assets of 5.1% (2022: return of 35.8%), liabilities decreased by 5% (2022: decreased by 23%) and the net surplus decreased by \$1.6m. This movement was driven by actuarial changes due predominantly to an increase in the discount rate which more than offset a decrease in scheme assets over the period and the impact of higher inflation. Within the US schemes the net deficit decreased by \$3.4m mainly due to the net return on plan assets. Contributions in the period totalled \$0.7m (2022: \$0.5m), all to the US plans. There were net \$1.3m pension payments to the UK pension scheme in the period (2022: nil). The next triennial review is due in September 2023.

### Related party transactions

There were no material related party transactions entered into during the first half of the year and there have been no material changes to the related party transactions disclosed in the Company's 2022 Annual Report and Accounts on page 210.

## Cautionary statement

The Elementis plc interim results announcement for the half year ended 30 June 2023, which comprises the CEO's report, Finance report and the Directors' responsibility statement (which taken together constitute the Interim management report) and the interim financial statements and accompanying notes (incorporating a Condensed consolidated balance sheet at 30 June 2023, Condensed consolidated income statement, Condensed consolidated statement of comprehensive income, Condensed consolidated cash flow statement and Condensed consolidated statement of changes in equity, each for the six months ended 30 June 2023) (altogether 'Half-yearly financial report'), contains information which viewers or readers might consider to be forward looking statements relating to or in respect of the financial condition, results, operations or businesses of Elementis plc. Any such statements involve risk and uncertainty because they relate to future events and circumstances. There are many factors that could cause actual results or developments to differ materially from those expressed or implied by any such forward looking statements. Nothing in this Half-yearly financial report should be construed as a profit forecast.

# Directors' responsibility statement

A full list of the Directors can be found on the Elementis corporate website at: [www.elementis.com](http://www.elementis.com).

The Directors confirm that to the best of their knowledge:

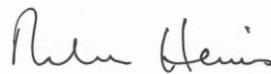
- The condensed set of financial statements set out in this Half-yearly financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the United Kingdom.
- The condensed set of consolidated financial statements, which has been prepared in accordance with the applicable set of accounting standards, gives a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer, or the undertakings included in the consolidation as a whole as required by DTR 4.2.4R; and
- The interim management report contained in this Half-yearly financial report includes a fair review of the information required by:
  - DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of the important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year.
  - DTR 4.2.8R of the Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in related party transactions described in the 2022 Annual Report and Accounts that could have a material effect on the financial position or performance of the entity during the first six months of the current financial year.

Approved by the Board on 26 July 2023 and signed on its behalf by:



**Paul Waterman**

CEO  
26 July 2023



**Ralph Hewins**

CFO  
26 July 2023

# INDEPENDENT REVIEW REPORT TO ELEMENTIS PLC

## Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2023 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated cashflow statement, the condensed consolidated statement of changes in equity, and related notes 1 to 17.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2023 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

## Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom (ISRE (UK) 2410). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with United Kingdom adopted international financial reporting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34, "Interim Financial Reporting".

## Conclusion Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for Conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This Conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410, however future events or conditions may cause the entity to cease to continue as a going concern.

## Responsibilities of the directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the half-yearly financial report, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

## Auditor's Responsibilities for the review of the financial information

In reviewing the half-yearly financial report, we are responsible for expressing to the company a conclusion on the condensed set of financial statements in the half-yearly financial report. Our Conclusion, including our Conclusion Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

**Use of our report**

This report is made solely to the company in accordance with ISRE (UK) 2410. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

**Deloitte LLP**  
Statutory Auditor  
Cambridge, United Kingdom  
26 July 2023

# Condensed consolidated income statement for the six months ended 30 June 2023

|   | Note | 2023<br>Six months<br>ended<br>30 June<br>\$m<br>(unaudited) | 2022 <sup>1</sup><br>Six months<br>ended<br>30 June<br>\$m<br>(unaudited) | 2022<br>Year<br>ended<br>31 December<br>\$m<br>(audited) |
|---|------|--|---|--|
| Revenue   | 4    | 363.8  | 387.4   | 736.4  |
| Cost of sales                                   |      | (219.4)  | (224.5)   | (437.5)  |
| <b>Gross profit</b>                             |      | <b>144.4</b>   | 162.9   | 298.9  |
| Distribution costs                              |      | (58.7)   | (64.0)  | (125.0)  |
| Administrative expenses                         |      | (41.9)   | (71.6)  | (215.7)  |
| <b>Operating profit/(loss)</b>                  | 4    | <b>43.8</b>  | 27.3  | (41.8)   |
| Other expenses                                  |      | (0.5)  | (0.6)   | (1.3)  |
| Finance income                                  | 6    | 1.8  | 7.8   | 9.9  |
| Finance costs                                   | 7    | (10.2)   | (11.3)  | (21.6)   |
| <b>Profit/(loss) before tax</b>                 | 4    | <b>34.9</b>  | 23.2  | (54.8)   |
| Tax   | 8    | (9.2)  | (5.4)   | (7.8)  |
| <b>Profit/(loss) from continuing operations</b> |      | <b>25.7</b>  | 17.8  | (62.6)   |
| Profit from discontinued operations             |      | 1.8  | 3.0   | 11.5   |
| <b>Profit/(loss) for the period</b>             |      | <b>27.5</b>  | 20.8  | (51.1)   |
| Attributable to:                                |      |  |   |  |
| Equity holders of the parent                    |      | 27.5   | 20.8  | (51.1)   |
| <b>Earnings per share</b>                       |      |  |   |  |
| From continuing operations                      |      |  |   |  |
| Basic earnings/(loss) (cents)                   | 9    | 4.4  | 3.1   | (10.7)   |
| Diluted earnings/(loss) (cents)                 | 9    | 4.3  | 3.0   | (10.7)   |
| From continuing and discontinued operations     |      |  |   |  |
| Basic earnings/(loss) (cents)                   | 9    | 4.7  | 3.6   | (8.8)  |
| Diluted earnings/(loss) (cents)                 | 9    | 4.6  | 3.5   | (8.8)  |

<sup>1</sup> 2022 has been represented following the classification of the Chromium business as a discontinued operation, see Note 15 for further details.

# Condensed consolidated statement of comprehensive income for the six months ended 30 June 2023

|   | 2023<br>Six months<br>ended<br>30 June<br>\$m<br>(unaudited) | 2022 <sup>1</sup><br>Six months<br>ended<br>30 June<br>\$m<br>(unaudited) | 2022<br>Year<br>ended<br>31 December<br>\$m<br>(audited) |
|---|--|---|--|
| <b>Profit/(loss) for the period</b>                                 | <b>27.5</b>  | 20.8  | (51.1)   |
| <b>Other comprehensive income:</b>                                  |  |   |  |
| Items that will not be reclassified subsequently to profit or loss: |  |   |  |
| Remeasurement of retirement benefit obligations                     | (1.1)  | 9.8   | (18.5)   |
| Deferred tax associated with retirement benefit obligations         | 0.4  | (2.2)   | 5.3  |
| Items relating to discontinued operations, net of tax               | –  | –   | 0.3  |
| Items that may be reclassified subsequently to profit or loss:      |  |   |  |
| Exchange differences on translation of foreign operations           | (4.2)  | 0.3   | (100.9)  |
| Effective portion of change in fair value of net investment hedge   | 12.6   | (38.6)  | 46.2   |
| Tax associated with change in fair value of net investment hedge    | –  | –   | (2.8)  |
| Tax associated with changes in cashflow hedges                      | –  | –   | 0.8  |
| Recycling of deferred foreign exchange losses on disposal           | 9.3  | –   | –  |
| Effective portion of changes in fair value of cash flow hedges      | 10.5   | 5.9   | (2.6)  |
| Fair value of cash flow hedges transferred to income statement      | (2.7)  | 1.8   | 1.6  |
| Exchange differences on translation of share options reserves       | 0.3  | (1.0)   | (0.9)  |
| Other comprehensive income/(loss), net of tax                       | 25.1   | (24.0)  | (71.5)   |
| <b>Total comprehensive income/(loss) for the period</b>             | <b>52.6</b>  | (3.2)   | (122.6)  |
| Attributable to:  |  |   |  |
| Equity holders of the parent  | 52.6   | (3.2)   | (122.6)  |
| <b>Total comprehensive income/(loss) for the period</b>             | <b>52.6</b>  | (3.2)   | (122.6)  |

<sup>1</sup> 2022 has been represented following the classification of the Chromium business as a discontinued operation, see Note 15 for further details.

# Condensed consolidated balance sheet at 30 June 2023

|  | 2023<br>30 June<br>\$m<br>(unaudited) | 2022 <sup>1</sup><br>30 June<br>\$m<br>(unaudited) | 2022<br>31 December<br>\$m<br>(audited) |
|--|---------------------------------------|--|---|
| <b>Non-current assets</b>                                  |                                       |  |   |
| Goodwill and other intangible assets                       | 655.1                                 | 785.2  | 660.2                                   |
| Property, plant and equipment                              | 385.3                                 | 452.6  | 386.4                                   |
| Tax recoverable  | 18.4                                  | 17.7   | 17.5                                    |
| Deferred tax assets  | 24.8                                  | 28.0   | 24.8                                    |
| Net retirement benefit surplus                             | 24.8                                  | 58.5   | 26.4                                    |
| Derivative financial instruments                           | 7.0                                   | 4.0  | 1.3                                     |
| <b>Total non-current assets</b>                            | <b>1,115.4</b>                        | <b>1,346.0</b>                                     | <b>1,116.6</b>                          |
| <b>Current assets</b>                                      |                                       |  |   |
| Inventories  | 174.8                                 | 218.8  | 182.0                                   |
| Trade and other receivables                                | 121.2                                 | 152.0  | 94.9                                    |
| Derivative financial instruments                           | 6.9                                   | 7.0  | 10.7                                    |
| Current tax asset  | –                                     | 7.1  | 7.0                                     |
| Cash and cash equivalents                                  | 67.3                                  | 76.7   | 54.9                                    |
| <b>Total current assets</b>                                | <b>370.2</b>                          | <b>461.6</b>                                       | <b>349.5</b>                            |
| Assets classified as held for sale                         | –                                     | –  | 160.9                                   |
| <b>Total assets</b>  | <b>1,485.6</b>                        | <b>1,807.6</b>                                     | <b>1,627.0</b>                          |
| <b>Current liabilities</b>                                 |                                       |  |   |
| Bank overdrafts and loans                                  | (1.0)                                 | (5.3)  | (2.7)                                   |
| Trade and other payables                                   | (103.8)                               | (168.6)  | (135.4)                                 |
| Financial liabilities                                      | (0.6)                                 | (0.8)  | (3.3)                                   |
| Current tax liabilities                                    | (17.6)                                | (14.3)   | (20.2)                                  |
| Lease liabilities  | (5.8)                                 | (6.8)  | (6.1)                                   |
| Provisions   | (7.9)                                 | (7.9)  | (5.8)                                   |
| <b>Total current liabilities</b>                           | <b>(136.7)</b>                        | <b>(203.7)</b>                                     | <b>(173.5)</b>                          |
| <b>Non-current liabilities</b>                             |                                       |  |   |
| Loans and borrowings                                       | (318.0)                               | (463.2)  | (414.7)                                 |
| Retirement benefit obligations                             | (5.9)                                 | (15.7)   | (8.9)                                   |
| Deferred tax liabilities                                   | (134.4)                               | (146.7)  | (131.3)                                 |
| Lease liabilities  | (30.6)                                | (31.1)   | (30.2)                                  |
| Provisions   | (21.3)                                | (47.8)   | (23.9)                                  |
| Financial liabilities                                      | –                                     | –  | (2.8)                                   |
| <b>Total non-current liabilities</b>                       | <b>(510.2)</b>                        | <b>(704.5)</b>                                     | <b>(611.8)</b>                          |
| Liabilities classified as held for sale                    | –                                     | –  | (57.8)                                  |
| <b>Total liabilities</b>                                   | <b>(646.9)</b>                        | <b>(908.2)</b>                                     | <b>(843.1)</b>                          |
| <b>Net assets</b>  | <b>838.7</b>                          | <b>899.4</b>                                       | <b>783.9</b>                            |
| <b>Equity</b>  |                                       |  |   |
| Share capital  | 52.5                                  | 52.2   | 52.3                                    |
| Share premium  | 238.7                                 | 243.0  | 238.7                                   |
| Other reserves   | 68.0                                  | 58.5   | 42.1                                    |
| Retained earnings  | 479.5                                 | 545.7  | 450.8                                   |
| <b>Equity attributable to equity holders of the parent</b> | <b>838.7</b>                          | <b>899.4</b>                                       | <b>783.9</b>                            |
| <b>Total equity and reserves</b>                           | <b>838.7</b>                          | <b>899.4</b>                                       | <b>783.9</b>                            |

<sup>1</sup> The classification of the Chromium business as held for sale was at 30 November 2022, thus the at 30 June 2022 Balance Sheet has not been represented to exclude the impact of the Chromium business.

# Condensed consolidated cash flow statement for the six months ended 30 June 2023

|   | 2023<br>Six months<br>ended<br>30 June<br>\$m<br>(unaudited) | 2022 <sup>1</sup><br>Six months<br>ended<br>30 June<br>\$m<br>(unaudited) | 2022 <sup>1</sup><br>Year<br>ended<br>31 December<br>\$m<br>(unaudited) |
|---|--|---|---|
| <b>Operating activities:</b>  |  |   |   |
| Profit/(loss) from continuing operations                                | 25.7   | 17.8  | (62.6)  |
| Adjustments for:  |  |   |   |
| Other expenses  | 0.6  | 0.6   | 1.3   |
| Finance income  | (1.8)  | (7.8)   | (9.9)   |
| Finance costs   | 10.2   | 11.3  | 21.6  |
| Tax charge  | 9.2  | 5.4   | 7.8   |
| Depreciation and amortisation   | 28.8   | 28.1  | 56.9  |
| Decrease in provisions and financial liabilities                        | (2.9)  | (2.0)   | (7.7)   |
| Pension payments net of current service cost                            | (0.9)  | 0.4   | (0.7)   |
| Share based payments expense  | 2.0  | 2.1   | 3.4   |
| Impairment of goodwill  | –  | –   | 103.4   |
| Impairment of property, plant and equipment                             | –  | 23.0  | 23.0  |
| <b>Operating cash flows before movements in working capital</b>         | <b>70.9</b>  | <b>78.9</b>   | <b>136.5</b>  |
| Decrease/(Increase) in inventories                                      | 9.6  | (39.4)  | (57.5)  |
| (Increase)/decrease in trade and other receivables                      | (22.0)   | (17.8)  | 6.5   |
| (Decrease)/increase in trade and other payables                         | (33.8)   | 10.5  | 13.8  |
| <b>Cash generated by operations</b>                                     | <b>24.7</b>  | <b>32.2</b>   | <b>99.3</b>   |
| Income taxes paid   | (10.7)   | (11.0)  | (13.3)  |
| Interest paid   | (11.2)   | (9.3)   | (14.6)  |
| Net cash flow used in operating activities from discontinued operations | (11.9)   | 7.9   | 5.6   |
| <b>Net cash used in operating activities</b>                            | <b>(9.1)</b>   | <b>19.8</b>   | <b>77.0</b>   |
| <b>Investing activities:</b>  |  |   |   |
| Interest received   | 0.4  | 0.1   | 0.2   |
| Cash received on settlement of derivative option                        | 1.9  | –   | –   |
| Disposal of property, plant and equipment                               | –  | 0.3   | (0.4)   |
| Purchase of property, plant and equipment                               | (13.4)   | (15.3)  | (33.1)  |
| Purchase of business  | –  | –   | –   |
| Disposal of business  | 139.2  | –   | –   |
| Acquisition of intangible assets  | –  | (0.1)   | (0.2)   |
| Net cash flow used in investing activities from discontinued operations | (0.3)  | (6.8)   | (13.4)  |
| <b>Net cash flow from investing activities</b>                          | <b>127.8</b>   | <b>(21.8)</b>   | <b>(46.9)</b>   |
| <b>Financing activities:</b>  |  |   |   |
| Issue of shares by the Company and the ESOT net of issue costs          | –  | –   | 0.9   |
| Net movement on existing debt   | (103.4)  | 0.6   | (51.6)  |
| Payment of lease liabilities  | (3.1)  | (3.7)   | (7.1)   |
| Net cash flow from financing activities from discontinued operations    | –  | (0.1)   | –   |
| <b>Net cash used in financing activities</b>                            | <b>(106.5)</b>   | <b>(3.2)</b>  | <b>(57.8)</b>   |
| <b>Net increase/(decrease) in cash and cash equivalents</b>             | <b>12.2</b>  | <b>(5.2)</b>  | <b>(27.7)</b>   |
| Cash and cash equivalents at beginning of period                        | 54.9   | 84.6  | 84.6  |
| Foreign exchange on cash and cash equivalents                           | 0.2  | (2.7)   | (2.0)   |
| <b>Cash and cash equivalents at end of period</b>                       | <b>67.3</b>  | <b>76.7</b>   | <b>54.9</b>   |

<sup>1</sup> 2022 has been represented following the classification of the Chromium business as a discontinued operation, see Note 15 for further details.

## Condensed consolidated statement of changes in equity for the six months ended 30 June 2023

|   | Share capital<br>\$m | Share premium<br>\$m | Translation reserve<br>\$m | Hedging reserve<br>\$m | Other reserves<br>\$m | Retained earnings<br>\$m | Total equity<br>\$m |
|---|----------------------|----------------------|----------------------------|------------------------|-----------------------|--------------------------|---------------------|
| <b>At 1 January 2023</b>                                  | <b>52.3</b>          | <b>238.7</b>         | <b>(122.4)</b>             | <b>(1.0)</b>           | <b>165.5</b>          | <b>450.8</b>             | <b>783.9</b>        |
| Profit for the period                                     | –                    | –                    | –                          | –                      | –                     | 27.5                     | 27.5                |
| Other comprehensive income:                               |                      |                      |                            |                        |                       |                          |                     |
| Exchange differences                                      | –                    | –                    | 8.4                        | –                      | 0.3                   | –                        | 8.7                 |
| Movement in cash flow hedges                              | –                    | –                    | –                          | 7.8                    | –                     | –                        | 7.8                 |
| Remeasurement of retirement benefit obligations           | –                    | –                    | –                          | –                      | –                     | (1.1)                    | (1.1)               |
| Deferred tax adjustment on retirement benefit obligations | –                    | –                    | –                          | –                      | –                     | 0.4                      | 0.4                 |
| Recycling of deferred foreign exchange on disposal        | –                    | –                    | 9.3                        | –                      | –                     | –                        | 9.3                 |
| Transfer  | –                    | –                    | –                          | –                      | (1.9)                 | 1.9                      | –                   |
| Transactions with owners:                                 |                      |                      |                            |                        |                       |                          |                     |
| Issue of shares by the Company                            | 0.2                  | –                    | –                          | –                      | –                     | –                        | 0.2                 |
| Share based payments                                      | –                    | –                    | –                          | –                      | 2.0                   | –                        | 2.0                 |
| <b>At 30 June 2023</b>                                    | <b>52.5</b>          | <b>238.7</b>         | <b>(104.7)</b>             | <b>6.8</b>             | <b>165.9</b>          | <b>479.5</b>             | <b>838.7</b>        |

|   | Share capital<br>\$m | Share premium<br>\$m | Translation reserve<br>\$m | Hedging reserve<br>\$m | Other reserves<br>\$m | Retained earnings<br>\$m | Total equity<br>\$m |
|---|----------------------|----------------------|----------------------------|------------------------|-----------------------|--------------------------|---------------------|
| <b>At 1 January 2022</b>                                  | <b>52.2</b>          | <b>240.8</b>         | <b>(67.7)</b>              | <b>(8.6)</b>           | <b>167.0</b>          | <b>517.3</b>             | <b>901.0</b>        |
| Profit for the period                                     | –                    | –                    | –                          | –                      | –                     | 20.8                     | 20.8                |
| Other comprehensive income:                               |                      |                      |                            |                        |                       |                          |                     |
| Exchange differences                                      | –                    | –                    | (38.3)                     | –                      | (1.0)                 | –                        | (39.3)              |
| Movement in cash flow hedges                              | –                    | –                    | –                          | 7.7                    | –                     | –                        | 7.7                 |
| Remeasurement of retirement benefit obligations           | –                    | –                    | –                          | –                      | –                     | 9.8                      | 9.8                 |
| Deferred tax adjustment on retirement benefit obligations | –                    | –                    | –                          | –                      | –                     | (2.2)                    | (2.2)               |
| Transactions with owners:                                 |                      |                      |                            |                        |                       |                          |                     |
| Issue of shares by the Company                            | –                    | 2.2                  | –                          | –                      | (2.2)                 | –                        | –                   |
| Share based payments                                      | –                    | –                    | –                          | –                      | 2.1                   | –                        | 2.1                 |
| Fair value of cash flow hedges transferred to net assets  | –                    | –                    | –                          | (0.5)                  | –                     | –                        | (0.5)               |
| <b>At 30 June 2022</b>                                    | <b>52.2</b>          | <b>243.0</b>         | <b>(106.0)</b>             | <b>(1.4)</b>           | <b>165.9</b>          | <b>545.7</b>             | <b>899.4</b>        |

# Notes to the interim financial statements for the six months ended 30 June 2023

## 1. General Information

Elementis plc (the 'Company') and its subsidiaries (together, the 'Group') manufacture specialty chemicals. The Group has operations in the US, UK, Brazil, Germany, Finland, The Netherlands, China, Taiwan, Malaysia and India. The Company is a limited liability company incorporated and domiciled in England, UK and is listed on the London Stock Exchange.

## 2. Accounting policies

### Basis of preparation

The annual financial statements of Elementis plc will be prepared in accordance with United Kingdom adopted International Financial Reporting Standards. This condensed set of financial statements (also referred to as 'interim financial statements' in this announcement) has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the United Kingdom.

As required by the Disclosure and Transparency Rules of the Financial Conduct Authority, the condensed set of financial statements has been prepared applying the same accounting policies and presentation that were applied in the preparation of the Company's published consolidated financial statements for the year ended 31 December 2022 except for the adoption of new standards effective as of 1 January 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments apply for the first time in 2023, but do not have an impact on the interim condensed consolidated financial statements of the Group. Key judgements and sources of estimation uncertainty remain unchanged from those as set out in the Annual Report and Accounts at 31 December 2022.

The information for the year ended 31 December 2022 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

## 3. Going concern

Given the continuing uncertainties resulting from the macro-economic environment in which the Group operates, the directors have placed a particular focus on the appropriateness of adopting the going concern basis in preparing the condensed consolidated financial statements for the six months ended 30 June 2023.

The Group's going concern assessment covers the period of at least 12 months from the date of authorisation of these consolidated half year financial statements (the "going concern period"), and takes into account its substantial liquidity, committed expenditure, and likely ongoing levels of costs.

In preparing the assessment, alongside the most likely "base case" forecast, the Board has considered both a "reverse stress test case" which flexes sales and costs to determine what circumstances would be required to breach banking covenants, and a "plausible downside case". This assessment shows the Group has sufficient liquidity to discharge its liabilities as they fall due throughout the going concern period under the base case, assuming continued access to our revolving credit facilities. Access to these credit facilities is dependent on the Group operating within its financial covenants.

Testing up to 30 June 2023 confirmed that the Group operated within these covenants and under the base case the Group is expected to remain within its financial covenants throughout the going concern period and the conditions necessary for the reverse stress scenario to be applicable were deemed remote.

The directors also considered factors likely to affect future performance and development, the Group's financial position, current excess liquidity position, high level of cash conversion and the principal risks and uncertainties facing the Group, including the Group's exposure to credit, liquidity and market risk and the mechanisms for dealing with these risks.

In conclusion, after reviewing the base case and considering the remote likelihood of the scenario in the reverse stress test case occurring as well as having considered the uncertainty relating to the macro-economic environment and the mitigating actions available, the directors have formed the judgement that, at the time of approving the consolidated financial statements, there are no material uncertainties that cast doubt on the Group's going concern status and that it is appropriate to prepare the consolidated accounts on the going concern basis.

#### 4. Segment reporting

Effective from 1 January 2023 the results of the Coatings and Talc divisions were merged and are now reported under a new operating division called Performance Specialties, which reflects a change in the internal organisation structure used for management, internal reporting purposes and the allocation of strategic resources. We continue to report results for the Coatings and Talc operating segments in line with IFRS 8. Our reporting segments are therefore:

**Performance Specialties** which consists of:

- **Coatings** – production of rheological modifiers and additives for decorative and industrial coatings
- **Talc** – production and supply of talc for use in plastics, coatings, technical ceramics and paper sectors

**Personal Care** – production of rheological modifiers and compounded products, including active ingredients for anti-perspirant deodorants, for supply to Personal Care manufacturers

|                         | 2023<br>Six months<br>ended<br>30 June | 2022<br>Six months<br>ended<br>30 June | 2022<br>Year<br>ended<br>31 December |
|-------------------------|--|--|--------------------------------------|
| <b>Revenue</b>          |  |  |                                      |
| <i>Coatings</i>         | <b>181.0</b>                           | 209.3                                  | 389.1                                |
| <i>Talc</i>             | <b>71.0</b>                            | 72.5                                   | 135.8                                |
| Performance Specialties | <b>252.0</b>                           | 281.8                                  | 524.9                                |
| Personal Care           | <b>111.8</b>                           | 105.6                                  | 211.5                                |
| <b>Revenue</b>          | <b>363.8</b>                           | 387.4                                  | 736.4                                |

All revenues are external and relate to the sale of goods. Revenue and operating profit in Coatings (Decorative Paints) and Personal Care (AP Actives) are marginally impacted by seasonal influences. Revenue and operating profit tend to be higher in the first half of the year as our customers ramp up production ready to meet end-customer demand in the summer months, when weather conditions are favourable for painting and when anti-perspirants are in greater demand.

| Reported profit before tax for the six months ended 30 June 2023                            | <i>Coatings</i><br>\$m | <i>Talc</i><br>\$m | Performance<br>Specialties<br>\$m | Personal<br>Care<br>\$m | Segment<br>totals<br>\$m | Central<br>costs<br>\$m | Total<br>\$m  |
|---|------------------------|--------------------|-----------------------------------|-------------------------|--------------------------|-------------------------|---------------|
| <b>Adjusted operating profit/(loss)</b>   | <b>25.4</b>            | <b>9.0</b>         | <b>34.4</b>                       | <b>27.4</b>             | <b>61.8</b>              | <b>(9.3)</b>            | <b>52.5</b>   |
| Adjusting Items   |                        |                    |                                   |                         |                          |                         |               |
| Business transformation   | <b>(0.3)</b>           | –                  | <b>(0.3)</b>                      | <b>(0.1)</b>            | <b>(0.4)</b>             | <b>(0.8)</b>            | <b>(1.2)</b>  |
| Increase in environmental provisions due to a change in cost of remediation work identified | –                      | –                  | –                                 | –                       | –                        | <b>(1.2)</b>            | <b>(1.2)</b>  |
| Decrease in environmental provisions due to change in discount rate                         | –                      | –                  | –                                 | –                       | –                        | <b>0.8</b>              | <b>0.8</b>    |
| Amortisation of intangibles arising on acquisition  | <b>(0.2)</b>           | <b>(2.7)</b>       | <b>(2.9)</b>                      | <b>(4.2)</b>            | <b>(7.1)</b>             | –                       | <b>(7.1)</b>  |
| <b>Reported operating profit/(loss)</b>   | <b>24.9</b>            | <b>6.3</b>         | <b>31.2</b>                       | <b>23.1</b>             | <b>54.3</b>              | <b>(10.5)</b>           | <b>43.8</b>   |
| Other expenses  |                        |                    |                                   |                         |                          |                         | <b>(0.5)</b>  |
| Finance income  |                        |                    |                                   |                         |                          |                         | <b>1.8</b>    |
| Finance costs <sup>1</sup>  |                        |                    |                                   |                         |                          |                         | <b>(10.2)</b> |
| <b>Reported profit before income tax</b>  |                        |                    |                                   |                         |                          |                         | <b>34.9</b>   |

<sup>1</sup> Finance costs of \$10.2m includes the mark to market on derivatives of \$1.5m.

| Reported profit before tax for the six months ended 30 June 2022                            | Coatings<br>\$m | Talc<br>\$m | Performance<br>Specialties<br>\$m | Personal<br>Care<br>\$m | Segment<br>totals<br>\$m | Central<br>costs<br>\$m | Total<br>\$m |
|---|-----------------|-------------|-----------------------------------|-------------------------|--------------------------|-------------------------|--------------|
| <b>Adjusted operating profit/(loss)</b>   | 42.2            | 2.7         | 44.9                              | 24.0                    | 68.9                     | (10.7)                  | 58.2         |
| Adjusting Items   |                 |             |                                   |                         |                          |                         |              |
| Business transformation   | (0.6)           | (0.2)       | (0.8)                             | –                       | (0.8)                    | –                       | (0.8)        |
| Increase in environmental provisions due to a change in cost of remediation work identified | –               | –           | –                                 | –                       | –                        | (3.6)                   | (3.6)        |
| Decrease in environmental provisions due to change in discount rate                         | –               | –           | –                                 | –                       | –                        | 4.1                     | 4.1          |
| Write-off of plant and equipment  | –               | (23.0)      | (23.0)                            | –                       | (23.0)                   | –                       | (23.0)       |
| Amortisation of intangibles arising on acquisition  | (0.6)           | (2.8)       | (3.4)                             | (4.2)                   | (7.6)                    | –                       | (7.6)        |
| <b>Reported operating profit/(loss)</b>   | 41.0            | (23.3)      | 17.7                              | 19.8                    | 37.5                     | (10.2)                  | 27.3         |
| Other expenses  |                 |             |                                   |                         |                          |                         | (0.6)        |
| Finance income <sup>1</sup>   |                 |             |                                   |                         |                          |                         | 7.8          |
| Finance costs   |                 |             |                                   |                         |                          |                         | (11.3)       |
| <b>Reported profit before income tax</b>  |                 |             |                                   |                         |                          |                         | 23.2         |

Note: All prior year numbers are restated to reflect the allocation of Chromium stranded costs to the remaining business units.

<sup>1</sup> Finance income of \$7.8m includes the mark to market on derivatives of \$7.7m.

## 5. Adjusting items and alternative performance measures

In addition to the statutory results, the Group uses alternative performance measures, such as adjusted operating profit and adjusted diluted earnings per share, to provide additional useful analysis of the performance of the business. The Board considers these non-GAAP measures as an alternative way to measure the Group's performance. Adjusting items in the 6 months ended 30 June 2023 resulted in a charge of \$10.2m before tax, a decrease of \$13.0m against the same period from last year. The key categories of adjusting items are summarised below.

|   | 2023<br>Six months<br>ended<br>30 June<br>\$m | 2022<br>Six months<br>ended<br>30 June<br>\$m | 2022<br>Year<br>ended<br>31 December<br>\$m |
|---|---|---|---|
| <b>Reported operating profit/(loss)</b>                                     | 43.8  | 27.3  | (41.8)                                      |
| Adjusting items:  |   |   |   |
| Business transformation   | 1.2   | 0.8   | 4.8   |
| Environmental provisions  |   |   |   |
| Increase in provisions due to change in cost of remediation work identified | 1.2   | 3.6   | 3.4   |
| Decrease in provisions due to change in discount rate                       | (0.8)   | (4.1)   | (7.2)                                       |
| Write-off of plant and equipment  | –   | 23.0  | 23.0  |
| Impairment of goodwill  | –   | –   | 103.4                                       |
| Amortisation of acquired intangibles  | 7.1   | 7.6   | 14.9  |
| <b>Net adjusting items</b>  | 8.7   | 30.9  | 142.3                                       |
| <b>Adjusted operating profit</b>  | 52.5  | 58.2  | 100.5                                       |
| Adjusting items:  |   |   |   |
| Mark to market of derivative financial instruments                          | 1.5   | (7.7)   | (6.6)                                       |
| <b>Net adjusting items on profit before tax</b>                             | 10.2  | 23.2  | 135.7                                       |

|   | 2023<br>Six months<br>ended<br>30 June<br>\$m | 2022<br>Six months<br>ended<br>30 June<br>\$m | 2022<br>Year<br>ended<br>31 December<br>\$m |
|---|---|---|---|
| <b>Adjusted operating profit/(loss)</b> |   |   |   |
| <i>Coatings</i>                         | 25.4  | 42.2  | 70.3  |
| <i>Talc</i>                             | 9.0   | 2.7   | (0.4)                                       |
| Performance Specialties                 | 34.4  | 44.9  | 69.9  |
| Personal Care                           | 27.4  | 24.0  | 49.0  |
| Central costs                           | (9.3)   | (10.7)  | (18.4)                                      |
| <b>Adjusted operating profit</b>        | <b>52.5</b>                                   | <b>58.2</b>                                   | <b>100.5</b>                                |
| Other expenses                          | (0.5)   | (0.6)   | (1.3)                                       |
| Finance income <sup>2,3</sup>           | 1.8   | 0.1   | 3.3   |
| Finance costs <sup>1</sup>              | (8.7)   | (11.3)  | (21.6)                                      |
| <b>Adjusted profit before tax</b>       | <b>45.1</b>                                   | <b>46.4</b>                                   | <b>80.9</b>                                 |

Note: All prior year numbers are restated to reflect the allocation of Chromium stranded costs to the remaining business units.

<sup>1</sup> Adjusted finance costs for the six months ended 30 June 2023 of \$8.7m excludes the mark to market on derivatives of \$1.5m.

<sup>2</sup> Adjusted finance income for the six months ended 30 June 2022 of \$0.1m excludes the mark to market on derivatives of \$7.7m.

<sup>3</sup> Adjusted finance income for the year ended 31 December 2022 of \$3.3m excludes the mark to market derivatives of \$6.6m

Adjusting items in the period fall into the following categories:

#### Business transformation

In November 2020 the closure of the Charleston plant was announced. The costs incurred for the period to 30 June 2023 associated with the closure of the site are classified as an adjusting item and the site is planned to be disposed of in the future.

#### Environmental provision

The Group's environmental provision is calculated on a discounted cash flow basis, reflecting the time period over which spending is estimated to take place. The net movement on the provision for the period to 30 June 2023 is \$0.4m. This is comprised of an income statement credit of \$0.8m due to a change in discount rates and extra remediation work identified in the period to 30 June 2023 which has resulted in a \$1.2m increase in the liability. As the provision relates to non-operational facilities these movements are classified as adjusting items.

#### Amortisation of intangibles arising on acquisition

Amortisation of \$7.1m represents the charge in respect of the Group's acquired intangible assets. As in previous periods, these are included in adjusting items as they are a non-cash charge arising from historical investment activities.

An explanation of other adjusting items relating to the full year 2022 can be found within the 2022 Annual Report and Accounts.

## 6. Finance income

|   | 2023<br>Six months<br>ended<br>30 June<br>\$m | 2022<br>Six months<br>ended<br>30 June<br>\$m | 2022<br>Year<br>ended<br>31 December<br>\$m |
|---|---|---|---|
| Interest on bank deposits                     | 0.4   | 0.1   | 0.2   |
| Pension and other post-retirement liabilities | –   | –   | 0.6   |
| Fair value movement on derivatives            | 1.4   | 7.7   | 9.1   |
|   | <b>1.8</b>                                    | <b>7.8</b>                                    | <b>9.9</b>                                  |

## 7. Finance costs

|   | 2023<br>Six months<br>ended<br>30 June<br>\$m | 2022<br>Six months<br>ended<br>30 June<br>\$m | 2022<br>Year<br>ended<br>31 December<br>\$m |
|---|---|---|---|
| Interest on bank loans                        | 7.5   | 10.6  | 19.5  |
| Unwind of discount on provisions              | 0.5   | 0.3   | 0.7   |
| Pension and other post-retirement liabilities | –   | (0.3)   | –   |
| Interest on lease liabilities                 | 0.7   | 0.7   | 1.4   |
| Fair value movement on derivatives            | 1.5   | –   | –   |
|   | <b>10.2</b>                                   | <b>11.3</b>                                   | <b>21.6</b>                                 |

## 8. Tax

The charge for tax on profits of \$9.2m gives rise to an effective tax rate of 26.3% (2022: \$5.4m, or 23.3%) and is based on the probable tax charge in those jurisdictions where profits arise. Within this figure is a tax credit of \$2.6m (2022: \$5.0m) in respect of adjusting items.

## 9. Earnings per share

|   | 2023<br>Six months<br>ended<br>30 June<br>\$m | 2022<br>Six months<br>ended<br>30 June<br>\$m | 2022<br>Year<br>ended<br>31 December<br>\$m |
|---|---|---|---|
| Earnings from continuing operations                   | 25.7  | 17.8  | (62.6)                                      |
| Adjusting items net of tax from continuing operations | 7.6   | 18.2  | 127.4                                       |
| Adjusted earnings from continuing operations          | 33.3  | 36.0  | 64.8  |
| Earnings from discontinued operations                 | 1.8   | 3.0   | 11.5  |
| Earnings from continuing and discontinued operations  | 27.5  | 20.8  | (51.1)                                      |

|  | Number(m) | Number(m) | Number(m) |
|--|-----------|-----------|-----------|
| Weighted average number of shares for the purposes of basic earnings per share   | 585.1     | 582.1     | 582.6     |
| Effect of dilutive share options   | 10.6      | 5.3       | 9.7       |
| Weighted average number of shares for the purposes of diluted earnings per share | 595.7     | 587.4     | 592.3     |

|  | 2023<br>Six months<br>ended<br>30 June<br>cents | 2022<br>Six months<br>ended<br>30 June<br>cents | 2022<br>Year<br>ended<br>31 December<br>cents |
|--|---|---|---|
| Earnings per share from continuing operations                  |   |   |   |
| Basic  | 4.4   | 3.1   | (10.7)  |
| Diluted  | 4.3   | 3.0   | (10.7)  |
| Adjusted earnings per share from continuing operations         |   |   |   |
| Basic  | 5.7   | 6.2   | 11.1  |
| Diluted  | 5.6   | 6.1   | 10.9  |
| Earnings per share from discontinued operations                |   |   |   |
| Basic  | 0.3   | 0.5   | 2.0   |
| Diluted  | 0.3   | 0.5   | 2.0   |
| Earnings per share from continuing and discontinued operations |   |   |   |
| Basic  | 4.7   | 3.6   | (8.8)   |
| Diluted  | 4.6   | 3.5   | (8.8)   |

## 10. Dividends

The following dividends were declared and paid by the Group:

|                                   | 2023<br>Six months<br>ended<br>30 June<br>\$m | 2022<br>Six months<br>ended<br>30 June<br>\$m | 2022<br>Year<br>ended<br>31 December<br>\$m |
|-----------------------------------|---|---|---|
| Dividends paid on ordinary shares | —   | —   | —   |

## 11. Pension

Valuations for IAS 19 purposes were conducted as of 30 June 2023. At this date the Group is reporting a surplus on its UK scheme of \$24.8m (2022: surplus of \$58.5m), and a deficit on all other schemes of \$5.9m (2022: deficit of \$15.6m). Additional commentary is included in the Finance Report.

A triennial valuation for the UK scheme is expected in September 2023, which will reflect revised demographic assumptions, including mortality base tables. The Group expects to incorporate revised demographic assumptions in its forthcoming actuarial valuation. The Group is at an early stage in quantifying the impact of revised assumptions on the recognised surplus at 30 June 2023. Initial high-level estimates suggest that the revised mortality assumptions would increase the surplus by approximately \$9.1m. The revised mortality assumptions take into consideration the latest plan-specific and wider UK population mortality experience. Further disclosures will be made in the 2023 Annual Report and Accounts.

## 12. Movement in net borrowings

|   | 2023<br>Six months<br>ended<br>30 June<br>\$m | 2022<br>Six months<br>ended<br>30 June<br>\$m | 2022<br>Year<br>ended<br>31 December<br>\$m |
|---|---|---|---|
| Change in net borrowings resulting from cash flows: |   |   |   |
| Decrease in cash and cash equivalents               | 12.2  | (5.2)   | (27.8)                                      |
| Increase in bank overdrafts and loans               | (52.3)  | (5.6)   | (3.0)                                       |
| Decrease in borrowings                              | 155.7   | 5.0   | 54.6  |
|   | 115.6   | (5.8)   | 23.8  |
| Currency translation differences                    | (4.3)   | 13.4  | 10.4  |
| <b>Decrease in net debt</b>                         | <b>111.3</b>                                  | <b>7.6</b>                                    | <b>34.2</b>                                 |
| Net debt at beginning of period                     | (366.8)                                       | (401.0)                                       | (401.0)                                     |
| <b>Net debt at end of period</b>                    | <b>(255.5)</b>                                | <b>(393.4)</b>                                | <b>(366.8)</b>                              |

## 13. Financial risk management

The Group has exposure to the following financial risks:

- credit risk;
- liquidity risk; and
- market risk.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group's Audit Committee, assisted by Internal Audit, oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. These interim financial statements do not include all the financial risk management information and disclosures that are required in the Annual report and accounts and should be read in conjunction with the financial statements for the year ended 31 December 2022. The Group's risk management policies have not changed since the year end.

The Group measures fair values in respect of financial instruments in accordance with IFRS 13, using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly or indirectly.
- Level 3: Valuation techniques using significant unobservable inputs.

Derivatives are held at fair value and are categorised within Level 2. All other financial instruments are held at amortised cost, which is assumed to approximate their fair values. All the fair values of financial assets and liabilities carried at amortised cost are considered to be Level 2 valuations which are determined using directly or indirectly observable inputs other than unadjusted quoted prices.

#### 14. Contingent liabilities

As is the case with other chemical companies, the Group occasionally receives notices of litigation relating to regulatory and legal matters. A provision is recognised when the Group believes it has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where it is deemed that an obligation is merely possible and that the probability of a material outflow is not remote, the Group would disclose a contingent liability.

In 2013 the UK Government (through HMRC) introduced the UK Finance Company Exemption ('FCE') regime. Elementis entered into the FCE regime during 2014. In October 2017 the European Commission opened a State Aid investigation into the regime. In April 2019 the European Commission concluded that the FCE regime constituted State Aid in circumstances where Groups had accessed the regime using a financing company with UK significant people functions; the European Commission therefore instructed the UK Government to collect any relevant State Aid amounts. The UK government and other UK-based international companies, including Elementis, appealed to the General Court of the European Union against the decision in 2019.

In Spring 2020 HMRC requested that affected Groups submit their UK significant people function analysis. The deadline for submission of these analyses was delayed due to the impact of COVID-19 and Elementis submitted its analysis to HMRC in July 2020. In December 2020 the UK government introduced legislation to commence collection proceedings.

Elementis received a charging notice from HMRC on 5 February 2021 which assessed for the maximum exposure of \$19m (excluding interest). This was paid to HMRC on 5 March 2021. A charging notice for associated interest of \$1m was received on 24 June 2021 and paid on 7 July 2021. Whilst Elementis lodged an appeal against the charging notices that did not defer the payment of the tax assessed.

The UK Government's appeal against the European Commission's decision was heard by the General Court of the European Union during October 2021 and on 8 June 2022 the General Court of the European Union ruled against the UK Government. The UK Government lodged a further appeal to the European Court of Justice during Q3 2022. As Elementis continues to consider that the appeal process will ultimately be successful, at 30 June 2023 an asset has been recorded within non-current assets in the expectation that the charge will be repaid in due course. At this point in time we have not recognised any interest on the EU state aid receivable.

In August 2022 the Brazilian tax authorities opened a tax audit into the Group's Brazilian entity. The audit is focused on the customs classification code used since 2017 for one of the entity's imported raw materials. The potential exposure is c.\$5m. Management have obtained legal advice on the matter and, based on the advice received, conclude that as at 30 June 2023 it is not probable that an outflow of economic resources will be required to settle the matter.

During 2022 the Group terminated a distribution agreement with one of its longstanding distributors. In line with the terms of the distribution agreement, the distributor is entitled to an amount of compensation for such a termination. Whilst the maximum amount payable would be \$3.4m, management believe that the correct figure is materially lower. Discussions remain ongoing between the two parties and management have concluded that at this stage the obligation cannot be measured with sufficient reliability.

During 2023 a legal case regarding historic asbestos exposure in which the Group was a co-defendant returned a verdict in favour of the plaintiff. Elementis was assigned 5% of the total damages awarded, with the Group's share being c.\$1.7m. The Group and the other co-defendants intend to appeal the verdict and our external legal counsel currently judge that such an appeal is more likely than not to be successful. As such management have concluded that as at 30 June 2023 it is not probable that an outflow of resources will be required to settle the matter.

## 15. Disposal of Chromium business

On 31 January 2023, the sale of the Chromium business to Yildirim Group was completed, with the business classified as a discontinued operation. The Group received gross cash proceeds of \$139.2m (\$127.2m net of total disposal transaction costs<sup>1</sup>) from the sale.

The results of the discontinued operation included within the consolidated income statement are as follows:

|   | <b>2023<br/>Six months<br/>ended<br/>30 June<br/>\$m</b> | 2022<br>Six months<br>ended<br>30 June<br>\$m | 2022<br>Year<br>ended<br>31 December<br>\$m |
|---|--|---|---|
| Revenue                                       | <b>14.4</b>  | 90.9  | 185.0                                       |
| Expenses                                      | <b>(14.2)</b>  | (84.2)  | (165.0)                                     |
| Calculated gain on sale of Chromium business  | <b>25.9</b>  | –   | –   |
| Disposal transaction costs <sup>1</sup>       | <b>(6.4)</b>   | (2.3)   | (5.6)                                       |
| Recycling of deferred foreign exchange losses | <b>(9.3)</b>   | –   | –   |
| <b>Profit before income tax</b>               | <b>10.4</b>  | 4.4   | 14.4  |
| Income tax                                    | <b>(8.6)</b>   | (1.4)   | (2.9)                                       |
| <b>Profit from discontinued operations</b>    | <b>1.8</b>   | 3.0   | 11.5  |

<sup>1</sup> Total disposal transaction costs of \$12.0m includes \$6.4m incurred in the 6 months ended 30 June 2023 and \$5.6m incurred in the year ended 31 December 2022.

## 16. Events after balance sheet date

There were no further events after the balance sheet date.

## 17. Related party transactions

Management has performed a review for any related party transactions and have concluded that position remains unchanged from the year ended 31 December 2022 and is consistent with the information disclosed on page 210 of the Company's 2022 Annual report and accounts.

## Principal risks and uncertainties

The Group has policies, processes and systems in place to help identify, evaluate and manage risks throughout the organisation that may have a material effect on its business operations and the delivery of its strategic objectives, including its business model, future performance, solvency, liquidity and / or reputation. The Board continues to take a proactive approach to recognising and mitigating risk with the aim of protecting its employees and safeguarding the interests of the Group, its shareholders, employees, customers, suppliers and all other stakeholders.

The principal risks and uncertainties facing the Group are set out in the Annual Report and Accounts for the 12 months ended 31 December 2022 (pages 86 to 94). The Group has reviewed these risks and concluded that they will remain relevant for the second half of the financial year. The potential impact of these risks, together with details of specific mitigating actions are set out in the 2022 Annual Report and Account.

All risks are subject to Executive oversight and assessment and we continue to review the effectiveness and efficiency of existing controls over those risks and to identify further actions where appropriate in order to manage our exposure.

## Alternative performance measures

A reconciliation from reported profit for the year to adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) is provided to support understanding of the summarised cash flow included within the finance report on pages 7 to 11.

|  | <b>2023</b><br><b>Six months</b><br><b>ended</b><br><b>30 June</b><br><b>\$m</b> | 2022<br>Six months<br>ended<br>30 June<br>\$m | 2022<br>Year<br>ended<br>31 December<br>\$m |
|--|--|---|---|
| <b>Profit/(loss) from continuing operations</b>        | <b>25.7</b>  | 17.8  | (62.6)                                      |
| Adjustments for:                                       |  |   |   |
| Finance income after adjusting items                   | <b>(1.8)</b>   | (0.1)   | (3.3)                                       |
| Finance costs and other expenses after adjusting items | <b>9.2</b>   | 11.9  | 22.9  |
| Tax charge   | <b>9.2</b>   | 5.4   | 7.8   |
| Depreciation and amortisation                          | <b>28.8</b>  | 28.1  | 56.9  |
| Excluding intangibles arising on acquisition           | <b>(7.1)</b>   | (7.6)   | (14.9)                                      |
| Impact of adjusting items                              | <b>10.0</b>  | 22.7  | 135.0                                       |
| <b>Adjusted EBITDA</b>                                 | <b>74.0</b>  | 78.2  | 141.8                                       |

There are also a number of key performance indicators (KPIs) used in this report. The reconciliations to these are given below.

### Adjusted operating cash flow

Adjusted operating cash flow is defined as the net cash flow from operating activities less net capital expenditure but excluding income tax paid or received, interest paid or received, pension contributions net of current service cost and adjusting items.

|  | <b>2023</b><br><b>Six months</b><br><b>ended</b><br><b>30 June</b><br><b>\$m</b> | 2022<br>Six months<br>ended<br>30 June<br>\$m | 2022<br>Year<br>ended<br>31 December<br>\$m |
|--|--|---|---|
| <b>Net Cash flow from operating activities</b>       | <b>(9.1)</b>   | 19.8  | 77.0  |
| Less:  |  |   |   |
| Net capital expenditure                              | <b>(13.8)</b>  | (15.1)  | (46.5)                                      |
| Add:   |  |   |   |
| Net cash used in/(flow from) discontinued operations | <b>11.9</b>  | (7.9)   | (5.6)                                       |
| Income tax paid                                      | <b>10.7</b>  | 11.0  | 13.3  |
| Interest paid  | <b>11.2</b>  | 9.3   | 14.6  |
| Pension contributions net of current service cost    | <b>0.9</b>   | (0.4)   | 0.7   |
| Adjusting items – non cash                           | <b>0.2</b>   | (5.0)   | 7.6   |
| Adjusting items – cash                               | <b>0.9</b>   | 1.1   | 5.2   |
| <b>Adjusted operating cash flow</b>                  | <b>12.9</b>  | 12.8  | 66.3  |

### Free cash flow

Free cash flow is defined as adjusted operating cash flow (as defined above), less pension contributions net of current service cost, net interest paid, income tax paid, cash flow relating to adjusting items and other, including payment of lease liabilities.

## Adjusted operating cash conversion

Adjusted operating cash conversion is defined as adjusted operating cash flow (as defined above) excluding payments for provisions and share based payments, divided by adjusted operating profit.

|  | 2023<br>Six months<br>ended<br>30 June<br>\$m | 2022<br>Six months<br>ended<br>30 June<br>\$m | 2022<br>Year<br>ended<br>31 December<br>\$m |
|--|---|---|---|
| <b>Adjusted operating profit</b>               | <b>52.5</b>                                   | 58.2  | 100.5                                       |
| Adjusted operating cash flow                   | <b>12.9</b>                                   | 12.8  | 66.3  |
| Add/(deduct):                                  |   |   |   |
| Provisions and share based payments            | <b>1.1</b>                                    | (0.9)   | (0.4)                                       |
|  | <b>14.0</b>                                   | 11.9  | 65.9  |
| <b>Adjusted operating cash flow conversion</b> | <b>27%</b>                                    | 20%   | 66%   |

## Average trade working capital to sales ratio

The trade working capital to sale ratio is defined as the 12 month average trade working capital divided by sales, expressed as a percentage. Trade working capital comprises inventories, trade receivables (net of provisions) and trade payables. It specifically excludes repayments, capital or interest related receivables or payables, changes due to currency movements and items classified as other receivables and other payables.

## Adjusted operating profit/operating margin

Adjusted operating profit is the profit derived from the normal operations of the business. Adjusted operating margin is the ratio of adjusted operating profit to sales.

## Unaudited information

To support a full understanding of the performance of the Group, the information below provides the calculation of Net Debt / EBITDA.

| <b>Pre-IFRS 16 Net Debt/EBITDA</b>                         | <b>\$m</b>   |
|--|--------------|
| Adjusted EBITDA for the last twelve months to 30 June 2023 | <b>137.6</b> |
| IFRS 16 adjustment   | <b>(6.6)</b> |
| <b>Adjusted EBITDA pre IFRS 16</b>                         | <b>131.0</b> |
| <b>Net Debt</b>  | <b>255.5</b> |
| <b>Net Debt / EBITDA*</b>                                  | <b>2.0</b>   |

\*Where EBITDA is the adjusted EBITDA on continuing operations of the Group on a pre IFRS 16 basis.

| <b>Post-IFRS 16 Net Debt/EBITDA</b>                        | <b>\$m</b>   |
|--|--------------|
| Adjusted EBITDA for the last twelve months to 30 June 2023 | <b>137.6</b> |
| Net Debt   | <b>255.5</b> |
| IFRS 16 lease liabilities                                  | <b>36.5</b>  |
| <b>Adjusted Net Debt post IFRS 16</b>                      | <b>292.0</b> |
| <b>Net Debt / EBITDA*</b>                                  | <b>2.1</b>   |

\*Where EBITDA is the adjusted EBITDA on continuing operations of the Group on a post IFRS 16 basis.

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