ELEMENTIS

A global specialty chemicals company

30 July 2019

ELEMENTIS plc

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

H1 impacted by destocking and weak Q1 demand

On track for full year performance, broadly in line with expectations – improved momentum and management actions to drive improved H2 performance

- Revenue from continuing operations up 7% (down 7% on an organic basis*) from $421m to $450m, driven by contribution from the recently acquired Talc business.
- Adjusted operating profit down 5% (down 21% on an organic basis*) to $64m with weaker performance across all product markets due to lower demand and Q1 destocking. Q2 19 adjusted operating profit significantly up on Q1 19 to $40m.
- Improved H2 performance will be underpinned by self-help initiatives – $10m cost savings, $22m of new business secured and multiple new product launches in the year. Second half market conditions are anticipated to be consistent with Q2.
- Strong underlying cash generation offset by one off items – net debt to pro forma adjusted EBITDA[5] of 2.8x. Year-end leverage expected to be below 2.4x supported by improved H2 business performance and sustained cash generation. Working capital reduction target increased from $25m to $30m by 2020.
- Interim dividend of 2.80c per share declared, up 4% on the prior year, reflecting progressive dividend policy and the Board's confidence in the medium term growth potential.
- Continue to expect strategic and financial progress in 2019, broadly in line with expectations, with a continuing focus on cash generation.

Strong business fundamentals remain, augmented by self-help opportunities

- Business fundamentals remain strong – a higher quality, advantaged portfolio with significant growth and self-help opportunities.
- November CMD – focus on organic growth, efficiency, innovation and financial ambitions.

FINANCIAL SUMMARY

	Six months ended 30 June 2019	Six months ended 30 June 2018	% Change
Revenue	**$450m**	$421m	+7%
Statutory profit for the period[Δ]	**$40m**	$31m	+31%
Statutory basic earnings per share[2Δ]	**6.9c**	6.1c^	+13%
Adjusted operating profit[1Δ]	**$64m**	$68m	-5%
Adjusted profit before tax[1Δ]	**$49m**	$58m	-16%
Adjusted diluted earnings per share[2Δ]	**6.5c**	9.1c^	-29%
Operating cash flow[3]	**$62m**	$29m	+110%
Net debt[4]	**$509m**	$260m	
Ordinary dividend per share	**2.80c**	2.70c^	+4%

Business performance overview

- **Personal Care** revenue down 6% on an organic basis* (10% on a reported basis), from $112m to $101m. Adjusted operating profit down 20% on an organic basis* (22% on a reported basis) against a strong comparative; robust adjusted operating margin of 23.0%.
  - Good performance in the high margin Cosmetics business (5% organic sales growth), offset by challenges in AP Actives (margins impacted by tariffs).
  - H2 performance likely to be similar to H1; continuing momentum in Cosmetics and AP Actives volume recovery.
- **Coatings** revenue down 11% on an organic basis* (17% on a reported basis), from $198m to $164m. Adjusted operating profit down 22% on an organic basis* (20% on a reported basis) from $30m to $24m, with adjusted operating margins of 14.6%.
  - Weak market demand, portfolio rationalisation and some destocking particularly in Asia in Q1. Cost savings from transformation programme and improved price/mix offset by negative volume impact.
  - Further efficiency measures, new business wins and product launches to result in H2 performance improvement.
- **Talc** revenue, on a six month pro forma constant currency basis[5], down 8% to $75m. Six month pro forma adjusted operating profit[5] down 16% at $10m, negatively impacted by the phasing of nickel sales and paper weakness.
  - Organic growth in industrial talc sales (market share gains in coatings and technical ceramics) despite automotive related weakness in plastics.
  - Much improved H2 performance expected due to cost synergies, new business wins and nickel sales phasing.
- **Chromium** revenue down 2% to $88m; adjusted operating profit down 19% to $11m.
  - Lower volumes due to weak industrial production partially offset by improved year on year pricing. Earnings impacted by mix and one off plant reliability improvement costs.
  - Modest sequential H2 performance improvement expected due to more favourable product mix.
- **Energy** revenue up 4%, on both an organic and reported basis, supported by new business wins; adjusted operating profit of $3m.
  - Despite weak drilling activity in North America, performance supported by business wins in the Middle East and Central Asia.
  - Improved H2 performance driven by new business and cost savings delivery.

Commenting on the results, CEO, Paul Waterman said:

“Trading conditions have been challenging in the first six months of the year following an unusually weak first quarter with destocking, and an improved second quarter. Our confidence in an improved performance in the second half of the year is based on a continuation of demand levels consistent with the second quarter, progress on cost savings and continued new business successes. Overall the Board continues to anticipate that the Group will deliver strategic and financial progress in 2019, broadly in line with expectations, with a continuing focus on strong cash generation.

The fundamentals of our business remain strong. In recent years we have focused Elementis on high quality, high margin activities in Personal Care, Coatings and Talc. Despite the uncertainties of the current market environment, these businesses have advantaged positions in structural growth markets. We remain excited about the significant organic growth potential and further efficiency opportunities at Elementis and this will be the focus of our Capital Markets Day in November.”

Further information

A presentation for investors and analysts will be held at 09:30 BST on 30 July 2019. The presentation will be webcast on www.elementis.com. Conference call dial in details:

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Notes:
* Adjusted for constant currency and M&A. See Finance Report.

Δ - Continuing operations
^ - Rebased for the effects of the Rights Issue completed in 2018
1 - See note 5
2 - See note 9
3 - See Finance report
4 - See note 12
5 - See unaudited pro forma information

– ENDS –

Business review

CEO's report

We have had a challenging start to the year with notably weak market conditions, particularly in Coatings. Market conditions improved in the second quarter and we have implemented cash focused efficiency initiatives. The delivery of $10m of cost savings, $22m of new business and $2m of Talc synergies in the year, combined with demand conditions consistent with the second quarter, are anticipated to drive an improved second half performance.

Group performance

Personal Care

In the six months to 30 June 2019, Personal Care revenue declined 6% on an organic basis*, and 10% on a reported basis to $101m. Good growth in hectorite based Cosmetics (5% organic growth*) was offset by weaker performance in AP Actives. In Cosmetics, performance was supported by increased penetration of our products in emerging markets, with sales in China and Latin America up 5% and 25% respectively on the prior year period. In AP Actives, volumes declined on the prior year period as a result of raw material related price increases implemented in 2018.

Adjusted operating profit for Personal Care declined 20% on an organic basis*, and 22% on a reported basis to $23m, with adjusted operating margins robust at 23%. The decline in adjusted operating profit was driven by lower AP Actives volumes, higher raw material costs as a result of US tariffs on imported zirconium and weaker product mix.

For the second half of 2019, we see a similar level of performance as the first half, with further progress in Cosmetics and continued volume recovery in AP Actives, rebased for the impact of tariffs.

Coatings

In Coatings, revenue fell 11% on an organic basis*, and 17% on a reported basis to $164m. Tough market conditions and some destocking across all regions, particularly in China during the first quarter, led to a volume decline. Our increased focus on high value, differentiated customer solutions as part of our global Coatings transformation, meant improved price/mix partially offset the volume weakness.

- Americas revenue fell 12%* on the prior year period. In the US decorative coatings had a slow start to the year in response to extremely wet weather and a slower construction market, whilst industrial coatings declined due to lower industrial activity, notably in infrastructure and automotive applications. Sales in Latin America were impacted by a challenging macroeconomic environment and portfolio complexity reduction at our Palmital site.
- In Asia, which is 80% focused on industrial coatings, revenue declined by 17%* with particular weakness in China where approximately half of the decline was end market demand related and half was from destocking and portfolio decisions (e.g. rationalisation of resins portfolio). In the rest of Asia, performance was down on the prior year, albeit at a lower level.
- EMEA revenue fell 2%* on the prior year period. Demand from industrial applications declined, reflective of weak activity across automotive and industrial machinery end markets. Decorative coatings revenue was broadly stable with good momentum in our associative thickeners (NiSATs) for waterborne applications partially offsetting sluggish end market conditions.

Adjusted operating profit in Coatings fell 22% on an organic basis*, and 20% on a reported basis to $24m with the negative volume impact more than offsetting price/mix improvements, reflective of our ongoing value over volume strategy, and savings generated as part of the Coatings transformation programme.

An improvement in performance is expected in the second half of 2019 as a result of cost savings, contribution from new business and product launches. Market conditions are expected to be consistent with those seen in the second quarter of 2019.

Talc

Revenue fell by 8% on a six month pro forma constant currency basis† to $75m, with growth in industrial talc sales offset by the phasing of nickel sales and weak paper demand. Revenue from industrial talc customers

(c. 80% of Talc sales) rose 1% on an organic basis compared to the prior year period, with market share gains in coatings and technical ceramics offsetting weaker automotive demand (plastics). Whilst sales to paper customers are anticipated to decline in the medium term, they fell at an accelerated rate in the first half due to temporary production mix changes at our main customer in Finland.

Six month pro forma adjusted operating profit fell by 16% on a constant currency basis† to $10m. Of the reported $3m year on year decline in adjusted operating profit†, approximately $2m was a result of the phasing of nickel sales and $1m was due to adverse foreign exchange movements.

In the second half of the year performance is anticipated to be much improved. This will be driven by new business wins, the execution of cost synergies and nickel sales phasing. Integration of the Talc business continues to progress in line with expectations, with all key management retained, and is expected to complete by Q4 2019.

Chromium
Gross revenue in the period was $88m, down 2% on the prior year period. Improved year on year pricing was more than offset by 4% lower volumes due to weaker end market demand across a range of industrial applications including automotive and general construction.

Adjusted operating profit for the first six months of the year was $11m, down 19% versus the prior year period. Adjusted operating profit margins declined from 15% to 13% primarily due to weaker mix and one off plant reliability costs.

In the second half, performance is expected to modestly improve with a more favourable product mix anticipated to offset sequentially weaker pricing due to lower global industry utilisation levels.

Energy
In the first six months of the year, Energy revenue rose by 4% on an organic and reported basis to $28m. New business wins in the Middle East and Central Asia, and good global key account progress, offset sluggish drilling activity, notably in North America.

Adjusted operating profit was broadly stable on the prior year period at $3m, representing a margin of 11%.

Performance of the Energy business in 2019 is expected to be in line with 2018, with improved second half performance as a result of new business and cost savings.

Tax
The adjusted continuing tax rate of 22% is slightly ahead of the 20% in the prior year period due to changes in US tax legislation. For the full year 2019, we continue to estimate an effective tax rate of around 22%.

Balance sheet
At the end of June 2019, net debt was $509m (30 June 2018: $260m) representing a pro forma net debt to adjusted EBITDA ratio of 2.8x (1.7x at 30 June 2018). Net debt rose on the prior year period primarily as a result of the acquisition of Mondo Minerals in October 2018 for $500m, of which $270m was debt funded. Strong underlying cash generation in second half of 2019 is expected to result in a leverage ratio of below 2.4x adjusted EBITDA by the year end.

The application of IFRS 16 (from 1 January 2019) resulted in the capitalisation of $47m of assets and $52m of liabilities in relation to leased assets.

Interim dividend
The Board is declaring an interim dividend of 2.80 cents per share, up from 2.70 cents per share in the previous year, which will be paid on 27 September 2019, in pounds sterling at an exchange rate of $1.2545:£1.00 to shareholders on the register on 6 September 2019.

Strategic progress

Our strategic progress should be viewed through the lens of our Reignite Growth strategy which is central to our aim of creating a higher quality and higher growth business. Whilst trading in the first six months of 2019 has been challenging due to a weak demand environment, the Group has made material progress across its four key strategic pillars.

1. Pursue best growth opportunities

Global key account management (GKAM) is about accelerating how we work and grow with our major customers. With new systems and processes in place, the quantity and quality of dialogue with our key customers has improved and is encouraging increased collaboration in the areas of innovation and joint development projects. Reflective of a weak global Coatings market, particularly in China, sales to our key global Coatings accounts fell 6% on the prior year. Sales in Europe, Middle East and Americas to our key global customers were flat – a good result in tough macro conditions.

In Asia there is a clear opportunity to expand our Coatings presence. Investment is progressing in the recently acquired manufacturing site in India and will create an asset uniquely positioned to benefit from strategic raw material supplies and proximity to fast growing end markets. The plant will support the growth of our Coatings, Personal Care and Energy businesses in the region, and is due to start production in the second half of 2020.

In Personal Care we have a high quality business that is a market leader in rheology modifiers for cosmetics and active ingredients for AP deodorants, two markets with attractive growth drivers as consumers increasingly demand premium personal care products. Whilst this is a solid foundation, marketing and technology investments are supporting the penetration of new geographies and new products. In the first half of 2019, sales of hectorite based solutions in Asia rose 6% and the launch in April of new products Bentone Hydroclay™ and Bentone® Luxe WN represents a significant move into skincare applications. In AP Actives, the new India site will support growth in the surrounding region and beyond, and reduce our tariff exposure. Our AP actives innovation pipeline contains several new product innovations showing early signs of promise. With a leading market position and high performing R&D platform, Elementis is well placed to capture such growth opportunities.

2. Pursue supply chain transformation

Elementis has high quality manufacturing sites across the world, yet there is always room for improvement. In the first half of 2019 we invested to enhance the resilience and reliability of our Chromium business. New insulation, heat equipment and increased warehouse capacity means our supply chain is better positioned to withstand extreme weather conditions, whilst further automation of leather tanning sites is increasing operational reliability.

Talc brings to Elementis high quality production facilities in Finland and the Netherlands. Integration of these sites is progressing at pace with completion expected by Q4 2019. This is helping to facilitate the delivery of $2m of cost synergies and early progress towards $20-25m of revenue synergies by 2023.

The Group aimed to reduce underlying working capital by $25m by 2020, and in 2019 we have made further progress to deliver this. New demand planning tools and inventory management systems mean we are better placed to reduce inventory whilst meeting customer expectations. This is particularly relevant to our Coatings business, where our transformation programme is focusing our portfolio and innovation efforts on high value and differentiated customer solutions. As a result of the strong progress to date we are increasing our working capital reduction target to $30m by 2020.

In the first half of the year the environment has been challenging with weak market demand and destocking, notably within our Coatings segment. Whilst demand improved in the second quarter, our supply chain has responded quickly with fixed cost efficiencies implemented, and more identified. This will drive our performance in 2019 and beyond.

3. Innovate for high margins and distinctiveness

Innovation is core to Elementis and to our customers we deliver Enhanced Performance Through Applied Innovation. In Personal Care, natural functional ingredients that do not sacrifice product performance are in strong demand. In April we launched Bentone Hydroclay™ and Bentone® Luxe WN, two new products that meet these requirements for skin care applications. These natural, clay based ingredients enable the creation of premium skincare formulations that deliver an innovative and elegant sensory experience; we are receiving fantastic customer feedback.

In Coatings we are also creating more effective customer solutions with a focus on sustainability. New preservative free NiSAT rheology modifiers, focused on waterborne decorative applications, are bringing increased product performance to customers at reduced cost. Our unique organic thixatrope rheology modifiers, derived from castor wax, allow reduced energy consumption and processing time for adhesive and sealant producers, but with increased product performance.

The penetration of our sustainable technology solutions continues to grow. Our innovation pipeline, under the new leadership of Joe Lupia who joined from BASF to replace the recently retired Ken Smith, is well positioned to meet our customers' needs. Over the next eighteen months we will launch twenty new products that deliver solutions for customers in the areas of industrial waterborne coatings, natural personal care ingredients and deep-water energy drilling.

4. Create a culture of high performance

As the Group increases in size it is important to develop consistent and efficient working practices across our teams.

Our digital strategy is focused on improving the effectiveness of our internal collaboration and making it easier to do business with Elementis. The new commercial website is an improved digital platform for both customers and employees. Customer relationship management tools are offering enhanced insight into, and execution of, new business opportunities. This is just the start of our movement towards a digital operating model. In the coming months we will roll out business intelligence and reporting tools along with e-commerce capabilities.

Our values – Safety, Solutions, Ambition, Respect and Team – are core to our high performance culture and enable us to work effectively in partnership with customers. In the first half of the year we continued to roll out our shared values, with over 1,000 employees participating in workshops around the world.

Improved processes and systems facilitate effective resource deployment. Stage gate and capital expenditure disciplines mean investment in the Group is being optimised and directed to the highest return projects. In 2019 capital expenditure will be approximately $50m, of which close to 60% will be allocated to growth and productivity initiatives such as our new plant in India. This is in contrast to the previous five years where expenditure on such initiatives averaged around 25%.

Capital Markets Day 2019

On the 19 November we will hold a Capital Markets Day in London. This event will present our ambition for Elementis over the next three years, with specific focus on organic growth initiatives, innovation, efficiency and the introduction of specific financial targets.

Outlook

Looking forward we see significant potential for Elementis. We have good strategic direction and momentum within the business and will continue to pursue our key growth and supply chain transformation initiatives, and continue to innovate for high margins and distinctiveness.

Moving into the second half of the year we anticipate an improved level of financial performance. Whilst we expect market conditions consistent with the second quarter, performance will be underpinned by the delivery of $10m of cost savings, $22m of new business and new product launches in the year. Overall the Board continues to anticipate that the Group will deliver strategic and financial progress in 2019, broadly in line with expectations, with a continuing focus on strong cash generation.

Notes:
Where we refer to adjusted performance measures (e.g. adjusted operating profit), see note 5.
Where we refer to constant currency, see Finance report.
* Adjusted for constant currency and M&A. See Finance report.
† See unaudited pro forma information.

Finance report

Revenue for the six months ended 30 June	Revenue 2018 $m	Effect of exchange rates $m	Impact of M&A** $m	Increase/ (decrease) 2019 $m	**Revenue 2019 $m**
Personal Care	111.8	(3.8)	(0.7)	(6.6)	**100.7**
Coatings	197.6	(8.1)	(4.0)	(22.0)	**163.5**
Talc	–	–	74.5	–	**74.5**
Chromium	90.5	–	–	(2.2)	**88.3**
Energy	27.0	(0.2)	–	1.1	**27.9**
Inter-segment	(5.5)	–	–	0.3	**(5.2)**
Revenue from continuing operations	421.4	(12.1)	69.8	(29.4)	**449.7**
Revenue on discontinued operations excluding inter-segment sales	4.8	–	(4.8)	–	**–**
Revenue from total operations	426.2	(12.1)	65.0	(29.4)	**449.7**

Adjusted operating profit for the six months ended 30 June	Adjusted operating profit* 2018 $m	Effect of exchange rates $m	Impact of business M&A** $m	Increase/ (decrease) 2019 $m	**Adjusted operating profit* 2019 $m**
Personal Care	29.9	(0.7)	(0.1)	(5.9)	**23.2**
Coatings	29.9	(1.9)	2.5	(6.6)	**23.9**
Talc	–	–	10.4	–	**10.4**
Chromium	13.9	–	–	(2.7)	**11.2**
Energy	3.2	(0.1)	–	–	**3.1**
Central costs	(9.3)	0.8	–	0.8	**(7.7)**
Adjusted operating profit on continuing operations	67.6	(1.9)	12.8	(14.4)	**64.1**
Adjusted operating profit on discontinued operations	(0.4)	–	0.4	–	**–**
Adjusted operating profit on total operations	67.2	(1.9)	13.2	(14.4)	**64.1**

* See note 5
** M&A includes Coatings and Personal Care portfolio elimination following the Delden asset sale and the acquisition of Talc

Group results

Group revenue from continuing operations for the first six months of 2019 was $449.7m, compared to $421.4m in the same period last year, an increase of $28.3m (7%), or 10% excluding currency movements. The increase in revenue is a result of six months contribution from the recently acquired Talc business and growth in the Energy business, offset by lower revenue in Personal Care, Coatings and Chromium.

Group adjusted operating profit on continuing operations was $64.1m, compared to $67.6m in the same period last year, a decrease of 5%, and 2% excluding currency movements. Decreased adjusted operating profit was the result of weak demand and destocking, particularly in Q1, offset by six months of Talc operating profit.

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. Central costs for the first half of 2019 were $1.6m lower at $7.7m, driven primarily by employment costs reduction initiatives and year on year exchange rate movements.

Adjusting items

In calculating the profitability measures by which management assesses the performance of the Group a number of items are excluded from operating profit as reported in accordance with IFRS. The Board believes that the adjusted measures assist shareholders in better understanding the underlying performance of the business.

	2019 Six months ended 30 June $m	2018 Six months ended 30 June $m	2018 Year ended 31 December $m
Operating profit on continuing operations	**63.8**	56.2	84.9
Adjusting items:			
Restructuring	**–**	0.9	0.2
Business transformation	**–**	–	5.6
Environmental provisions			
Increase in provisions due to additional remediation work identified	**–**	–	16.5
Costs related to acquisition activities	**–**	–	16.5
Uplift due to fair value of Talc inventory	**–**	–	2.9
Sale of Colourants business and closure of Jersey City site	**–**	–	(12.7)
Sale of Surfactants business	**–**	0.5	0.5
Costs associated with other M&A activity	**–**	2.8	–
Amortisation of intangibles arising on acquisition	**9.3**	7.2	15.0
GMP pension	**–**	–	3.2
Release of contingent consideration	**(9.0)**	–	–
Net adjusting items on continuing operations	**0.3**	11.4	47.7
Adjusted operating profit on continuing operations	**64.1**	67.6	132.6
Adjusted operating profit on discontinued operations	**–**	(0.4)	(0.6)
Adjusted operating profit on total operations	**64.1**	67.2	132.0

Amortisation of intangibles arising on acquisition is $9.3m for the period and $(9.0)m represents the release of contingent consideration. An explanation of other adjusting items relating to the previous period can be found within the Finance report of the 2018 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 $1.0m in the period compared to $1.3m in the previous year.

Net finance costs

	30 June 2019 $m	30 June 2018 $m
Finance income	**0.3**	0.3
Finance cost of borrowings	**(12.7)**	(7.7)
	(12.4)	(7.4)
Net pension finance expense	**(0.3)**	(0.2)
Unwind of discount on provisions	**(0.6)**	(0.5)
Interest on lease liabilities	**(0.9)**	–
Net finance costs	**(14.2)**	(8.1)

Net finance costs for the first six months of the year of $14.2m were $6.1m higher than the same period last year. Within this total, net interest costs were $5.0m higher at $12.4m due to the higher average levels of borrowing across the period following the acquisition of the Talc business in October 2018. Net pension finance costs in the period were $0.1m higher at $0.3m. The discount on provisions relates to the time value cost of certain environmental provisions, which are calculated on a discounted cash flow basis. With no change in the discount rate, the charge was slightly higher than last year due to a higher brought forward provision value at the start of the period.

Tax

The Group reports an adjusted tax charge on continuing operations for the first half of 2019 of $10.7m (2018: $11.5m); giving rise to an adjusted effective tax rate of 21.9% (2018: 19.8%).

Tax on adjusting items for the first half of 2019 amounts to a credit of $2.3m (2018: charge of $4.4m); resulting in a total statutory tax charge for the period of $8.4m (2018: $15.9m) and a reported effective tax rate of 17.3% (2018: 34.0%).

For the full year 2019, we currently estimate an effective adjusted tax rate of around 22%.

Earnings per share

Statutory basic earnings per share was 6.9 cents for the period compared to 6.1 cents in the prior period.

Continuing basic adjusted and diluted adjusted earnings per share for the first half of 2019, calculated on the adjusted earnings of $38.2m (2018: $46.7m), were 6.6 cents and 6.5 cents respectively compared to the rebased 9.2 cents and 9.1 cents in 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:

	30 June 2019 $m	30 June 2018 $m
Profit before interest, tax, depreciation and amortisation (Adjusted EBITDA)*	**85.4**	80.7
Change in working capital	**1.0**	(27.9)
Capital expenditure	**(23.1)**	(20.5)
Other	**(1.6)**	(2.9)
Operating cash flow	**61.7**	29.4
Pension payments	**(0.3)**	–
Interest and tax	**(11.7)**	(9.0)
Adjusting items	**(28.7)**	(3.7)
Other	**–**	0.2
Free cash flow	**21.0**	16.9
Dividends	**(32.8)**	(28.2)
Disposals	**–**	42.9
Currency fluctuations	**1.3**	(0.1)
Movement in net (debt)/cash	**(10.5)**	31.5
Net debt at start of period	**(498.1)**	(291.1)
Net debt as at end of period	**(508.6)**	(259.6)

* See note 5

The increase in net debt in the first six months of 2019 of $10.5m includes a net outflow of $19.0m to the previous owners of the Talc business following the successful settlement of an historic tax case in Finland. A further $9.7m outflow was in settlement of a commercial dispute relating to the Surfactants business disposed of in 2018. Both these liabilities were recognised in 2018 and are reflected as adjusting items in the adjusted cash flow above.

Operating cash flow in the period increased by $32.3m to $61.7m driven mainly by an improvement in the working capital from an outflow of $27.9m to an inflow to $1.0m. Of this movement, $21.8m related to a decrease in inventories, predominantly within our Talc and Chromium businesses. EBITDA in the period was $4.7m higher than last year.

Capital expenditure in the period of $23.1m was $2.6m higher than the previous year. The increase is mainly due to $7.4m of capital expenditure relating to the new Talc business, partially offset by reductions in spending across the plants that serve the Personal Care, Coatings and Energy segments of $3.6m. Spending in 2018, on these, was higher due to specific investments to support growth at our St. Louis and Charleston sites. Capital spending for the year as a whole is expected to be approximately $50.0m (2018: $50.8m).

There were no pension deficit payments in the period (2018: nil), mainly resulting from the UK pension scheme being in surplus under IAS 19. Interest and tax payments in the period were $2.7m higher than the previous year, mostly due to interest on the Group's increased borrowings following the acquisition of the Talc business in October 2018.

Dividend payments were $32.8m compared to $28.2m in the first six months of 2018, the increase being due to the larger share base following the October 2018 rights issue and our progressive ordinary dividend policy. Overall, the Group had a net debt position on its balance sheet of $508.6m at the end of the period, an increase of $249.0m from the comparable period last year, primarily due to the acquisition of the Talc business which was part funded by increased borrowings.

Working capital

Working capital days	**30 June 2019**	30 June 2018	31 December 2018
Inventory	**106**	94	117
Debtors	**44**	47	45
Creditors	**63**	56	68
Average working capital to sales (%)	**22.2**	19.4	21.0

Total working capital for the Group was $16.4m higher than at the end of June 18. Of the increase, $24.2m is related to the new Talc business. Inventory days have increased from 94 days in 2018 to 106 in 2019 as a result of the strategic purchasing of chrome ore and zirconium along with an increase in safety stock levels in the Chromium business. Inventory days have decreased from 117 at December 2018 to 106 at June 2019 as a result of the depletion of strategic inventory purchases and sustainable improvement in supply planning. Debtor days have improved to 44 days compared to 47 days for the same period last year and are broadly in line with year end. Creditor days increased to 63 days from 56 in June 2018 due to the timing of raw materials purchases, particularly in the Chromium segment.

Balance sheet

	30 June 2019 $m	30 June 2018 $m	31 December 2018 $m
Property, plant and equipment	**522.2**	223.2	478.2
Other net assets	**903.9**	744.4	935.5
Net debt	**(508.6)**	(259.6)	(498.1)
Equity	**917.5**	708.0	915.6

Property, plant and equipment increased by $299.0m compared to the value at 30 June 2018 due to additions resulting from the Talc acquisition of $244.7m which include mineral rights, production and warehouse facilities in Finland and Amsterdam as well as $43.9m relating to a change in accounting standards (application of IFRS 16 from 1 January 2019). In the current period, depreciation of $24.9m exceeded capex of $23.1m.

Other net assets increased by $159.5m to $903.9m of which $205.8m relates to the acquisition of the Talc business, offset by $49.7m of lease liabilities due to a change in accounting standards and an increase in our environmental provisions of $10.1m due to additional remediation work identified at the 2018 year end offset by cash payments.

Equity increased by $209.5m as a result of profits for the intervening period of $50.8m and net proceeds of $223.3m from the rights issue to part fund the acquisition of the Talc business. This is offset by dividends paid of $46.5m.

The main dollar currency exchange rates as at 30 June 2019 and average rates in the period were:

	2019 30 June	**2019 Average**	2018 30 June	2018 Average
Sterling	**0.79**	**0.77**	0.76	0.72
Euro	**0.88**	**0.89**	0.86	0.83

Pensions and post retirement plans

	UK $m	US $m	Other $m	**Total $m**
Movement in net deficit				
Net surplus/(deficit) in schemes at 1 January 2019	22.1	(21.3)	(10.7)	**(9.9)**
Current service cost	(0.2)	(0.4)	–	**(0.6)**
Contributions	–	0.5	0.3	**0.8**
Administration costs	(0.9)	(0.1)	–	**(1.0)**
Net interest expense	0.3	(0.4)	(0.1)	**(0.2)**
Actuarial (loss)/gain	(2.1)	2.8	–	**0.7**
Net surplus/(deficit) in schemes at 30 June 2019	**19.2**	**(18.9)**	**(10.5)**	**(10.2)**

During the period the deficit, under IAS 19, on the Group's pension and post retirement medical plans worsened by $0.3m to $10.2m. During the first six months of 2019 the UK scheme had an annualised return of 16% (2018: -3%), liabilities increased by 8% (2018: decreased by 2%) and the net surplus declined by $2.9m. This movement was driven by the adverse impact of actuarial assumptions on the pension obligations being only partially offset by the benefit of actual investment performance. Within the US schemes the net deficit reduced by $2.4m mainly due to an increase in the discount rate assumption of 70 bps. Contributions in the period totalled $0.8m (2018: $0.7m), remaining low following the funding agreement reached with the UK Trustees after the September 2017 triennial valuation under which top up contributions are no longer required for a period of at least three years.

Cautionary statement

The Elementis plc interim results announcement for the half year ended 30 June 2019, 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 2019, 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 2019) (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.

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 2018 Annual report and accounts on page 152.

Directors' responsibility statement

A full list of the Directors can be found on the Elementis corporate website at: 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 EU.
- 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 Disclosure and 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 2018 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 30 July 2019 and signed on its behalf by:

Paul Waterman
CEO
30 July 2019

Ralph Hewins
CFO
30 July 2019

INDEPENDENT REVIEW REPORT TO ELEMENTIS PLC

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 2019 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated cash flow statement, the condensed consolidated statement of changes in equity, and related notes 1 to 16. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Financial Reporting Council. 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.

Directors’ responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 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. 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.

Conclusion

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 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

Deloitte LLP
Statutory Auditor
London, United Kingdom
30 July 2019

Condensed consolidated income statement for the six months ended 30 June 2019

	Note	**2019 Six months ended 30 June $m**	2018 Six months ended 30 June $m	2018 Year ended 31 December $m
Revenue	4	**449.7**	421.4	822.2
Cost of sales		**(285.6)**	(265.9)	(516.6)
Gross profit		**164.1**	155.5	305.6
Distribution costs		**(64.5)**	(56.3)	(111.6)
Administrative expenses		**(35.5)**	(42.9)	(109.0)
Net impairment losses on financial assets		**(0.3)**	(0.1)	(0.1)
Operating profit	4	**63.8**	56.2	84.9
Other expenses		**(1.0)**	(1.3)	(1.6)
Finance income	6	**0.3**	0.3	0.3
Finance costs	7	**(14.5)**	(8.4)	(18.2)
Profit before income tax	4	**48.6**	46.8	65.4
Tax	8	**(8.4)**	(15.9)	(15.6)
Profit from continuing operations		**40.2**	30.9	49.8
Loss from discontinued operations	15	**–**	(0.1)	(8.4)
Profit for the period		**40.2**	30.8	41.4
Attributable to:				
Equity holders of the parent		**40.2**	30.8	41.4
Earnings per share				
From continuing operations				
Basic (cents)[1]	9	**6.9**	6.1	9.5
Diluted (cents)[1]	9	**6.8**	6.0	9.5
From continuing and discontinued operations				
Basic (cents)[1]	9	**6.9**	6.1	7.9
Diluted (cents)[1]	9	**6.8**	6.0	7.9

1 June 2018 earnings per share amounts rebased to reflect adjustments associated with the rights issue (see Note 9).

Condensed consolidated statement of comprehensive income for the six months ended 30 June 2019

	2019 Six months ended 30 June $m	2018 Six months ended 30 June $m	2018 Year ended 31 December $m
Profit for the period	**40.2**	30.8	41.4
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gain on pension and other post retirement schemes	**0.7**	2.2	5.3
Deferred tax associated with pension and other post retirement schemes	**(0.2)**	(0.6)	0.7
	0.5	1.6	6.0
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	**5.6**	0.5	0.5
Effective portion of change in fair value of net investment hedges	**(6.5)**	(6.9)	(20.5)
Recycling of deferred foreign exchange losses on disposal	**–**	4.2	4.2
Effective portion of changes in fair value of cash flow hedges	**(2.4)**	2.4	1.4
Fair value of cash flow hedges transferred to income statement	**(0.3)**	0.1	(0.1)
Exchange differences on translation of share options reserves	**–**	–	(0.4)
	(3.6)	0.3	(14.9)
Other comprehensive income, net of tax	**(3.1)**	1.9	(8.9)
Total comprehensive income for the period	**37.1**	32.7	32.5
Attributable to:			
Equity holders of the parent	**37.1**	32.7	32.5
Total comprehensive income for the period	**37.1**	32.7	32.5

Condensed consolidated balance sheet at 30 June 2019

	2019 30 June $m	2018 30 June $m	2018 31 December $m
Non-current assets			
Goodwill and other intangible assets	**966.4**	707.8	976.6
Property, plant and equipment	**522.2**	223.2	478.2
ACT recoverable	**4.9**	12.6	9.8
Deferred tax assets	**24.4**	0.5	24.4
Total non-current assets	**1,517.9**	944.1	1,489.0
Current assets			
Inventories	**178.3**	151.8	188.7
Trade and other receivables	**151.9**	139.1	139.4
Derivatives	**–**	2.1	2.0
Current tax asset	**3.0**	4.5	3.0
Cash and cash equivalents	**87.3**	57.4	96.1
Total current assets	**420.5**	354.9	429.2
Total assets	**1,938.4**	1,299.0	1,918.2
Current liabilities			
Bank overdrafts and loans	**(4.8)**	(4.7)	(2.8)
Trade and other payables	**(134.4)**	(114.2)	(140.6)
Financial liabilities	**(0.6)**	–	(0.1)
Current tax liabilities	**(23.7)**	(26.3)	(17.1)
Lease liabilities	**(7.4)**	–	–
Provisions	**(6.2)**	(9.0)	(7.3)
Total current liabilities	**(177.1)**	(154.2)	(167.9)
Non-current liabilities			
Loans and borrowings	**(591.1)**	(312.3)	(591.4)
Employee retirement benefits	**(10.2)**	(10.1)	(9.9)
Deferred tax liabilities	**(148.3)**	(92.9)	(151.7)
Lease liabilities	**(42.3)**	-	-
Provisions	**(38.4)**	(21.5)	(41.5)
Financial liabilities	**(13.5)**	–	(40.2)
Total non-current liabilities	**(843.8)**	(436.8)	(834.7)
Total liabilities	**(1,020.9)**	(591.0)	(1,002.6)
Net assets	**917.5**	708.0	915.6
Equity			
Share capital	**52.1**	44.4	52.1
Share premium	**237.6**	22.1	237.6
Other reserves	**83.8**	101.2	85.5
Retained earnings	**544.0**	540.3	540.4
Equity attributable to equity holders of the parent	**917.5**	708.0	915.6
Total equity and reserves	**917.5**	708.0	915.6

Condensed consolidated cash flow statement for the six months ended 30 June 2019

	2019 Six months ended 30 June $m	2018 Six months ended 30 June $m	2018 Year ended 31 December $m
Operating activities:			
Profit for the period	**40.2**	30.8	41.4
Adjustments for:			
Other expenses	**1.0**	1.3	1.6
Finance income	**(0.3)**	(0.2)	(0.2)
Finance costs	**14.5**	8.4	18.2
Tax	**8.4**	15.6	13.6
Depreciation and amortisation	**34.5**	20.7	45.9
(Increase)/decrease in provisions	**(31.4)**	(5.1)	9.2
Pension contributions net of current service cost	**(0.3)**	–	1.9
Share based payments	**1.9**	1.9	2.8
(Profit)/loss on disposal of business	**–**	0.5	(12.1)
Operating cash flows before movements in working capital	**68.5**	73.9	122.3
Decrease/(increase) in inventories	**10.3**	(11.5)	(24.6)
Increase in trade and other receivables	**(12.7)**	(17.6)	(2.8)
(Decrease)/increase in trade and other payables	**(6.1)**	1.2	10.6
Cash generated by operations	**60.0**	46.0	105.5
Income taxes received/(paid)	**0.7**	(2.0)	(6.9)
Interest paid	**(13.6)**	(6.9)	(14.3)
Net cash flow from operating activities	**47.1**	37.1	84.3
Investing activities:			
Interest received	**0.3**	0.3	–
Disposal of property, plant and equipment	**0.3**	–	0.6
Purchase of property, plant and equipment	**(23.2)**	(18.5)	(50.0)
Purchase of business net of cash acquired	**–**	–	(484.7)
Disposal of business	**–**	42.9	58.0
Acquisition of intangibles	**(0.2)**	(2.0)	(1.4)
Net cash flow from investing activities	**(22.8)**	22.7	(477.5)
Financing activities:			
Issue of shares by the Company and the ESOT net of issue costs	**–**	0.2	223.3
Dividends paid	**(32.8)**	(28.2)	(41.9)
Purchase of shares by the ESOT	**–**	–	(0.3)
Proceeds on issue of new debt	**–**	–	554.7
Net movement on existing debt	**2.9**	(28.0)	(296.7)
Payment of lease liabilities	**(2.9)**	–	–
Net cash used in financing activities	**(32.8)**	(56.0)	439.1
Net (decrease)/increase in cash and cash equivalents	**(8.5)**	3.8	45.9
Cash and cash equivalents at beginning of period	**96.1**	55.0	55.0
Foreign exchange on cash and cash equivalents	**(0.3)**	(1.4)	(4.8)
Cash and cash equivalents at end of period	**87.3**	57.4	96.1

Condensed consolidated statement of changes in equity for the six months ended 30 June 2019

	Share capital $m	Share premium $m	Translation reserve $m	Hedging reserve $m	Other reserves $m	Retained earnings $m	Total equity $m
At 1 January 2019	52.1	237.6	(73.0)	(5.6)	164.1	540.4	915.6
Impact following adoption of IFRS 16	–	–	–	–	–	(4.3)	(4.3)
Revised 1 January 2019	52.1	237.6	(73.0)	(5.6)	164.1	536.1	911.3
Profit for the period	–	–	–	–	–	40.2	40.2
Other comprehensive income:							
Exchange differences	–	–	(0.9)	–	–	–	(0.9)
Movement in cash flow hedges	–	–	–	(2.7)	–	–	(2.7)
Actuarial gain on pension scheme	–	–	–	–	–	0.7	0.7
Deferred tax adjustment on pension scheme deficit	–	–	–	–	–	(0.2)	(0.2)
Transactions with owners:							
Share based payments	–	–	–	–	1.9	–	1.9
Dividends paid	–	–	–	–	–	(32.8)	(32.8)
At 30 June 2019	**52.1**	**237.6**	**(73.9)**	**(8.3)**	**166.0**	**544.0**	**917.5**

	Share capital $m	Share premium $m	Translation reserve $m	Hedging reserve $m	Other reserves $m	Retained earnings $m	Total equity $m
At 1 January 2018	44.4	21.9	(57.2)	(6.9)	163.1	537.0	702.3
Impact following adoption of IFRS 15	–	–	–	–	–	(0.9)	(0.9)
Revised 1 January 2018	44.4	21.9	(57.2)	(6.9)	163.1	536.1	701.4
Profit for the period	–	–	–	–	–	30.8	30.8
Other comprehensive income:							
Exchange differences	–	–	(6.4)	–	–	–	(6.4)
Recycling of deferred foreign exchange losses on disposal	–	–	4.2	–	–	–	4.2
Movement in cash flow hedges	–	–	–	2.5	–	–	2.5
Actuarial gain on pension scheme	–	–	–	–	–	2.2	2.2
Deferred tax adjustment on pension scheme deficit	–	–	–	–	–	(0.6)	(0.6)
Transactions with owners:							
Issue of shares	–	0.2	–	–	–	–	0.2
Share based payments	–	–	–	–	1.9	–	1.9
Dividends paid	–	–	–	–	–	(28.2)	(28.2)
At 30 June 2018	44.4	22.1	(59.4)	(4.4)	165.0	540.3	708.0

Notes to the interim financial statements for the six months ended 30 June 2019

1. General Information

Elementis plc (the 'Company') and its subsidiaries (together, the 'Group') manufactures specialty chemicals. The Group has operations in the US, UK, Brazil, Germany, Finland, Holland, 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
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 EU.

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 2018, except as described below.

The Group has initially adopted IFRS 16, 'Leases' from 1 January 2019. A number of other new standards are effective from 1 January 2019 but they do not have a material effect on the Group's financial statements.

The Group has adopted IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly the comparative information presented for 2018 has not been restated as permitted under the specific transitional provisions in the standard.

As such the comparative information is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies and the impact on the Group's accounting are described in note 16.

The information for the year ended 31 December 2018 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

The Directors have assessed the Group as a going concern, having given consideration to its business plans and financial forecasts, as well as to the risks and material uncertainties to the Group's trading performance. The Group is in a net debt position at the end of 30 June 2019 of $508.6m but has headroom on its central facilities available in excess of $180m.

The Directors are satisfied that, after considering all of the above, the Group has adequate resources to remain in operational existence for the foreseeable future, that it is appropriate for the Group to adopt the going concern basis of accounting in preparing these interim financial statements, and that there are no material uncertainties as to the ability of the Group and Company to continue to do so over a period of at least twelve months from the date of approval of the interim financial statements.

4. Segment reporting

Personal Care – production of rheological modifiers and compounded products, including active ingredients for AP deodorants, for supply to Personal Care manufacturers
Coatings – production of rheological modifiers and additives for decorative and industrial coatings
Talc – production of premium talc based additives
Chromium – production of chromium chemicals
Energy – production of rheological modifiers and additives for oil and gas drilling and stimulation activities

	Six months ended 30 June 2019			Six months ended 30 June 2018			Year ended 31 December 2018		
	Gross $m	**Inter-segment**	**External $m**	Gross $m	Inter-segment $m	External $m	Gross $m	Inter-segment $m	External $m
Revenue									
Personal Care	**100.7**	**–**	**100.7**	111.8	–	111.8	210.3	–	210.3
Coatings	**163.5**	**–**	**163.5**	197.6	–	197.6	362.2	–	362.2
Talc	**74.5**	**–**	**74.5**	–	–	–	21.5	–	21.5
Chromium	**88.3**	**(5.2)**	**83.1**	90.5	(5.5)	85.0	184.3	(11.0)	173.3
Energy	**27.9**	**–**	**27.9**	27.0	–	27.0	54.9	–	54.9
Revenue from continuing operations	**454.9**	**(5.2)**	**449.7**	426.9	(5.5)	421.4	833.2	(11.0)	822.2
Revenue from discontinued operations	**–**	**–**	**–**	4.8	–	4.8	4.8	–	4.8
Revenue from total operations	**454.9**	**–**	**449.7**	431.7	(5.5)	426.2	838.0	(11.0)	827.0

All revenues relate to the sale of goods

	2019 Six months ended 30 June $m	2018 Six months ended 30 June $m	2018 Year ended 31 December $m
Adjusted operating profit			
Personal Care	**23.2**	29.9	52.2
Coatings	**23.9**	29.9	52.5
Talc	**10.4**	–	3.9
Chromium	**11.2**	13.9	33.0
Energy	**3.1**	3.2	7.1
Central costs	**(7.7)**	(9.3)	(16.1)
Adjusted operating profit on continuing operations	**64.1**	67.6	132.6
Adjusting Items on continuing operations	**(0.3)**	(11.4)	(47.7)
Operating profit on continuing operations	**63.8**	56.2	84.9
Other expenses	**(1.0)**	(1.3)	(1.6)
Finance income	**0.3**	0.3	0.3
Finance costs	**(14.5)**	(8.4)	(18.2)
Profit before tax	**48.6**	46.8	65.4

5. Adjusting items and alternative performance measures

In calculating the profitability measures by which management assesses the performance of the Group a number of items are excluded from operating profit as reported in accordance with IFRS. The Board believes that the adjusted measures assist shareholders in better understanding the underlying performance of the business.

	2019 Six months ended 30 June $m	2018 Six months ended 30 June $m	2018 Year ended 31 December $m
Operating profit on continuing operations	**63.8**	56.2	84.9
Adjusting items:			
Restructuring	**–**	0.9	0.2
Business transformation	**–**	–	5.6
Environmental provisions			
Increase in provisions due to additional remediation work identified	**–**	–	16.5
Costs related to acquisition activities	**–**	–	16.5
Uplift due to fair value of Talc inventory	**–**	–	2.9
Sale of Colourants business and closure of Jersey city site	**–**	–	(12.7)
Sale of Surfactants business	**–**	0.5	0.5
Costs associated with other M&A activity	**–**	2.8	–
Amortisation of intangibles arising on acquisition	**9.3**	7.2	15.0
GMP Pension	**–**	–	3.2
Release of contingent consideration	**(9.0)**	–	–
Net adjusting items on continuing operations	**0.3**	11.4	47.7
Adjusted operating profit on continuing operations	**64.1**	67.6	132.6
Adjusted operating profit discontinued operations	**–**	(0.4)	(0.6)
Adjusted operating profit on total operations	**64.1**	67.2	132.0

	2019 Six months ended 30 June $m	2018 Six months ended 30 June $m	2018 Year ended 31 December $m
Adjusted operating profit			
Personal Care	**23.2**	29.9	52.2
Coatings	**23.9**	29.9	52.5
Talc	**10.4**	–	3.9
Chromium	**11.2**	13.9	33.0
Energy	**3.1**	3.2	7.1
Central costs	**(7.7)**	(9.3)	(16.1)
Adjusted operating profit on continuing operations	**64.1**	67.6	132.6
Other expenses	**(1.0)**	(1.3)	(1.6)
Finance income	**0.3**	0.3	0.3
Finance costs	**(14.5)**	(8.4)	(18.2)
Adjusted profit before tax on continuing operations	**48.9**	58.2	113.1

	2019 Six months ended 30 June $m	2018 Six months ended 30 June $m	2018 Year ended 31 December $m
Adjusted operating profit			
Personal Care	**23.2**	29.9	52.2
Coatings	**23.9**	29.9	52.5
Talc	**10.4**		3.9
Chromium	**11.2**	13.9	7.1
Energy	**3.1**	3.2	33.0
Surfactants	**–**	(0.4)	(0.6)
Central costs	**(7.7)**	(9.3)	(16.1)
Adjusted operating profit on total operations	**64.1**	67.2	132.0
Other expenses	**(1.0)**	(1.3)	(1.6)
Finance income	**0.3**	0.3	0.3
Finance costs	**(14.5)**	(8.4)	(18.2)
Adjusted profit before tax on total operations	**48.9**	57.8	112.5

Adjusted operating margin is the ratio of Adjusted operating profit to sales.
The adjusted tax rate is defined as the provision for tax on profits after adjusting items, divided by the adjusted profit before income tax.

Amortisation of intangibles arising on acquisition is $9.3m for the period and $(9.0)m represents the release of contingent consideration.

Within 2018 first half adjusting items, restructuring costs of $0.9m relate to the IFRS 2 cost of buyouts associated with the new CEO and CFO appointed in 2016 and are accounted for in the period to which they relate. An adjustment of $0.5m was made to remove the profit element on the disposal of the Surfactants business, as this was a non-recurring event.

An explanation of other adjusting items relating to the full year 2018 can be found within the 2018 Annual Report and Accounts.

EBITDA is defined as operating profit on total operations for a period excluding the charge for depreciation and amortisation for that period.

	2019 Six months ended 30 June $m	2018 Six months ended 30 June $m	2018 Year ended 31 December $m
Operating profit on total operations	**54.5**	55.8	74.5
Add : depreciation and amortisation	**34.5**	20.7	45.9
EBITDA for the period	**89.0**	76.5	120.4

Adjusted EBITDA is defined as the operating profit on total operations after adjusting items (except where those adjusting items relate to interest, depreciation or amortisation) excluding the charge for depreciation and amortisation for that period.

Net debt to adjusted EBITDA is defined as the ratio of Net Debt to Adjusted EBITDA for the prior 12 months.

	2019 Six months ended 30 June $m	2018 Six months ended 30 June $m	2018 Year ended 31 December $m
Adjusted operating profit on total operations	**64.1**	67.2	132.0
Less : amortisation of intangibles arising on acquisition	**(9.3)**	(7.2)	(15.0)
Add : depreciation and amortisation	**34.5**	20.7	45.9
Less: EBITDA change due to IFRS 16	**(3.9)**	–	–
Adjusted EBITDA for the period	**85.4**	80.7	162.9

6. Finance income

	2019 Six months ended 30 June $m	2018 Six months ended 30 June $m	2018 Year ended 31 December $m
Interest on bank deposits	**0.3**	0.3	0.3

7. Finance costs

	2019 Six months ended 30 June $m	2018 Six months ended 30 June $m	2018 Year ended 31 December $m
Interest on bank loans	**12.7**	7.7	16.8
Unwind of discount on provisions	**0.6**	0.5	0.4
Pension and other post-retirement liabilities	**0.3**	0.2	1.0
Interest on lease liabilities	**0.9**	–	–
	14.5	8.4	18.2

8. Tax

The provision for tax on profits of $8.4m, or 17.3% (2018: $15.9m, or 34.0%) is based on the probable tax charge in those jurisdictions where profits arise. Within this figure is a tax credit of $2.3m (2018: debit $4.4m) in respect of adjusting items.

9. Earnings per share

	2019 Six months ended 30 June $m	2018 Six months ended 30 June $m Rebased	2018 Six months ended 30 June $m Reported	2018 Year ended 31 December $m
Continuing operations				
Earnings for the purposes of basic earnings per share	**40.2**	30.9	30.9	49.8
Adjusting items net of tax	**(2.0)**	15.8	15.8	38.9
Adjusted earnings	**38.2**	46.7	46.7	88.7
Discontinued operations				
Earnings for the purposes of basic earnings per share	**–**	(0.1)	(0.1)	(8.4)
Adjusting items net of tax	**–**	–	–	8.1
Adjusted earnings	**–**	(0.1)	(0.1)	(0.3)
Total of all operations				
Earnings for the purposes of basic earnings per share	**40.2**	30.8	30.8	41.4
Adjusting items net of tax	**(2.0)**	15.8	15.8	47.0
Adjusted earnings	**38.2**	46.6	46.6	88.4

	Number(m)	Number(m)	Number(m)	Number(m)
Weighted average number of shares for the purposes of basic earnings per share	**579.6**	506.7	463.7	520.9
Effect of dilutive share options	**7.3**	6.2	5.7	5.4
Weighted average number of shares for the purposes of diluted earnings per share	**586.9**	512.9	469.4	526.3

	2019 Six months ended 30 June cents	2018 Six months ended 30 June cents Rebased	2018 Six months ended 30 June cents Reported	2018 Year ended 31 December cents
Continuing operations				
Earnings per share:				
Basic	**6.9**	6.1	6.7	9.5
Diluted	**6.8**	6.0	6.6	9.5
Adjusted earnings per share:				
Basic	**6.6**	9.2	10.1	17.0
Diluted	**6.5**	9.1	9.9	16.9
Discontinued operations				
Earnings per share:				
Basic	**–**	–	–	(1.6)
Diluted	**–**	–	–	(1.6)
Adjusted earnings per share:				
Basic	**–**	–	–	–
Diluted	**–**	–	–	–
Total of all operations				
Earnings per share:				
Basic	**6.9**	6.1	6.6	7.9
Diluted	**6.8**	6.0	6.6	7.9
Adjusted earnings per share:				
Basic	**6.6**	9.2	10.0	17.0
Diluted	**6.5**	9.1	9.9	16.9

The weighted average number of ordinary shares for the period to 30 June 2018 has been rebased to reflect the Rights Issue completed in October 2018. The adjustment to the weighted average number of ordinary shares reflects the bonus element of the Rights Issue. All other factors remain unchanged.

10. Dividends

The following dividends were declared and paid by the Group:

	2019 Six months ended 30 June $m	2018 Six months ended 30 June $m	2018 Year ended 31 December $m
Dividends paid on ordinary shares	**32.8**	28.2	41.9

An interim dividend of 2.80 cents per share (2018: 2.70 cents rebased for the effects of the Rights Issue completed in the prior year) has been declared by the Board of Directors and will be paid on 27 September 2019 to shareholders on the register at 6 September 2019. The interim dividend will be paid in sterling at an exchange rate of $1.2545:£1.00.

11. Pension

Valuations for IAS 19 purposes were conducted as of 30 June 2019. The Group is reporting a deficit on its combined retirement benefit obligations of $10.2m at the end of June 2019, compared to balances of $10.1m at the same time last year and $9.9m at the end of December 2018. Additional commentary is included in the Finance Report.

12. Movement in net cash/(borrowings)

	2019 Six months ended 30 June $m	2018 Six months ended 30 June $m	2018 Year ended 31 December $m
Change in net cash/(borrowings) resulting from cash flows			
Increase/(decrease) in cash and cash equivalents	**(8.8)**	3.8	45.9
Decrease/(increase) in borrowings	**(2.9)**	28.0	(258.0)
	(11.7)	31.8	(212.1)
Currency translation differences	**1.2**	(0.3)	5.1
Increase/(decrease) in net cash	**(10.5)**	31.5	(207.0)
Net debt at beginning of period	**(498.1)**	(291.1)	(291.1)
Net debt at end of period	**(508.6)**	(259.6)	(498.1)

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 2018. 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.

The Group carried its trade and other receivables and payables, excluding derivatives, at amortised cost and consider fair value approximates carrying value. Derivatives are categorised within level 2. All other financial instruments, including cash and loans are categorised within level 1. At both 30 June 2019 and 31 December 2018 there was no difference between the carrying value and fair value of financial instruments.

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 indicated that it disagreed with the European Commission's conclusion and appealed the decision in July 2019. HMRC have not yet communicated how they intend to collect any relevant State Aid. Following consultation with external professional advisers Elementis believes that there is a technical position for asserting that our relevant financing company should not be deemed to have UK significant people functions. The range of possible outcomes is between $nil and $19.4m, however based on the work undertaken to date management believe that the potential for a material outflow is low. On this basis no provision has been made within these financial statements in respect of this case.

15. Discontinued operations

On 28 February 2018 the Group disposed of Elementis Specialties Netherlands BV, which carried out all of the Group's Surfactants operations. The disposal generated cash flow for the expansion of the Group's other businesses.

The results of the discontinued operations, which have been included in the consolidated income statement on the line "Profit from discontinued operations", were as follows:

	2019 Six months ended 30 June $m	2018 Six months ended 30 June $m	2018 Year ended 31 December $m
Revenue net of inter-segment sales	–	4.8	4.8
Expenses net of cost of inter-segment sales	–	(5.2)	(15.2)
Profit before tax	–	(0.4)	(10.4)
Attributable tax expense	–	0.3	2.0
Net profit attributable to discontinued operations	–	(0.1)	(8.4)

During first half of 2018, Elementis Specialties Netherlands BV absorbed $1.1m of the Group's net operating cash flows and paid $0.6m in respect of investing activities.

Within administrative expenses adjusting items, a loss on disposal of $0.5m was recognised in 2018 which arose from the disposal of net assets of $42.0m for consideration of $47.9m with disposal costs incurred of $2.2m and $4.2m of foreign exchange losses recycled from the foreign currency translation reserve to the income statement.

16. Changes in accounting policies

This note explains the impact of the adoption of IFRS 16 Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019. The Group has adopted IFRS 16 using the modified retrospective approach on transition and therefore comparative information has not been restated as permitted under the transitional provisions.

Policy applicable from 1 January 2019

Under IFRS 16, except for certain short term leases and leases of low-value assets, a liability is recognised at lease inception equal to the present value of payments due under the lease. The lease liability is subsequently measured using the effective interest rate method, with interest charged to finance costs. At lease inception, a right of use asset is also recognised equal to the lease liability, adjusted to reflect any lease incentives paid to or received from the lessor, asset restoration and other direct costs. The right of use asset is depreciated over the shorter of the life of the asset or the lease term to administrative expenses.

Policy applicable prior to 1 January 2019

Under the Group's previous accounting policy, the majority of the Group's leases were accounted for as operating leases with rentals charged on a straight line basis over the period of the lease, with no element of the rentals charged to finance costs. No asset or lease liability was recognised on the Group's balance sheet for these leases.

Transition

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate - the Group applied this approach to its largest property leases; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments - the Group applied this approach to all other leases.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease;
- the application of *IAS 37 Provisions, contingent liabilities and contingent assets* on transition in lieu of an impairment test;
- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics.

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate as 1 January 2019. The weighted average rate applied is 4%.

	2019 $m
Operating lease commitments disclosed as at 31 December 2018	**48.3**
Discounted using the incremental borrowing rate at 1 January 2019	**41.8**
Less: short-term leases recognised on a straight-line basis as expense	**(0.2)**
Less: low-value leases recognised on a straight-line basis as expense	**(0.2)**
Add: adjustments as a result of a different treatment of extension and termination options	**10.9**
Lease liability recognised as at 1 January 2019	**52.3**

The effects on the consolidated income statement, balance sheet and cash flow statement for the 6 months to 30 June 2019 were as follows:

Condensed consolidated income statement	2019 Six months ended 30 June Pre IFRS 16 $m	Operating lease expense $m	Depreciation on right of use assets $m	Interest on lease liabilities $m	**2019 Six months ended 30 June As reported $m**
Revenue	449.7	–	–	–	**449.7**
Cost of sales	(285.6)	–	–	–	**(285.6)**
Gross profit	164.1	–	–	–	**164.1**
Net operating costs	(100.8)	3.8	(3.3)	–	**(100.3)**
Operating profit	63.3	3.8	(3.3)	–	**63.8**
Net finance costs and other expenses	(14.3)	–	–	(0.9)	**(15.2)**
Profit before income tax	49.0	3.8	(3.3)	(0.9)	**48.6**
Tax	(8.4)	–	–	–	**(8.4)**
Profit from continuing operations	40.6	3.8	(3.3)	(0.9)	**40.2**
(Loss)/profit from discontinued operations	–	–	–	–	**–**
Profit for the period	40.6	3.8	(3.3)	(0.9)	**40.2**

Condensed consolidated balance sheet	2019 30 June Pre IFRS 16 $m	Adjustment to brought forward balances as at 1 January 2019 $m	Movement as a result of additions and disposals from 1 January 2019 to 30 June 2019 $m	Depreciation, interest and cashflows for the 6 months to 30 June 2019 $m	Foreign exchange for the 6 months to 30 June 2019 $m	**2019 30 June As reported $m**
Non-current assets						
Goodwill and other intangible assets	966.4	–	–	–	–	**966.4**
Property, plant and equipment	478.3	46.9	0.4	(3.3)	(0.1)	**522.2**
ACT recoverable	4.9	–	–	–	–	**4.9**
Deferred tax assets	24.4	–	–	–	–	**24.4**
Total non-current assets	1,474.0	46.9	0.4	(3.3)	(0.1)	**1,517.9**
Total current assets	420.5	–	–	–	–	**420.5**
Assets classified as held for sale	–	–	–	–	–	**–**
Total assets	1,894.5	46.9	0.4	(3.3)	(0.1)	**1,938.4**
Current liabilities						
Bank overdrafts and loans	(4.8)	–	–	–	–	**(4.8)**
Trade and other payables	(134.4)	–	–	–	–	**(134.4)**
Financial liabilities	(0.6)	–	–	–	–	**(0.6)**
Current tax liabilities	(23.7)	–	–	–	–	**(23.7)**
Lease liabilities	–	(7.3)	(0.4)	0.3	–	**(7.4)**
Provisions	(6.2)	–	–	–	–	**(6.2)**
Total current liabilities	(169.7)	(7.3)	(0.4)	0.3	–	**(177.1)**
Non-current liabilities						
Loans and borrowings	(591.1)	–	–	–	–	**(591.1)**
Employee retirement benefits	(10.2)	–	–	–	–	**(10.2)**
Deferred tax liabilities	(149.4)	1.1	–	–	–	**(148.3)**
Lease liabilities	–	(45.0)	–	2.6	0.1	**(42.3)**
Provisions	(38.4)	–	–	–	–	**(38.4)**
Financial liabilities	(13.5)	–	–	–	–	**(13.5)**
Total non-current liabilities	(802.6)	(43.9)	–	2.6	0.1	**(843.8)**
Liabilities classified held for sale	–	–	–	–	–	**–**
Total liabilities	(972.3)	(51.2)	(0.4)	2.9	0.1	**(1,020.9)**
Net assets	922.2	(4.3)	–	(0.4)	–	**917.5**
Equity						
Share capital	52.1	–	–	–	–	**52.1**
Share premium	237.6	–	–	–	–	**237.6**
Other reserves	83.8	–	–	–	–	**83.8**
Retained earnings	548.7	(4.3)	–	(0.4)	–	**544.0**
Equity attributable to equity holders of the parent	922.2	(4.3)	–	(0.4)	–	**917.5**
Total equity and reserves	922.2	(4.3)	–	(0.4)	–	**917.5**

Condensed consolidated statement of cash flows	2019 Six months ended 30 June Pre IFRS 16 $m	Effect of IFRS 16 $m	**2019 Six months ended 30 June As reported $m**
Operating activities:			
Profit for the period	36.4	3.8	**40.2**
Adjustments	28.3	–	**28.3**
Operating cash flows before movements in working capital	64.7	3.8	**68.5**
Decrease in inventories	10.3	–	**10.3**
Increase in trade and other receivables	(12.7)	–	**(12.7)**
Increase in trade and other payables	(6.1)	–	**(6.1)**
Cash generated by operations	56.2	3.8	**60.0**
Income taxes paid	0.7	–	**0.7**
Interest paid	(12.7)	(0.9)	**(13.6)**
Net cash flow from operating activities	44.2	2.9	**47.1**
Investing activities:			
Net cash flow from investing activities	(22.8)	–	**(22.8)**
Financing activities:			
Dividends paid	(32.8)	–	**(32.8)**
Net movement on existing debt	2.9	–	**2.9**
Payment of lease liabilities	–	(2.9)	**(2.9)**
Net cash used in financing activities	(29.9)	(2.9)	**(32.8)**
Net decrease in cash and cash equivalents	(8.5)	–	**(8.5)**
Cash and cash equivalents at beginning of period	96.1	–	**96.1**
Foreign exchange on cash and cash equivalents	(0.3)	–	**(0.3)**
Cash and cash equivalents at end of period	87.3	–	**87.3**

Principal risks and uncertainties

The Group has policies, processes and systems in place to help identify, evaluate and manage risks at all levels throughout the organisation. Certain key risks, because of their size, likelihood and/or severity, are reviewed regularly by the executive leadership team and the Board, to ensure that appropriate action is taken to eliminate, reduce or mitigate, wherever practicable, significant risks that can lead to financial loss, harm to reputation, business failure or which threaten the safety of our employees.

The following is a summary of the principal risks faced by the Group that could impact the second half of the year: (i) uncertain global economic conditions and competitive pressures in the marketplace (including from currency movement); (ii) business interruption as a result of a major event (e.g. operations/HSE, IT, transport or workplace incident caused by process/system failure and/or human error, or by fire, storm and/or flood), or a natural catastrophe (e.g. a hurricane or pandemic); (iii) business interruption as a result of supply chain failure of key raw materials (e.g. clays) and/or third party service provision (e.g. infrastructure, transport or IT failure); (iv) increasing regulatory and product stewardship challenges; (v) major regulatory enforcement action, litigation and/or other claims arising from products and/or historical and ongoing operations; (vi) intellectual property and know-how; (vii) portfolio innovation and technology; (viii) talent management and succession planning: failure to attract, manage, develop and/or retain talent; and (ix) IT, cyber and GDPR. A full description of these risks and the mitigating actions taken by the Company can be found in the 2018 Annual report and accounts on pages 44 to 48.

Unaudited pro forma information

To better understand the full year performance of the business segments operated by the Group as at 30 June 2019, the information below includes the results for the Talc segment for the 6 months to 30 June 2018 as a comparator for 2019 H1 performance.

Group Performance	Continuing operations $m[1]	Talc $m[2]	Pro forma continuing operations $m
Revenue	421.4	86.5*	507.9
Adjusted operating profit	67.6	13.6**	81.2
Adjusted operating margin	16.0%	15.7%	16.0%

[1] Source - Elementis annual accounts
[2] Source - Mondo management accounts for the relevant period
* $80.6m rebased to H1 19 fx rates for constant currency comparison purposes
** $12.6m rebased to H1 19 fx rates for constant currency comparison purposes

Reconciliation of Adjusted EBITDA to Pro forma Adjusted EBITDA	2019 Six months ended 30 June $m	2018 Six months ended 30 June $m	2018 Year ended 31 December $m
Adjusted EBITDA for the period	85.4	80.7	162.9
Add : Talc EBITDA for period not owned	–	23.5	36.6
Less: Surfactants EBITDA for period owned	–	0.1	0.3
Pro forma adjusted EBITDA	85.4	104.3	199.8

Pro forma adjusted EBITDA for the 12 months to 30th June 2019 is $180.9m and therefore Net debt to Proforma adjusted EBITDA at 30th June 2019 is 2.8 times.

To better understand the first half performance of the business adjusting operating profit split by quarter is given below.

Adjusted operating profit	Q1 $m	Q2 $m	Total $m
Adjusted operating profit	23.8	40.3	64.1

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