ELEMENTIS
A global specialty chemicals company

3 March 2022

ELEMENTIS plc
PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

Strong financial performance – new business momentum and self-help actions

- Revenue up 17% (14% underlying*) from $751m to $880m due to strong new business momentum, targeted pricing actions and volume recovery against a COVID-19 impacted prior year.
- Adjusted operating profit up 31% (28% underlying*) to $107m, modestly ahead of expectations. Strong Coatings performance, pricing actions and efficiency savings more than offset higher costs. Statutory profit after tax of $3m, up from a loss of $67m with improved business performance partially offset by a $53m non-cash Talc goodwill impairment linked to ongoing COVID-19 impacts.
- Net debt of $401m, in line with prior year ($408m). Net cash flow from operating activities reduced from $107m in the prior year to $67m in 2021, primarily due to $32m working capital outflow to support growth and a $20m one off EU state aid tax payment. Net debt to EBITDA down from 3.2x (Dec. 2020) to 2.6x.

Further strategic progress supports sustainable growth and value creation

- Good progress on Innovation, Growth and Efficiency strategy implementation to deliver medium term Group performance objectives. Delivered $50m of new business opportunities with 21 new product launches. New products** 14% of sales, on track towards target of 17% by 2025.
- Proactive cash and cost management - $10m of cost savings delivered in 2021, offsetting 2020 temporary cost reductions that returned to the business as expected. Successful startup of the new AP Actives plant in India and subsequent 12 month production ramp up underpins an additional $10m of savings by 2023.
- Good progress towards 2030 sustainability targets with a 25% reduction in GHG intensity*** versus prior year and upgrades at four rating agencies including EcoVadis “Gold” and MSCI “A”.

2022 outlook – further performance improvement and deleveraging expected

- An encouraging start to 2022, although the external environment remains challenging due to global supply chain constraints and accelerating cost inflation.
- Continued demand improvement, self-help focus and growth initiatives anticipated to drive improved financial performance and a reduction in leverage.

FINANCIAL SUMMARY

	2021	2020	% Change
Revenue	**$880m**	**$751m**	+17%
Adjusted operating profit[1]	**$107m**	**$82m**	+31%
Adjusted profit before tax[1]	**$77m**	**$53m**	+46%
Adjusted diluted earnings per share[2]	**10.6c**	**6.5c**	+63%
Adjusted operating cash flow[3]	**$76m**	**$110m**	-31%
Net debt[4]	**$401m**	**$408m**	-2%
Statutory results			
Statutory profit/(loss) for the period	**$3m**	**$(67)m**	+104%
Statutory basic earnings/(loss) per share[2]	**0.4c**	**(11.5)c**	+103%

Business performance overview

- **Personal Care** revenue up 6% on an underlying basis* (9% on a reported basis), from $161m to $175m. Adjusted operating profit up 6% on an underlying basis* (9% on a reported basis) from $34m to $37m; adjusted operating margin of 21.0% vs 20.9% in 2020.
  - Partial volume recovery in colour cosmetics and anti-perspirant deodorants as social and travel restrictions begin to ease; market demand still below pre COVID-19 levels.
  - Adjusted margins stable at 21.0% with improved volumes and price/mix partially offset by higher raw material costs and investments for growth.

- **Coatings** revenue up 17% on an underlying basis* (20% on a reported basis), from $319m to $384m. Adjusted operating profit up 46% on an underlying basis* (49% reported) from $41m to $62m, with adjusted operating margin up from 13.0% to 16.1%.
  - Revenue growth driven by new business success, targeted pricing actions and demand recovery in industrial applications such as marine and protective coatings.
  - Adjusted margins improved to 16.1% with underlying revenue growth and fixed cost savings from Charleston/St Louis consolidation more than offsetting raw material cost inflation.

- **Talc** revenue up 9% on an underlying basis* (14% on a reported basis), from $133m to $150m. Adjusted operating profit down 19% on an underlying basis* (16% reported) from $17m to $14m, with adjusted operating profit margin of 9.3%.
  - New business success in coatings and technical ceramics, partially offset by weaker long life plastics, linked to lower global automotive production, and lower paper demand.
  - Adjusted margins of 9.3%, down from 12.5% in 2020 due to accelerating second half cost inflation ahead of associated pricing actions towards the end of the year.

- **Chromium** revenue up 16% from $147m to $171m; adjusted operating profit up 152% from $6m to $14m.
  - Revenue increase driven by stronger demand across industrial end markets, including metal plating and construction applications.
  - Adjusted margins up from 3.8% to 8.3% with stronger volumes partially offset by accelerating raw material cost inflation.

Commenting on the results, CEO, Paul Waterman said:

"In 2021 our financial performance was much improved, benefitting from the combination of focused strategy execution and improved industrial demand. In an environment of continued supply chain challenges and accelerating inflation, the Group has demonstrated its resilience and the importance of our continued efficiency focus and targeted pricing actions.

We have made an encouraging start to 2022 and expect to deliver an improved financial performance. Continued implementation of our strategy will enable the delivery of $50m of new business opportunities, the launch of 20 new products and progress towards an additional $10m of cost savings by 2023.

The fundamentals of our business remain strong. We have a talented team and high quality assets with enduring competitive advantages. I am confident that the implementation of our Innovation, Growth and Efficiency strategy, in combination with our self-help actions, positions us well to deliver our medium term financial objectives and generate significant shareholder value".

Further information
A presentation for investors and analysts will be held at 10.30am GMT on 3 March 2022. The presentation will be webcast on www.elementis.com. Conference call dial in details:

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Notes:
* Adjusted for constant currency impact. See Finance Report.
** New products defined as products launched within the last 5 years, patented and protected products (excluding Chromium).
*** GHG scope 1 and scope 2 (market based) emissions.

1 – See note 5.
2 – See note 7.
3 – See Finance Report.
4 – See alternative performance measures and unaudited information.

– ENDS –

Chairman's statement

It is a great honour to be serving as Elementis' new Chair and to be working with a strong Board, an impressive team of leaders, and many hugely dedicated and talented people all around the world. Since joining the Board in 2020, I have found a group with a clear strategy built on Innovation, Growth and Efficiency. It is well managed and run by people who are hardworking, engaged and enthusiastic. Elementis has significant potential and, having witnessed the resilience of the business model over the last two years, I am encouraged about its prospects.

BUSINESS PERFORMANCE

In 2021, our financial performance was much improved compared to the prior year. Sales increased 17% to $880m, driven by strong new business momentum, targeted pricing actions to offset inflationary cost increases and volume recovery across most of our end markets.

While this demand recovery is welcome, it has triggered well documented supply chain challenges and accelerating cost inflation across the globe. In response, the Group has demonstrated the resilience and agility of its business model, the strength of its global supply chain and the importance of its efficiency improvement projects. In such an environment, I am encouraged by the Group's performance and look forward to further improvement as end markets continue to recover and we make further strategic and operational progress.

STRATEGIC PRIORITIES

The Group's strategic priorities are clear and consistent. Innovation, Growth and Efficiency are the pillars of our strategic agenda. Execution of our priorities in these areas will drive the delivery of our medium term financial ambitions, namely a 17% adjusted operating profit margin, 90% operating cash conversion and net debt/EBITDA of under 1.5x.

This year our strategic progress has been encouraging. We launched 21 new products, all of which deliver enhanced product performance, manufacturing efficiency and sustainability credentials to our customers. The start-up of our new anti-perspirant actives plant in India and the delivery of $10m of cost savings were key efficiency milestones, and the achievement of $50m of new business opportunities is a clear sign that our growth platforms are well positioned for future success.

Although Talc recognised a $53m non-cash goodwill impairment, linked primarily to delays in the recovery of automotive markets, your Board believe the fundamentals of the business remain strong, built on a fully integrated value chain supported by unique processing and formulation capabilities. There are attractive long-term opportunities to grow in Asia and the Americas, increase market share in high value industrial applications and deliver $20-25m of revenue synergies by 2023.

BALANCE SHEET & SHAREHOLDER RETURNS

Net debt of $401m was broadly unchanged on the prior year ($408m). Net cash flow from operating activities reduced from $107m in the prior year to $67m in 2021, primarily due to $32m working capital outflow to support growth and a $20m one off EU state aid tax payment. The recovery in earnings resulted in the reduction of our financial leverage ratio from 3.2x net debt to EBITDA (31 December 2020) to 2.6x. The Board and management remain focused on reducing leverage as quickly as possible towards the medium term target of 1.5x net debt to EBITDA.

In 2020, at the height of COVID-19 related uncertainty, the Group took several steps to provide additional financial headroom and preserve cash, one of which was the suspension of the dividend. The Board recognises the value of dividends to shareholders and will look to reinstate the dividend in the medium term, conditional upon further financial deleveraging progress.

GOVERNANCE & BOARD

During 2021 Andrew Duff stepped down as Chairman and as a Director. I would like to thank Andrew for his strong leadership and guidance of the Board throughout his tenure. He left a Group with high quality businesses, good market positions, and a strong Board and Company leadership.

This year we completed an externally facilitated Board evaluation. The overall result was positive, concluding that the Board continues to perform effectively with good leadership, competent and engaged members, and with the appropriate focus on both in-year performance and strategy for the future.

Board succession planning is critical to ensure we have the right skills and capabilities to support strategic delivery. In the coming year, given the current Board size, we will look to appoint two additional members to the Board who can help us achieve our strategy and growth ambitions.

OUR PEOPLE

Elementis' core asset is its people and 2021 has once again showcased the importance of this. Our colleagues around the world have gone above and beyond to support our customers and provide reliable supply. We value our people and have sought to recognise their dedication throughout the year.

Employee engagement activities are crucial to understand what we are doing well and where we can improve. I am pleased to report positive trendlines, with our key engagement score rising from 55% in 2020 to 63% in 2021. This is reflective of recent improvements to digital communications, flexible working and an enhanced overall engagement agenda, which included our inaugural Women in Leadership forum led by Christine Soden, our Designated Non-Executive Director for workforce engagement.

Talent is a key focus for the Board and during 2021 we continued to monitor and track our talent development programmes, focusing on ensuring that we have the right capabilities for the future and a strong succession pipeline across leadership positions. The Group is further developing its diversity programmes with unconscious bias training initiatives launched across the globe. Whilst gender is not the only focus for diversity, encouragingly the number of women in the senior leadership team has increased from 24% in 2018 to 31% this year, and women currently represent over 40% of the Board. We are committed to further developing programmes to support a diverse workforce.

SUSTAINABILITY

For consumers the COVID-19 pandemic has brought the environmental footprint of products and services into sharp focus. With 53% of our revenue generated from naturally derived products* that are also closely aligned to megatrends such as the switch to natural personal care ingredients, water based industrial coatings and vehicle weight reduction, we are strategically aligned for the future and our innovation pipeline is positioned to further increase this number.

We also recognise the importance of reducing the impact of our global supply chain on the environment. This year we have made good progress towards our 2030 targets thanks to multiple efficiency initiatives throughout our operations.

STAKEHOLDER ENGAGEMENT

As a new Chair, I have sought to meet and get the views of our shareholders and other stakeholders. This engagement is a valuable way of assessing the success of our strategic delivery and where we can improve. During the year we received another unsolicited takeover offer, which we concluded significantly undervalued Elementis and its prospects, and therefore rejected. The Board appreciates the support of our shareholders and accepts the continued performance expectations that come with that support.

LOOKING TO THE FUTURE

Elementis is well positioned; we have differentiated assets, market leading positions and clear strategic priorities for growth. We remain mindful of the continued uncertain external environment and the ongoing challenges that the COVID-19 pandemic brings, but we know that Elementis is heading in the right direction and well positioned to take advantage of the opportunities we see.

The Board and I are thankful to all our people for their hard work, commitment and passion in driving our business recovery and positioning Elementis for future progress.

John O'Higgins
Chairman
3 March 2022

*Naturally derived products defined in accordance with IS0 16128 standard and explicitly excludes ingredients derived from fossil fuels

Chief Executive Officer's overview

While the impact of COVID-19 has started to recede, 2021 was, in many ways, as challenging as 2020. Strong and sharp demand recovery across multiple end markets triggered significant global supply chain challenges and material cost inflation. In such an environment, the delivery of results modestly ahead of expectations is testament to the resilience of our business model, the commitment of our people and the importance of our self-help agenda. This performance, combined with our continued strategic progress, gives me confidence in our prospects and the delivery of our medium term financial objectives.

PERFORMANCE

2021 saw an improved financial performance due to good new business success and end market recovery from the weak demand levels of the prior year, resulting in 17% sales growth. Coatings, our biggest business, benefitted from strong new business activity, continued growth in decorative paint and a recovery in industrial coatings demand. In Personal Care, we saw a modest increase in performance as improved demand for lipsticks, mascaras and anti-perspirants was somewhat constrained by continued restrictions on travel and social interaction. In Talc, sales grew 14%, reflective of good strategic progress and a well positioned business, but adjusted operating profit declined 16% due to weak automotive production and accelerating second half cost inflation ahead of pricing actions taken towards the end of the year. While these near term headwinds resulted in a $53m non-cash Talc goodwill impairment, the strong fundamentals of the business are unchanged and there is scope for material performance improvement from price actions, continued strategic momentum and market share gains, along with the latent demand recovery in automotive markets. Finally in Chromium, the business benefitted from stronger volumes linked to the rebound in industrial activity.

While this demand recovery is welcome, it has created supply challenges including raw material availability, logistical disruptions and accelerating inflation. In response, we qualified alternative suppliers, extended production runs and pursued alternative transportation options. In addition, we were able to put through price increases to fully offset material cost inflation. These actions, combined with our ongoing self-help agenda on costs and cash management, resulted in an adjusted operating profit of $107m, modestly ahead of expectations.

SAFETY

Safety is the foundation of our business and at the heart of our culture. This year we continued the TogetherSAFE safety campaign roll out and held our inaugural global safety week, including webinars from external speakers and multiple activities at our sites around the world. Although our safety performance has been somewhat disappointing, with 12 recordable injuries, I am confident that the steps we have taken mean we are positioned for future improvement.

Many sites achieved notable milestones during the year, and while I cannot mention them all, let me highlight a few. In Mumbai, our team working on the new anti-perspirant actives plant reached over one million hours of safe working, overcoming multiple obstacles including COVID-19 lockdowns and monsoons. Congratulations also to our Corpus Christi and Milwaukee teams for 18 and nine years of safe working respectively – I am sure there are many more to come.

OUR PEOPLE

Key to the strength of Elementis is the quality and commitment of our people. Ongoing engagement surveys and outreach programmes reflect a motivated and loyal workforce with improving engagement metrics. During the COVID-19 pandemic, given the increased prevalence of home working, one key area of focus has been global communications. We have invested in digital capabilities, improved our engagement activities, and increased our employee recognition and reward schemes.

Elementis aims to be an open and inclusive workplace. This year our Diversity and Inclusion Council continued to move forward in shaping our culture for success through Women in Leadership events, unconscious bias training and expert speakers addressing inclusive leadership and active cultural advocacy skills.

I am incredibly proud of how strong our team is, both in the care our people have shown each other, our customers, suppliers and communities, and how they have responded so positively in such a difficult environment.

SUSTAINABILITY

Sustainability is a key focus at Elementis and I am pleased to report further progress. This year we launched 21 new products, all of which have clear sustainability credentials, including hectorite clay based additives that are 100% natural and castor wax derived rheology modifiers for marine and protective coatings that are 75% bio

based. In addition, we have made good progress towards our 2030 environmental targets including significant reductions in GHG (-25%) and water withdrawal (-26%) intensity versus the prior year.

This progress has been recognised by external agencies. MSCI, Sustainalytics, CDP and EcoVadis all raised their ESG ratings of Elementis this year. I am also pleased we have been recognised with the Responsible Chromium label, awarded by the International Chromium Development Association (ICDA). As the only chromium chemicals holder of this award, it highlights the market leading standards of our operations in areas such as safety and safeguarding of the environment.

While this progress and recognition are encouraging, it is only the start of our journey. To accelerate our future progress, I am pleased to welcome Phil Blakeman to Elementis as our first Global Head of Sustainability.

INNOVATION, GROWTH AND EFFICIENCY

In the last few years, we have made significant progress positioning Elementis as a premium performance additives company, based on unique assets and value chains, and with clear opportunities for growth. Innovation, Growth and Efficiency represent our strategic pillars, and the delivery of our priorities in each of these areas will ensure we create significant value for all our stakeholders.

Our medium term Group performance objectives are unchanged:

- 17% adjusted operating profit margin: driven by Innovation, Growth and Efficiency
- 90% plus operating cash conversion: consistent with 5 year average track record
- Reduce leverage to under 1.5x net debt / EBITDA: consistent with debt reduction track record

1) INNOVATION

We are a global leader in performance driven additives and are focused on creating solutions for our customers that deliver product performance improvements, efficiency gains and enhanced sustainability credentials. While customers have returned to their laboratories, conditions are far from normalised, and so we continued to leverage our relationships and digital capabilities to drive the launch of 21 new products in 2021.

Our innovation focus is clear. We want to create solutions for the biggest challenges that our customers face; and, in turn, these are reflected in our growth platform focus. In Personal Care, consumers want natural ingredients that deliver superior performance to synthetic alternatives. In response, in 2021 we launched Bentone Hydroclay™ 2100, a hectorite based rheology modifier that is 100% natural, delivers improved touch and feel and simplifies customer processing requirements. Likewise, the Coatings industry wants additives that deliver enhanced one coat hide and stain resistance for decorative paints. Our Rheolate HX® series, which we expanded this year, delivers up to 50% better hide than competitors, has helped our customers win awards and is now the industry gold standard.

Innovation is interwoven with sustainability; all our new product launches and pipeline projects must have clear sustainability credentials. At present 53% of our revenue (up from 45% last year) is from natural or naturally derived chemistries* – for example, castor wax based organic thixotropes. In addition, we are conscious of the need for our products to contribute to the overall wellbeing of society, whether it is through dry powder additives that reduce transportation emissions or barrier coatings that enable 100% recyclable food packaging.

We are also focused on the speed of innovation. The integration of our R&D and technical support teams, along with fast prototyping and technology transfers across segments, means we are increasing our speed of innovation. In 2021, our average time from concept to launch was 1.8 years – 30% faster than in 2016.

And finally, we value the role of open innovation in providing differentiation and increased speed to market. During the year we developed our partnerships with AQDOT and NXTLEVVEL Biochem, rolling out novel odour capture technologies and biomass based solvents for coatings. In addition, we have established cooperation arrangements with Evolved by Nature, working on activated silk technology to replace potentially toxic chemicals, and Allied Microbiota, to enable advanced microbes to clean up environmental contamination.

As result of this progress, our revenue from new products was 14% in 2021, up from 10% in 2017, and in line with 2020 as our base business rebounded from the initial impact of COVID-19. Our innovation pipeline is well positioned, with 60 projects in the pipeline, of which approximately 20 are scheduled to launch in the next 12 months, and this will support reaching our Group adjusted operating profit margin target of 17%.

2) GROWTH

Around 90% of Elementis' earnings are generated by Personal Care, Coatings and Talc. The value chains across these markets are similar, transforming natural resources into high value additives through distinctive science. Across these businesses we see clear medium term structural growth opportunities, representing in total over $100m of incremental revenue opportunities.

In Coatings, opportunities exist where our additives solve specific market needs with clear sustainability credentials, for instance waterborne industrial additives and premium decorative paints. Such growth areas represent roughly one third of our Coatings sales, and in 2021 they grew 37%, driven by $23m of new business wins. Products such as our castor wax based organic thixotropes for adhesives and sealants and non-ionic associative thickeners (NiSATs) for premium decorative paints saw notable growth and market share gains. Geographic expansion is an important growth pillar in Coatings, and following recent sales and marketing hires in South East Asia, we grew 30% compared to the prior year.

In Personal Care, there are significant high margin growth opportunities. While Asia represents 40% of the personal care market, it represents under 20% of our sales, and our medium term aim is to double our cosmetics sales in the region. In 2021, we grew sales 44% in Asia versus the prior year, and to help drive future growth we made several targeted investments. We opened our first Personal Care technical service centre in Asia, located in Shanghai, and more than doubled our local sales and marketing team. Our new AP Actives plant in India will create a highly advantaged global supply chain, help us grow in the region and drive a material performance improvement in the business. The plant started up in the third quarter and will ramp up production over the next 12 months. In skin care, a new application for our hectorite clay, we aim to deliver $10m of incremental sales over the medium term. In 2021, we launched three products building out our product portfolio and helping deliver 41% skin care revenue growth.

In Talc, we are the second largest global producer, serving high value industrial applications. Our growth strategy is based on leveraging our global scope and scale, synergistically expanding into new geographies and market sectors. In 2021, we grew 24% in Asia and 62% in the Americas versus the prior year, driven by $13m of new business wins across long life plastics, technical ceramics and coatings applications. Despite this success, we remain materially underweight in these regions, with considerable runway for long term growth. We are on track for our goal of $20-25m of revenue synergies by 2023, with $16m realised to date. Sales of talc to coatings customers rose 8% in 2021, leveraging Elementis' global key account network and strong presence in the coatings market. We have also continued to develop new products and applications. For example, barrier coating solutions for recyclable food packaging is showing encouraging early progress, with 27 production and pilot scale trials and a $5m new business pipeline.

3) EFFICIENCY

We are always seeking to improve our organisation, drive ongoing efficiency gains and become more resilient. The 2021 demand rebound unleashed significant global supply chain challenges resulting in material cost inflation. We do not expect these pressures to abate in 2022 but, through a mixture of price actions, agile supply chain management and continued efficiency focus, we are confident of protecting and improving margins moving forward.

In 2021, as part of our medium term efficiency programme, we delivered $10m of supply chain savings, offsetting $10m of temporary cost savings made last year which have, as expected, returned to the business as the impact of COVID-19 has receded. A significant driver of our $10m savings was the closure of our Charleston, West Virginia, production plant and consolidation of capacity at our St Louis, Missouri site. This improved efficiency and utilisation levels across our North American organoclay operations. Another notable milestone this year was the start-up of our anti-perspirant actives plant in India, which will be a significant enabler of an additional $10m of savings by 2023. Following completion of the approximate 12 month production ramp up and customer qualification period, this will create a cost advantaged and resilient global supply position.

Sustainability and the reduction of our environmental footprint are at the forefront of all operations decisions, and this year we made considerable progress across our supply chain. Enhanced temperature controls in our talc operations reduced our energy consumption. Automatic sensors at our Newberry Spring processing plant increased production yields and reduced waste, while switching to water based quaternary amines (from solvent based) at our Anji site reduced both our costs and environmental impact. Throughout our operations, our global process excellence teams have identified over 60 projects that are beneficial from both an efficiency and environmental perspective. Their implementation will drive delivery of both our cost saving ambitions and our 2030 sustainability targets.

Another key enabler of our efficiency and simplification drive is our digital implementation programme. In 2021, our global standard business management software went live in Asia, bringing the region in line with Europe and the Americas and improving the flow of data across the organisation. We also started the roll out of fully online lead-to-order fulfilment cycles for customers. The onboarding of customers to digital ordering systems will continue in 2022 and it is already resulting in an improved customer experience, enhanced new business success and more efficient resource management.

OUTLOOK

While the last 12 months have been extremely challenging, the Group has again demonstrated its resilience and responded with speed and agility. The fundamentals of the business remain strong, with high quality assets, differentiated technologies and a clear strategy. We will continue to maintain our focus on Innovation, Growth and Efficiency and in 2022 expect to deliver $50m of new business opportunities, over 20 new products and progress towards $10m of additional efficiency savings by 2023.

We have made an encouraging start to the year, although the external environment remains challenging due to global supply constraints and the impact of accelerating cost inflation. For the year ahead, we are confident that with further steady demand improvement, supported by our self-help actions, we will deliver an improved financial performance and a reduction in leverage.

Paul Waterman
CEO
3 March 2022

*Naturally derived products defined in accordance with IS0 16128 standard and explicitly excludes ingredients derived from fossil fuels

Business commentaries

Revenue

	Revenue 2020 $m	Effect of exchange rates $m	Increase 2021 $m	**Revenue 2021 $m**
Personal Care	160.8	3.5	10.4	174.7
Coatings	319.1	9.3	55.9	384.3
Talc	132.5	6.1	11.8	150.4
Chromium	146.9	-	23.8	170.7
Inter-segment	(8.0)	-	8.0	-
Revenue	751.3	**18.9**	109.9	**880.1**

Adjusted operating profit

	Operating profit/(loss) 2020* $m	Effect of exchange rates $m	Increase/ (decrease) 2021 $m	**Operating profit/(loss) 2021* $m**
Personal Care	33.6	1.0	2.1	36.7
Coatings	41.4	0.8	19.6	61.8
Talc	16.6	0.6	(3.2)	14.0
Chromium	5.6	-	8.5	14.1
Central costs	(15.6)	(0.8)	(3.6)	(20.0)
Adjusted operating profit	81.6	1.6	23.4	106.6

* See note 5

Personal Care

Personal Care revenue in 2021 was $175m compared with $161m in the prior year, a 9% increase on a reported basis. Excluding currency impacts, revenue rose by 6% on an underlying basis*, driven by demand recovery in our two key end markets, colour cosmetics and anti-perspirant deodorants. While these markets have started to recover as COVID-19 related social and travel restrictions have eased, they remain approximately 3-5% below 2019 levels, thereby providing scope for further recovery.

Adjusted operating profit was 9% ahead of the prior year period at $37m, with margins of 21.0% stable on the prior year (20.9%). Improved volumes and product mix more than offset double running costs associated with the ramp up of the new India manufacturing plant, people investments in Asia to drive future growth and increased raw material costs.

Coatings

Coatings revenue in 2021 was $384m compared with $319m in the prior year, a 20% increase on a reported basis. Excluding the impact of currency, revenue rose 17%, driven by new business success, pricing actions and demand recovery from COVID-19 lows in 2020. Revenue from the Energy business, now reported as part of Coatings, rose 21% on the prior year supported by higher oil prices and increased drilling activity.

Excluding Energy, Coatings sales rose 17% on an underlying basis* with strong growth in all regions as decorative activity remained buoyant and industrial demand recovered. In EMEA, sales rose 27% on an underlying basis*, with notable strength in industrial coatings applications, reflective of new business success, particularly for our Thixatrol® products which are also used in high performance adhesives and sealants. In Americas, sales rose 17%* driven by encouraging new business success for our Rheolate® HX rheology series for premium decorative paint. In Asia, where over 80% of our sales come from industrial activity, underlying* sales rose 9% as strong growth in South East Asia was partially offset by slowing market activity in China in the second half of the year.

Adjusted operating profit rose by 49% from $41m to $62m, and 46% on an underlying basis*, with volume growth, improved price/mix and cost savings from the Charleston plant closure and St Louis capacity consolidation more than

offsetting raw material cost inflation. As a result, adjusted operating profit margins rose from 13.0% in 2020 to 16.1% in 2021, a tremendous result in a challenging global supply chain environment and reflective of a business well positioned for future success.

Talc

Revenue in 2021 was $150m compared with $133m in the prior year, a 14% increase on a reported basis. Excluding the impact of currency movements, revenue rose by 9%, with new business success and pricing actions partially offset by weakness in automotive and paper end markets.

Sales of industrial talc (representing over 85% of total Talc revenue) rose 15% on an underlying basis*, driven by $13m of new business, geographic expansion and demand recovery in several end markets following a COVID-19 impacted 2020. Sales to coatings customers grew 8% on an underlying basis*, reflective of market share gains as we gained new customers and entered new geographies, taking our revenue synergies since acquisition to $16m. Sales to technical ceramics customers more than doubled on the prior year due to market share gains, predominantly in Asia. This momentum more than offset a weak performance in high value long life plastics, due to a 6% decline in European automotive production because of well documented semi-conductor shortages.

Talc sales to the graphic paper market declined as expected by over 30% on an underlying basis* driven by the ongoing shift to non-print media. This market now represents just under 8% of total Talc revenue.

Adjusted operating profit declined 16% on a reported basis (19% on an underlying basis*) from $17m to $14m, with top line growth more than offset by higher costs in the second half of the year due to accelerating logistics and energy cost inflation, ahead of pricing actions taken in response.

Chromium

Chromium revenue in 2021 was $171m, up 16% from $147m in the prior year driven by double digit volume growth. Due to the rebound in industrial activity, demand for chromium chemicals increased across a range of end markets including metal plating, leather tanning and construction applications. While average unit pricing modestly decreased in the year, the second half of the year showed clear signs of recovery. As a result of demand improvements and constrained supply, we estimate global chromium industry capacity utilisation rose from approximately 75% in 2020 to 85% in 2021. In turn, this tightness is positively impacting market prices.

Adjusted operating profit rose by 152%, with improved volumes and product mix more than offsetting accelerating raw material costs. Adjusted operating profit margin rose from 3.8% to 8.3%.

* Adjusted for FX (where constant currency reflects prior year results translated at current year exchange rates).

Finance report

Revenue

	2021 $m	2020 $m	Change
Personal Care	**174.7**	160.8	9%
Coatings [1]	**384.3**	319.1	20%
Talc	**150.4**	132.5	14%
Chromium	**170.7**	146.9	16%
Inter-segment	—	(8.0)	N/A
Total revenue	**880.1**	751.3	17%

Operating profit

	2021 Operating profit/(loss) $m	Adjusting items $m	2021 Adjusted operating profit/(loss) [2] $m	2020 Operating profit/(loss) $m	Adjusting items $m	2020 Adjusted operating profit/(loss) [1] $m
Personal Care	**27.9**	**8.8**	**36.7**	20.0	13.6	33.6
Coatings [1]	**56.5**	**5.3**	**61.8**	(4.9)	46.3	41.4
Talc	**(44.3)**	**58.3**	**14.0**	(22.4)	39.0	16.6
Chromium	**6.3**	**7.8**	**14.1**	(3.6)	9.2	5.6
Central costs	**(20.0)**	—	**(20.0)**	(17.3)	1.7	(15.6)
Total operating profit	**26.4**	**80.2**	**106.6**	(28.2)	109.8	81.6

[1] 2020 restated to include the Energy business which has been reported as part of Coatings from 1 January 2021
[2] After adjusting items – see note 5.

Group results

In 2021, revenue increased 17% from $751m to $880m due to strong new business success, targeted pricing actions and demand recovery across most of our end markets following a COVID-19 impacted prior year. Excluding the impact of currency translation, underlying revenue increased 14%. Revenue in Personal Care rose 9% on a reported basis and 6% on an underlying basis*, as demand showed steady recovery due to the gradual easing of social interaction and travel restrictions. In Coatings, revenue increased 20% on a reported basis and 17% on an underlying basis* driven by strong new business success and pricing actions in response to accelerating cost inflation. In Talc, revenue increased 14% on a reported basis and 9% on an underlying basis*, as geographic expansion outside of Europe and delivery of revenue synergies more than offset weakness in both long life plastics for automotive applications and paper markets. Revenue in Chromium increased 16% due to strong volume growth as demand increased across a range of industrial end markets

Reported operating profit increased from a loss of $28m to a profit of $26m with a strong performance improvement partially offset by $80m of adjusting items, the largest of which was a $53m non-cash Talc goodwill impairment (2020: Talc $33m and Energy $27m) due to the continuing impact of COVID-19 on industrial activity and global supply chains. Adjusted operating profit increased 28% on an underlying basis* from $82m to $107m with the aforementioned higher revenue and associated earnings more than offsetting cost inflation primarily associated with global supply chain challenges. The statutory result for the year was a profit of $3m compared with a loss of $67m in 2020.

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 business. The Board considers these non-GAAP measures as an alternative way to measure the Group's performance. Adjusting items in 2021 resulted in a charge of $71.2m before tax, a decrease of $50.3m against 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 and Note 1 to the financial statements respectively.

Credit/(charge)	Personal Care $m	Coatings $m	Talc $m	Chromium $m	Central costs $m	Total $m
Business transformation	(0.1)	(4.2)	–	(0.3)	–	(4.6)
Environmental provisions	–	–	–	(8.3)	–	(8.3)
Impairment of goodwill	–	–	(52.3)	–	–	(52.3)
Amortisation of intangibles arising on acquisitions	(8.7)	(1.1)	(6.0)	(0.2)	–	(16.0)
Sale of Montreal land	–	–	–	1.0	–	1.0
Total charge to operating profit	**(8.8)**	**(5.3)**	**(58.3)**	**(7.8)**	–	**(80.2)**
Sale of businesses	(1.7)	–	–	–	–	(1.7)
Mark to market of derivatives	–	–	–	–	10.7	10.7
Total	**(10.5)**	**(5.3)**	**(58.3)**	**(7.8)**	**10.7**	**(71.2)**

Business transformation

In November 2020, the closure of the Charleston plant was announced. Costs of $4.2m in 2021 (including $0.4m of depreciation) associated with preparing the site for sale are classified as an adjusting item and the site is planned to be disposed of in the future. Further charges of $0.4m relate to the optimisation of the supply chain footprint across our Personal Care and Chromium businesses.

Environmental provisions

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 movement in provision relates to a change in discount rates that decreased the liability by $1.3m in the year, and extra remediation work identified in the year which resulted in a $9.6m increase to the liability. As these costs relate to non-operational facilities they are classified as adjusting items.

Impairment of goodwill

In Talc, while the business fundamentals are unchanged, the continuing impact of COVID-19 on wider industrial activity and global supply chains, especially affecting the automotive sector, and the near term forecast profitability of the business has resulted in a goodwill impairment of $53.1m. This impairment is reflected as a P&L charge of $52.3m and $0.8m movement in exchange differences on translation of foreign operations in other comprehensive income.

Amortisation of intangibles arising on acquisitions

Amortisation of $16.0m (2020: $15.5m) represents the charge in respect of the Group's acquired intangible assets. As in previous years, these are included in adjusting items as they are a non-cash charge arising from historical investment activities.

Sale of Montreal land

In 2021 the Group disposed of a non-core parcel of land in Montreal, Canada. The profit on disposal has been treated as an adjusting item.

Sale of businesses

The $1.7m loss on disposal of two non-core dental businesses, Eisenbacher Dentalwaren ED GmbH and Adentatec GmbH, has been treated as an adjusting item in 2021.

Mark to market of derivatives

The movements in the mark to market valuation of financial instruments that are not in hedging relationships are treated as adjusting items as they are non-cash fair value adjustments that will not affect the cash flows of the Group.

Hedging

Cash flow hedges are used as part of a programme to manage our exposure to interest rate risk and commodity price risk particularly associated with USD and EUR interest payments and aluminium pricing. In 2021, interest rate and

commodity price movements were such that the net impact of these hedge transactions was a loss of $0.4m (2020: $0.9m) recycled to the income statement.

Central costs

Central costs are those costs that are not identifiable as expenses of a particular business and comprise expenditures of the Board of Directors and corporate head office. In 2021, adjusted central costs were $20.0m, up $4.4m on the previous year due to an increase in variable remuneration and an investment in capability.

COVID-19 assistance

The Group has accessed various government support schemes aimed at mitigating the potential impact on individuals' job losses resulting from the impact of COVID-19. The most significant amounts received by the Group include the following:

- $0.4m in relation to government support under temporary wage support schemes available in the Netherlands. The Group does not have any unfulfilled obligations relating to these support programmes. This amount has been offset against employee remuneration costs.
- Agreement of payment plans with tax authorities in China to defer payments of income taxes and payroll taxes resulting in $1.1m payment deferrals across the Group.

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 $2.1m in 2021 compared with $1.6m in the previous year.

Net finance costs

	2021 $m	2020 $m
Finance income	**0.3**	0.3
Finance cost of borrowings	**(23.3)**	(22.6)
	(23.0)	(22.3)
Net pension finance costs	**(0.3)**	(0.6)
Discount unwind on provisions	**(2.6)**	(2.7)
Fair value movement on derivatives	**10.7**	(10.2)
Dividend currency hedge cancellation	**–**	(1.8)
Interest on lease liabilities	**(1.6)**	(1.7)
Net finance costs	**(16.8)**	(39.3)

Net finance costs for 2021 were $16.8m, a decrease of $22.5m on last year. Finance costs comprise interest payable on borrowings calculated using the effective interest rate method, facility arrangement fees, the unwinding of discounts on the Group's environmental provisions, fair value movement on derivatives and interest charged on lease liabilities.

The decrease in net finance costs is primarily due to the fair value movement on derivatives ($20.9m decrease) versus prior year and the cancellation of the dividend currency hedge in 2020 following the suspension of the 2019 final ordinary dividend ($1.8m decrease). Finance cost of borrowings was broadly in line with the previous year.

Both pension finance costs, which are a function of discount rates under IAS 19 and the value of schemes' deficit or surplus positions, and the interest on lease liabilities, were broadly consistent in 2021 compared with 2020.

The discount unwind on provisions relates to the annual time value of the Group's environmental provisions which are calculated on a discounted basis. The unwind of $2.6m in 2021 is in line with the previous year.

Taxation

Tax charge

	$m	2021 Effective rate %	$m	2020 Effective rate %
Reported tax charge/(credit)	**3.3**	**(57.0)**	(1.8)	(2.6)
Adjusting items tax credit	**11.3**	**–**	16.0	–
Underlying tax charge	**14.6**	**19.0**	14.2	26.9

The Group incurred a tax charge of $14.6m (2020: $14.2m) on adjusted profit before tax, resulting in an effective tax rate of 19.0% (2020: 26.9%). The Group's effective tax rate in 2021 is slightly lower than its usual range due to beneficial adjustments in respect of prior years and the one-off impact of the UK rate change on its deferred tax assets.

Tax on adjusting items relates primarily to the reversal of an uncertain tax provision in the US and the amortisation of intangible assets.

The expectation for the Group's effective P&L tax rate is around 22-23% until 2023, after which it is anticipated to rise to 25-26% due to the previously announced increase in UK corporation tax rates from April 2023. The enacted rate change increases the Group's UK deferred tax assets by $1.2m, with the tax credit reflected in the income statement. Furthermore, the enacted rate change increases the Group's UK deferred tax liabilities by $2.5m, with the tax charge reflected in other comprehensive income.

Following the European Commission's State Aid investigation into the UK Finance Company Exemption (FCE) regime, Elementis received a charging notice in February 2021 for the maximum exposure of $19m (excluding interest). Elementis paid the notice amount to HMRC on 5 March 2021, as required, and has lodged an appeal. A charging notice for associated interest of $1m was received on 24 June 2021 and paid on 7 July 2021.

Whilst Elementis has lodged an appeal against the charging notice this does not defer the payment of the tax assessed. As Elementis considers that the appeal will ultimately be successful, at 31 December 2021 an asset has been recorded within non-current assets in the accounts on the expectation that the charge will be repaid in due course. The UK Government's appeal against the European Commission's decision was heard by the General Court of the European Union during October 2021 with a decision expected during 2022.

Earnings per share

To aid comparability of the underlying performance of the Group, earnings per share reported under IFRS is adjusted for items classified as adjusting.

Adjusted diluted earnings per share was 10.6 cents for 2021 compared with 6.5 cents in the previous year, an increase of 63% due to higher profit and a lower effective tax rate. Basic earnings per share before adjusting items was a profit per share of 0.4 cents compared with a loss per share of 11.5 cents in 2020.

Note 7 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.

Distributions to shareholders

Given the market and economic uncertainties, and the Board's desire to provide additional financial headroom and preserve cash, no dividend distributions to shareholders were made during the year. The Board is also not recommending a final dividend for 2021. The Board recognises the importance of dividends to shareholders and will look to reinstate payments once further progress is made on reducing financial leverage.

Cash flow

Net cash flow from operating activities decreased by $40.4m to $66.7m in 2021, due to an increase in cash tax of $23.1m, the majority of which relates to the ongoing EU state aid case, and working capital outflow as a result of increased revenues.

Net cash outflow in relation to investing activities increased by $25.8m to $65.0m following the successful conclusion of an historic, pre-acquisition interest deductibility case ($13.2m outflow) and also due to increased capital expenditure primarily linked to the new AP Actives plant in India.

Net cash outflow in relation to financing activities reduced by $39.4m to $25.3m in 2021 due to additional tax cash outflows related to specific items as set out above limiting surplus cash to pay down central borrowings.

The adjusted cash flow which excludes the effect of adjusting items from operating cash flow is summarised below. A reconciliation of statutory operating profit to EBITDA is shown in the alternative performance measures information.

	2021 $m	2020 $m
EBITDA ◊	**158.5**	132.8
Change in working capital	**(31.6)**	18.8
Capital expenditure	**(52.8)**	(40.0)
Other	**1.9**	(1.8)
Adjusted operating cash flow	**76.0**	109.8
Pension payments	**(0.1)**	(0.1)
Interest	**(23.2)**	(23.4)
Tax	**(30.9)**	(8.5)
Adjusting items	**(20.4)**	(12.2)
Payment of lease liabilities	**(6.7)**	(6.7)
Free cash flow	**(5.3)**	58.9
Issue of shares	**0.1**	0.1
Dividends paid	**–**	–
Acquisitions and disposals	**0.3**	0.5
Currency fluctuations	**12.0**	(13.4)
Movement in net debt	**7.1**	46.1
Net debt at start of year	**(408.1)**	(454.2)
Net debt at end of year	**(401.0)**	(408.1)

◊ EBITDA – earnings before interest, tax, adjusting items, depreciation and amortisation.

Adjusted operating cash flow decreased by $33.8m to $76.0m for 2021 as an increase of $25.7m in EBITDA was offset by $50.4m movement in working capital and an increase in net capital expenditure of $12.8m.

Free cash outflow of $5.3m in 2021 represents a reduction of $64.2m on the prior year period. Cash tax outflows increased from $8.5m to $30.9m, primarily due to the $19.5m charging notice received for the ongoing EU state aid case. A further one off cash outflow of $13.2m associated with an historic, pre-acquisition interest deductibility tax case increased adjusting items cash outflow from $12.2m in 2020 to $20.4m in 2021.

Net debt decreased from $408.1m in 2020 to $401.0m in 2021, a reduction of $7.1m, and net debt to adjusted EBITDA decreased from 3.2x*** in 2020 to 2.6x*** in 2021. The decrease in leverage is due to the improvement in adjusted EBITDA, reflective of the Group’s higher earnings.

Balance sheet

	2021 $m	2020 $m
Intangible fixed assets	**815.7**	892.6
Tangible fixed assets	**499.7**	516.0
Working capital	**164.0**	141.4
Net tax liabilities	**(112.6)**	(132.2)
Provisions and retirement benefit obligations	**(22.5)**	(79.0)
Financial assets and liabilities	**(5.2)**	(30.7)
Lease liabilities	**(40.2)**	(44.4)
Unamortised syndicate fees	**3.1**	4.8
Net debt	**(401.0)**	(408.1)
Total equity	**901.0**	860.4

Group equity increased by $40.6m in 2021 (2020: decrease of $45.8m). Intangible fixed assets decreased by $76.9m due to an impairment of $52.3m, $16.6m of amortisation of intangibles and $8.2m of foreign exchange. Tangible fixed assets decreased by $16.3m, with gross PPE additions of $51.5m, right-of-use asset capitalisation of $2.0m more than offset by exchange differences of $18.7m and depreciation of $51.7m.

Working capital comprises inventories, trade and other receivables and trade and other payables. Working capital increased by $22.6m in 2021, a result of higher underlying revenue.

Net tax liabilities of $112.6m decreased as a result of the EU state aid payment which has been recognised as an asset based on the expectation that the charge will be repaid in due course of the broadly in line with the previous year.

Adjusted ROCE (excluding goodwill) increased to 13%** from 10%** in 2020, due to increased adjusted operating profit.

The main dollar exchange rates relevant to the Group are set out below.

	2021		2020	
	Year end	**Average**	Year end	Average
Pounds sterling	**0.74**	**0.73**	0.73	0.78
Euro	**0.88**	**0.84**	0.82	0.88

Provisions

The Group records a provision in the balance sheet when it has a present obligation as a result of past events, which is expected to result in an outflow of economic benefits in order to settle the obligation and the amount can be reliably estimated. The Group calculates provisions on a discounted basis. At the end of 2021 the Group held provisions of $61.8m (2020: $58.8m) consisting of environmental provisions of $58.7m (2020: $50.6m), self-insurance provisions of $0.7m (2020: $1.5m) and restructuring and other provisions of $2.4m (2020: $6.7m).

Environmental provisions have increased by $8.1m in 2021, with a net $8.3m taken through adjusting items, $9.6m expense relates to extra remediation work for additional closure and decommissioning activities offset by $1.3m relating to a change in the discount rate applied to the liabilities. The remaining movement relates to $2.6m of unwind of discount in the year offset by $0.4m of currency translation and $3.1m of utilisation. The self-insurance provision represents the Group's estimate of its liability arising from retained liabilities under the Group's insurance programme.

Within the restructuring and other provisions categories the majority of the balance relates to payments to be made for right of first refusal on a quarry, payments for which are linked to the discharge of residue into another quarry owned by the same counterparty.

Pensions and other post retirement benefits

	2021 $m	2020 $m
Net (surplus)/liability:		
UK	**(56.6)**	(7.9)
US	**8.3**	18.3
Other	**9.0**	9.8
	(39.3)	20.2

UK plan

The largest of the Group's retirement plans is the UK defined benefit pension scheme ('UK Scheme') which at the end of 2021 had a surplus, under IAS 19, of $56.6m (2020: $7.9m). The UK Scheme is relatively mature, with approximately two thirds of its gross liabilities represented by pensions in payment, and is closed to new members. Return on plan assets of $35.0m (2020: $75.2m) and liability adjustments of $27.1m (2020: $59.5m) arising due to higher discount rates based on real corporate bond yields increased the surplus. Company contributions of $0.6m (2020: $nil) reflect the funding agreement reached with the UK trustees following the 2020 triennial valuation which concluded in 2021.

US plan

In the US, the Group reports two post retirement plans under IAS 19: a defined benefit pension plan with a deficit value at the end of 2021 of $1.7m (2020: $11.8m), and a post retirement medical plan with a liability of $6.6m (2020: $6.5m). The US pension plans are smaller than the UK plan and in 2021 the overall deficit value of the US plans decreased by $10.0m due to actuarial decreases in the liability of $6.3m (2020: $12.8m increase), return on plan assets of $7.2m (2020: $15.8m) and employer contributions of $0.5m (2020 $0.5m).

Other plans

Other liabilities at 31 December 2021 amounted to $9.0m (2020: $9.8m) and relate to pension arrangements for a relatively small number of employees in Germany, certain UK legacy benefits and one pension scheme acquired as part of the SummitReheis transaction in 2017.

Financial assets and liabilities

Financial liabilities at 31 December 2021 include $nil of contingent consideration in respect of Talc (2020: $13.4m). This balance was settled in 2021 following the successful conclusion of an historic, pre-acquisition interest deductibility tax case relating to Talc. Also included are net derivative financial liabilities of $5.2m (2020: $15.9m) relating to the valuation of various risk management instruments. The movements in the mark to market valuation of financial instruments which are not in hedging relationships do not form part of the underlying performance of the business and thus are treated as adjusting items.

Events after the balance sheet date

The ongoing EU state aid case is discussed in the taxation section of this finance report. There were no other significant events after the balance sheet date.

1 After adjusting items – see note 5.
* Adjusted for FX (where constant currency reflects prior year results translated at current year exchange rates).
** See alternative performance measures information.
*** See unaudited information.

Consolidated income statement
for the year ended 31 December 2021

	2021 $m	2020 $m
Revenue	**880.1**	751.3
Cost of sales	**(545.2)**	(494.0)
Gross profit	**334.9**	257.3
Distribution costs	**(151.9)**	(112.6)
Administrative expenses	**(156.6)**	(172.9)
Operating profit/(loss)	**26.4**	(28.2)
(Loss)/profit on disposal	**(1.7)**	0.3
Other expenses[1]	**(2.1)**	(1.6)
Finance income	**11.0**	0.3
Finance costs	**(27.8)**	(39.6)
Profit/(loss) before income tax	**5.8**	(68.8)
Tax	**(3.3)**	1.8
Profit/(loss) for the year	**2.5**	(67.0)
Attributable to:		
Equity holders of the parent	**2.5**	(67.0)
Earnings per share		
Basic earnings/(loss) (cents)	**0.4**	(11.5)
Diluted earnings/(loss) (cents)	**0.4**	(11.3)

1 Other expenses comprise administration expenses for the Group’s pension schemes.

Consolidated statement of comprehensive income for the year ended 31 December 2021

	2021 $m	2020 $m
Profit/(loss) for the year	**2.5**	(67.0)
Other comprehensive income:		
Items that will not be reclassified subsequently to profit and loss:		
Remeasurements of retirement benefit obligations	**63.5**	(0.3)
Deferred tax associated with retirement benefit obligations	**(14.6)**	(0.3)
Items that may be reclassified subsequently to profit and loss:		
Exchange differences on translation of foreign operations	**(29.1)**	25.0
Effective portion of change in fair value of net investment hedge	**10.7**	(3.6)
Tax associated with change in fair value of net investment hedge	**1.8**	–
Tax associated with changes in cashflow hedges	**(0.4)**	–
Recycling of deferred foreign exchange (gains) on disposal	**(0.4)**	(0.2)
Effective portion of changes in fair value of cash flow hedges	**(0.1)**	(1.4)
Fair value of cash flow hedges transferred to income statement	**2.7**	0.9
Exchange differences on translation of share options reserves	**–**	(2.7)
Other comprehensive income	**34.1**	17.4
Total comprehensive income/(loss) for the year	**36.6**	(49.6)
Attributable to:		
Equity holders of the parent	**36.6**	(49.6)
Total comprehensive income/(loss) for the year	**36.6**	(49.6)

Consolidated balance sheet as at 31 December 2021

	2021 31 December $m	2020 31 December $m
Non-current assets		
Goodwill and other intangible assets	**815.7**	892.6
Property, plant and equipment	**499.7**	516.0
ACT recoverable	**–**	0.6
Tax recoverable	**19.7**	–
Deferred tax assets	**28.0**	26.3
Net retirement benefit surplus	**56.6**	7.9
Total non-current assets	**1,419.7**	1,443.4
Current assets		
Inventories	**186.1**	164.3
Trade and other receivables	**138.9**	108.3
Derivative financial instruments	**0.2**	1.4
Current tax assets	**7.1**	7.2
Cash and cash equivalents	**84.6**	111.0
Total current assets	**416.9**	392.2
Total assets	**1,836.6**	1,835.6
Current liabilities		
Bank overdrafts and loans	**–**	(3.7)
Trade and other payables	**(161.0)**	(132.6)
Financial liabilities	**(1.4)**	(17.3)
Current tax liabilities	**(17.4)**	(23.2)
Lease liabilities	**(6.4)**	(7.2)
Provisions	**(8.7)**	(9.6)
Total current liabilities	**(194.9)**	(193.6)
Non-current liabilities		
Loans and borrowings	**(482.5)**	(510.6)
Retirement benefit obligations	**(17.3)**	(28.1)
Deferred tax liabilities	**(150.0)**	(143.1)
Lease liabilities	**(33.8)**	(37.2)
Provisions	**(53.1)**	(49.2)
Financial liabilities	**(4.0)**	(13.4)
Total non-current liabilities	**(740.7)**	(781.6)
Total liabilities	**(935.6)**	(975.2)
Net assets	**901.0**	860.4
Equity		
Share capital	**52.2**	52.1
Share premium	**240.8**	237.7
Other reserves	**90.7**	108.6
Retained earnings	**517.3**	462.0
Total equity attributable to equity holders of the parent	**901.0**	860.4
Total equity	**901.0**	860.4

Consolidated statement of changes in equity for the year ended 31 December 2021

	Share capital $m	Share premium $m	Translation reserve $m	Hedging reserve $m	Other reserves $m	Retained earnings $m	Total equity $m
Balance at 1 January 2020	**52.1**	**237.7**	**(69.0)**	**(8.4)**	**168.5**	**525.3**	**906.2**
Comprehensive income							
Loss for the year	–	–	–	–	–	(67.0)	(67.0)
Other comprehensive income							
Exchange differences	–	–	21.4	–	(2.7)	–	18.7
Recycling of deferred foreign exchange losses on disposal	–	–	(0.2)	–	–	–	(0.2)
Fair value of cash flow hedges transferred to the income statement	–	–	–	0.9	–	–	0.9
Effective portion of changes in fair value of cash flow hedges	–	–	–	(1.4)	–	–	(1.4)
Remeasurements of retirement benefit obligations	–	–	(1.1)	–	–	0.8	(0.3)
Deferred tax adjustment on pension scheme deficit	–	–	–	–	–	(0.3)	(0.3)
Transfer	–	–	–	–	(2.9)	2.9	–
Total other comprehensive income/(loss)	–	–	20.1	(0.5)	(5.6)	3.4	17.4
Total comprehensive income/(loss)	–	–	20.1	(0.5)	(5.6)	(63.6)	(49.6)
Transactions with owners:							
Issue of shares by the Company	–	–	–	–	–	0.2	0.2
Share based payments	–	–	–	–	3.5	–	3.5
Deferred tax on share based payments recognised within equity	–	–	–	–	–	0.1	0.1
Total transactions with owners	–	–	–	–	3.5	0.3	3.8
Balance at 31 December 2020	**52.1**	**237.7**	**(48.9)**	**(8.9)**	**166.4**	**462.0**	**860.4**

	Share capital $m	Share premium $m	Translation reserve $m	Hedging reserve $m	Other reserves $m	Retained earnings $m	Total equity $m
Balance at 1 January 2021	**52.1**	**237.7**	**(48.9)**	**(8.9)**	**166.4**	**462.0**	**860.4**
Comprehensive income							
Profit for the year	–	–	–	–	–	2.5	2.5
Other comprehensive income							
Exchange differences	–	–	(18.4)	–	–	–	(18.4)
Recycling of deferred foreign exchange gains on disposal	–	–	(0.4)	–	–	–	(0.4)
Fair value of cash flow hedges transferred to the income statement	–	–	–	2.7	–	–	2.7
Effective portion of changes in fair value of cash flow hedges	–	–	–	(0.1)	–	–	(0.1)
Tax associated with changes in cashflow hedges	–	–	–	–	–	(0.4)	(0.4)
Tax associated with change in fair value of net investment hedge	–	–	–	–	–	1.8	1.8
Remeasurements of retirement benefit obligations	–	–	–	–	–	63.5	63.5
Deferred tax adjustment on pension scheme deficit	–	–	–	–	–	(14.6)	(14.6)
Transfer	–	–	–	–	(1.4)	1.4	–
Total other comprehensive income/(loss)	–	–	(18.8)	2.6	(1.4)	51.7	34.1
Total comprehensive income/(loss)	–	–	(18.8)	2.6	(1.4)	54.2	36.6
Transactions with owners:							
Issue of shares by the Company	0.1	3.1	–	–	(3.1)	–	0.1
Deferred tax on share based payments recognised within equity	–	–	–	–	–	1.1	1.1
Share based payments	–	–	–	–	5.1	–	5.1
Fair value of cash flow hedges transferred to net assets	–	–	–	(2.3)	–	–	(2.3)
Total transactions with owners	0.1	3.1	–	(2.3)	2.0	1.1	4.0
Balance at 31 December 2021	**52.2**	**240.8**	**(67.7)**	**(8.6)**	**167.0**	**517.3**	**901.0**

Consolidated cash flow statement for the year ended 31 December 2021

	2021 $m	2020 $m
Operating activities:		
Profit for the year	**2.5**	(67.0)
Adjustments for:		
Other expenses	**2.1**	1.6
Finance income	**(11.0)**	(0.3)
Finance costs	**27.8**	39.6
Tax charge	**3.3**	(1.8)
Depreciation and amortisation	**68.3**	66.7
Impairment loss on property, plant and equipment	**–**	11.7
(Decrease)/increase in provisions and financial liabilities	**0.8**	3.7
Pension payments net of current service cost	**(0.1)**	1.1
Share based payments expense	**5.1**	3.5
Impairment of goodwill	**52.3**	60.3
Loss/(profit) on disposal of business	**1.7**	(0.3)
Operating cash flow before movement in working capital	**152.8**	118.8
(Increase)/decrease in inventories	**(24.2)**	7.8
(Increase)/decrease in trade and other receivables	**(33.8)**	13.3
Increase/(decrease) in trade and other payables	**26.3**	(0.6)
Cash generated by operations	**121.1**	139.3
Income taxes paid	**(30.9)**	(8.5)
Interest paid	**(23.5)**	(23.7)
Net cash flow from operating activities	**66.7**	107.1
Investing activities:		
Interest received	**0.3**	0.3
Disposal of property, plant and equipment	**0.7**	1.8
Purchase of property, plant and equipment	**(52.7)**	(41.5)
Purchase of business	**(0.2)**	–
Disposal of business	**0.5**	0.5
Acquisition of intangible assets	**(0.4)**	(0.3)
Contingent consideration paid	**(13.2)**	–
Net cash flow from investing activities	**(65.0)**	(39.2)
Financing activities:		
Issue of shares by the Company and the ESOT net of issue costs	**0.1**	0.1
Outflow of cancelled dividend hedge	**–**	(1.8)
Net movement on existing debt	**(18.7)**	(56.3)
Payment of lease liabilities	**(6.7)**	(6.7)
Net cash used in financing activities	**(25.3)**	(64.7)
Net increase in cash and cash equivalents	**(23.6)**	3.2
Cash and cash equivalents at 1 January	**111.0**	103.9
Foreign exchange on cash and cash equivalents	**(2.8)**	3.9
Cash and cash equivalents at 31 December	**84.6**	111.0

Notes to the financial statements

1. Preparation of the preliminary announcement

The financial information in this statement does not constitute the Company's statutory accounts for the years ended 31 December 2021 or 2020 but is derived from those accounts. Statutory accounts for 2020 have been delivered to the Registrar of Companies, and those for 2021 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

This preliminary announcement was approved by the Board of Directors on 3 March 2022.

2. Basis of preparation

Elementis plc (the "Company") is incorporated in the UK. The information within this document has been prepared based on the Company's consolidated financial statements which are prepared in accordance with International Financial Reporting Standards as adopted by the UK (adopted IFRS) and consistent with the accounting policies as set out in the previous consolidated financial statements.

The Group's financial statements have been prepared on the historical cost basis except that derivative financial instruments are stated at their fair value. Non-current assets held for sale are stated at the lower of carrying amount and fair value less costs to sell. The preparation of financial statements requires the application of estimates and judgements that affect the reported amounts of assets and liabilities, revenues and costs and related disclosures at the balance sheet date.

The accounting policies adopted are consistent with those of the previous financial year.

Going concern

The Group and Company financial statements have been prepared on the going concern basis, as the directors are satisfied that the Group and Company have adequate resources to continue to operate for at least a period of 12 months from the date of approval of the financial statements. An explanation of the directors' assessment of using the going concern basis is given in the Directors' report in the Annual Report and Accounts 2021 which will be made available to shareholders on 22 March 2022.

Reporting currency

As a consequence of the majority of the Group's sales and earnings originating in US dollars or US dollar linked currencies, the Group has chosen the US dollar as its presentational currency. This aligns the Group's external reporting with the profile of the Group, as well as with internal management reporting.

3. Finance income

	2021 $m	2020 $m
Interest on bank deposits	**0.3**	0.3
Fair value movement on derivatives	**10.7**	–
	11.0	0.3

4. Finance costs

	2021 $m	2020 $m
Interest on bank loans	**23.3**	22.6
Pension and other post retirement liabilities	**0.3**	0.6
Unwind of discount on provisions	**2.6**	2.7
Fair value movement on derivatives	**–**	10.2
Dividend currency hedge cancellation	**–**	1.8
Interest on lease liabilities	**1.6**	1.7
	27.8	39.6

5. Adjusting items and alternative performance measures

	2021 $m	2020 $m
Restructuring	**–**	0.9
Business transformation	**4.6**	22.7
Environmental provisions		
Increase in provisions due to additional remediation work identified	**9.6**	5.6
(Decrease)/Increase in provisions due to change in discount rate	**(1.3)**	1.1
M&A and disposal costs	**–**	3.7
Impairment of goodwill	**52.3**	60.3
Sale of Montreal land	**(1.0)**	–
Amortisation of intangibles arising on acquisition	**16.0**	15.5
	80.2	109.8
Sale of Business	**1.7**	(0.3)
Mark to market of derivative financial instruments	**(10.7)**	10.2
Currency hedge due to dividend cancellation	**–**	1.8
Tax credit in relation to adjusting items	**(11.3)**	(16.0)
	59.9	105.5

A number of items have been recorded under 'adjusting items' by virtue of their size and/or one time nature, in line with our accounting policy in Note 1, in order to provide additional useful analysis of the Group's results. The Group considers the adjusted results to be an important measure used to monitor how the businesses are performing as they achieve consistency and comparability between reporting periods. The net impact of these items on the Group profit before tax for the year is a debit of $71.2m (2020: $121.5m). The items fall into a number of categories, as summarised below:

Restructuring – In 2020, restructuring costs relate predominantly to the organisational efficiency programme commenced in late 2019, which eliminated duplicate roles, reduced management layers and increased spans of control in order to realise cost savings and efficiencies across the Group.

Business transformation – In November 2020, the closure of the Charleston plant was announced. Costs of $4.2m in 2021 (including $0.4m of depreciation) associated with preparing the site for sale are classified as an adjusting item and the site is planned to be disposed of in the future. Further charges of $0.4m relate to the optimisation of the supply chain footprint across our Personal Care and Chromium businesses.

Environmental provisions – 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 movement in provision relates to a change in discount rates that has decreased the liability by $1.3m in the year, extra remediation work identified in the year which has resulted in a $9.6m increase to the liability. As these costs relate to non-operational facilities they are classified as adjusting items.

M&A and disposal costs – Charges of $3.7m in 2020 represent costs relating to the disposal of small, non-core businesses in the Personal Care business segment and advisory fees incurred in response to an unsolicited takeover approach received in the previous year.

Impairment of goodwill – In Talc, while the business fundamentals are unchanged, the continuing impact of COVID-19 on wider industrial activity and global supply chains, especially affecting the automotive sector, and the near term forecast profitability of the business has resulted in a goodwill impairment of $53.1m. This impairment is reflected as a P&L charge of $52.3m and $0.8m movement in exchange differences on translation of foreign operations in other comprehensive income.

Sale of Montreal land – In 2021 the Group disposed of a non-core parcel of land in Montreal, Canada. The profit on disposal has been treated as an adjusting item.

Amortisation of intangibles arising on acquisition – Amortisation of $16.0m (2020: $15.5m) represents the charge in respect of the Group's acquired intangible assets. As in previous years, these are included in adjusting items as they are a non-cash charge arising from historical investment activities.

Sale of Business – The $1.7m loss on disposal of two non-core dental businesses, Eisenbacher Dentalwaren ED GmbH and Adentatec GmbH, has been treated as an adjusting item in 2021.

Mark to market of derivatives – The movements in the mark to market valuation of financial instruments that are not in hedging relationships are treated as adjusting items as they are non-cash fair value adjustments that will not affect the cash flows of the Group.

Currency hedge due to dividend cancellation – The charge of $1.8m in 2020 relates to the cancellation of currency hedges following the suspension of the 2019 final ordinary dividend that provided additional financial headroom in response to COVID-19.

Tax on adjusting items – this is the net impact of tax relating to the adjusting items listed above.

To support comparability with the financial statements as presented in 2021 the reconciliation to the adjusted consolidated income statement is shown below.

	2021 Profit and loss $m	2021 Adjusting items $m	2021 Profit and loss after adjusting items $m
Revenue	**880.1**	**–**	**880.1**
Cost of sales	**(545.2)**	**–**	**(545.2)**
Gross profit	**334.9**	**–**	**334.9**
Distribution costs	**(151.9)**	**–**	**(151.9)**
Administrative expenses	**(156.6)**	**80.2**	**(76.4)**
Operating profit	**26.4**	**80.2**	**106.6**
(Loss)/profit on disposal	**(1.7)**	**1.7**	**–**
Other expenses	**(2.1)**	**–**	**(2.1)**
Finance income	**11.0**	**(10.7)**	**0.3**
Finance costs	**(27.8)**	**–**	**(27.8)**
Profit before income tax	**5.8**	**71.2**	**77.0**
Tax	**(3.3)**	**(11.3)**	**(14.6)**
Profit for the year	**2.5**	**59.9**	**62.4**
Attributable to:			
Equity holders of the parent	**2.5**	**59.9**	**62.4**
Earnings per share			
Basic earnings (cents)	**0.4**	**10.3**	**10.7**
Diluted earnings (cents)	**0.4**	**10.2**	**10.6**

	2020 Profit and loss $m	2020 Adjusting items $m	2020 Profit and loss after adjusting items $m
Revenue	751.3	–	751.3
Cost of sales	(494.0)	–	(494.0)
Gross profit	257.3	–	257.3
Distribution costs	(112.6)	–	(112.6)
Administrative expenses	(172.9)	109.8	(63.1)
Operating profit	(28.2)	109.8	81.6
Profit/(loss) on disposal	0.3	(0.3)	–
Other expenses	(1.6)	–	(1.6)
Finance income	0.3	–	0.3
Finance costs	(39.6)	12.0	(27.6)
(Loss)/profit before income tax	(68.8)	121.5	52.7
Tax	1.8	(16.0)	(14.2)
(Loss)/profit for the year	(67.0)	105.5	38.5
Attributable to:			
Equity holders of the parent	(67.0)	105.5	38.5
Earnings per share			
Basic (cents)	(11.5)	18.1	6.6
Diluted (cents)	(11.3)	17.8	6.5

To support comparability with the financial statements as presented in 2021, a reconciliation from reported profit/(loss) before interest to adjusted profit before income tax by segment is shown below for each year.

2021

	Personal Care $m	Coatings $m	Talc $m	Chromium $m	Segment totals $m	Central costs $m	Total $m
Reported operating profit/(loss)	**27.9**	**56.5**	**(44.3)**	**6.3**	**46.4**	**(20.0)**	**26.4**
Adjusting Items							
Business transformation	**0.1**	**4.2**	**–**	**0.3**	**4.6**	**–**	**4.6**
Increase in environmental provisions due to additional remediation work identified	**–**	**–**	**–**	**9.6**	**9.6**	**–**	**9.6**
Increase in environmental provisions due to change in discount rate	**–**	**–**	**–**	**(1.3)**	**(1.3)**	**–**	**(1.3)**
Impairment of goodwill	**–**	**–**	**52.3**	**–**	**52.3**	**–**	**52.3**
Sale of Montreal land	**–**	**–**	**–**	**(1.0)**	**(1.0)**	**–**	**(1.0)**
Amortisation of intangibles arising on acquisition	**8.7**	**1.1**	**6.0**	**0.2**	**16.0**	**–**	**16.0**
Adjusted operating profit /(loss)	**36.7**	**61.8**	**14.0**	**14.1**	**126.6**	**(20.0)**	**106.6**
Other expenses	**–**	**–**	**–**	**–**	**–**	**(2.1)**	**(2.1)**
Finance income	**–**	**–**	**–**	**–**	**–**	**0.3**	**0.3**
Finance costs	**–**	**–**	**–**	**–**	**–**	**(27.9)**	**(27.9)**
Adjusted profit /(loss) before income tax	**36.7**	**61.8**	**14.0**	**14.1**	**126.6**	**(49.7)**	**76.9**

2020

	Personal Care $m	Coatings $m*	Talc $m	Chromium $m	Segment totals $m	Central costs $m	Total $m
Reported operating profit/(loss)	**20.0**	**(4.9)**	**(22.4)**	**(3.6)**	**(10.9)**	**(17.3)**	**(28.2)**
Adjusting Items							
Restructuring	–	0.9	–	–	0.9	–	0.9
Business transformation	3.0	17.4	–	2.3	22.7	–	22.7
Increase in environmental provisions due to additional remediation work identified	–	–	–	5.6	5.6	–	5.6
Increase in environmental provisions due to change in discount rate	–	–	–	1.1	1.1	–	1.1
M&A and disposal costs	2.0	–	–	–	2.0	1.7	3.7
Impairment of goodwill	–	26.9	33.4	–	60.3	–	60.3
Amortisation of intangibles arising on acquisition	8.6	1.1	5.6	0.2	15.5	–	15.5
Adjusted operating profit /(loss)	**33.6**	**41.4**	**16.6**	**5.6**	**97.2**	**(15.6)**	**81.6**
Other expenses	–	–	–	–	–	(1.6)	(1.6)
Finance income	–	–	–	–	–	0.3	0.3
Finance costs	–	–	–	–	–	(27.6)	(27.6)
Adjusted profit /(loss) before income tax	**33.6**	**41.4**	**16.6**	**5.6**	**97.2**	**(44.5)**	**52.7**

*Restated for the amalgamation of the Energy business into the Coatings segment

6. Income tax expense

	2021 $m	2020 $m
Current tax on continuing operations:		
UK corporation tax	**12.2**	6.5
Overseas corporation tax on continuing operations	**5.8**	8.6
Adjustments in respect of prior years:		
United Kingdom	**(1.0)**	0.1
Overseas	**(7.2)**	(8.3)
Total current tax	**9.8**	6.9
Deferred tax:		
United Kingdom	**(2.8)**	(1.0)
Overseas	**(3.2)**	(11.1)
Adjustment in respect of prior years:		
United Kingdom	**–**	–
Overseas	**(0.5)**	3.4
Total deferred tax	**(6.5)**	(8.7)
Income tax (credit)/expense for the year	**3.3**	(1.8)
Comprising:		
Income tax (credit)/expense for the year	**3.3**	(1.8)
Adjusting items [1]		
Overseas taxation on adjusting items	**(12.2)**	(12.4)
UK taxation on adjusting items	**0.9**	(3.6)
Taxation on adjusting items	**(11.3)**	(16.0)
Income tax expense for the year after adjusting items	**14.6**	14.2

[1] See Note 5 for details of adjusting items.

The tax charge on profits represents an effective rate of 56.9% (2020: 2.6%) and an effective tax rate after adjusting items of 19.0% (2020: 26.9%).

The tax impact of the adjusting items outlined within note 5 and within the Consolidated income statement relates to the following:

	2021 Gross $m	**2021 Tax impact $m**	2020 Gross $m	2020 Tax impact $m
Restructuring	**–**	**–**	0.9	–
Business transformation	**4.6**	**1.0**	22.7	6.3
Environmental provisions	**8.3**	**1.6**	6.7	1.0
M&A and disposal costs	**1.7**	**–**	3.7	–
Impairment of goodwill	**52.3**	**–**	60.3	5.6
Mark to market of derivative financial instruments	**(10.7)**	**(2.0)**	10.2	1.9
Sale of Montreal land	**(1.0)**	**–**	–	–
Amortisation of intangibles arising on acquisition	**16.0**	**3.5**	15.5	1.2
Currency hedge due to dividend cancellation	**–**	**–**	1.8	–
Sale of Elementis Specialties (Changxing) Ltd	**–**	**–**	(0.3)	–
Reversal of uncertain tax provision	**–**	**7.2**	–	–
Total	**71.2**	**11.3**	121.5	16.0

The Group is international and has operations across a range of jurisdictions. Accordingly, tax charges of the Group in future periods will be affected by the profitability of operations in different jurisdictions and changes to tax rates and regulations in the jurisdictions within which the Group has operations. The Group 's effective tax rate in 2021 is slightly lower than its usual range due to beneficial adjustments in respect of prior years and the one-off impact of the UK rate change on its deferred tax assets. The medium-term expectation for the Group's adjusted effective tax rate is around 22-23% until 2023, after which it is anticipated to rise to 25-26% due to the previously announced increase in UK corporation tax rates from April 2023.

On 20 December 2021 the OECD published its Global Anti-Base Erosion Model Rules (Pillar Two). The report provides a model for a coordinated system of taxation that imposes a top-up tax on profits arising in a jurisdiction whenever the effective tax rate, determined on a jurisdictional basis, is below the minimum tax rate of 15%. Each OECD member nation has begun consultations on the implementation of these model rules into local legislation, with the expectation that they will be enshrined into law in 2023. The Group is currently considering the impact of the announcements on its tax position.

The total charge for the year can be reconciled to the accounting profit as follows:

	2021 $m	**2021 %**	2020 $m	2020 %
Profit/(loss) before tax	**5.8**		(68.8)	
Tax at 19.0% (2020: 19.0%)	**1.1**	**19.0**	(13.1)	19.0
Difference in overseas effective tax rates	**1.5**	**25.9**	4.0	(5.8)
Income not taxable and impact of tax efficient financing	**(0.9)**	**(15.5)**	(4.7)	6.8
Expenses not deductible for tax purposes	**12.0**	**206.9**	11.5	(16.7)
Adjustments in respect of prior years	**(8.7)**	**(150.0)**	(4.8)	7.0
Tax rate changes	**(1.2)**	**(20.7)**	1.3	(1.9)
Movement in unrecognised deferred tax	**(0.5)**	**(8.7)**	4.0	(5.8)
Total charge/(credit) and effective tax rate for the year	**3.3**	**56.9**	(1.8)	2.6

7. Earnings per share

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the parent is based on the following:

	2021 $m	2020 $m
Earnings:		
Earnings/(loss) for the purpose of basic earnings per share	**2.5**	(67.0)
Adjusting items net of tax	**59.9**	105.5
Adjusted earnings	**62.4**	38.5

	2021 m	2020 m
Number of shares:		
Weighted average number of shares for the purposes of basic earnings per share	**581.0**	580.1
Effect of dilutive share options	**7.8**	13.6
Weighted average number of shares for the purposes of diluted earnings per share	**588.8**	593.7

	2021 cents	2020 cents
Earnings per share:		
Basic earnings / (loss)	**0.4**	(11.5)
Diluted earnings / (loss)	**0.4**	(11.3)
Basic after adjusting items	**10.7**	6.6
Diluted after adjusting items	**10.6**	6.5

8. Contingent liabilities

As is the case with other chemical companies, the Group occasionally receives notice 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.

The Group has not received any notice of litigation relating to events arising prior to the balance sheet date that is expected to lead to a material exposure.

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 has lodged an appeal against the charging notice this does not defer the payment of the tax assessed. As Elementis considers that the appeal will ultimately be successful, at 31 December 2021 an asset has been recorded within non current assets in the accounts on the expectation that the charge will be repaid in due course. The UK Government's appeal against the European Commission's decision was heard by the General Court of the European Union during October 2021 with a decision expected during 2022.

9. Events after the balance sheet date

There were no other significant events after the balance sheet date.

10. Goodwill and other intangible assets

	2021 $m	2020 $m
1 January	**668.0**	725.7
Exchange differences	**(2.2)**	2.6
Acquisitions	**0.5**	–
Disposals	**(1.0)**	–
Impairment	**(52.3)**	(60.3)
31 December	**613.0**	668.0
Other intangible assets	**202.7**	224.7
Total goodwill and intangibles at 31 December	**815.7**	892.7

At 31 December 2021 we considered the continuing impact of COVID-19 on wider industrial activity and global supply chains, especially affecting the automotive sector, which has impacted current year performance and the near term forecast profitability of the Talc business to be an indicator of impairment of goodwill for the Talc CGU. As a result, an impairment test was performed which resulted in recognition of an impairment of $53.1m to the goodwill of the Talc CGU as at 31 December 2021 based on a recoverable amount of $440.7m. Due to the currency of the entity in which the goodwill is held, this impairment is reflected as a P&L charge of $52.3m and $0.8m movement in exchange differences on translation of foreign operations in other comprehensive income.

In reaching the impairment charge the forecast period included revenue growth of between 5% and 8%. A pre-tax discount rate of 10.0% was applied. The outcome of the impairment review was most sensitive to changes to forecast revenues and discount rate. A 0.5% increase in the pre-tax discount rate would have increased the impairment charge by $29.2m and a 3% decrease in forecast revenues in each year of the five year forecast period would have increased the impairment charge by $43.6m.

No impairment was identified for the Personal Care, Coatings and Chromium CGUs.

Alternative performance measures and unaudited information

Alternative performance measures

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

	2021 Profit and loss $m	2020 Profit and loss $m
Profit/(loss) for the year	**2.5**	(67.0)
Adjustments for		
Finance income	**(11.0)**	(0.3)
Finance costs and other expenses after adjusting items	**29.9**	41.2
Tax (credit)/charge	**3.3**	(1.8)
Depreciation and amortisation	**68.3**	66.7
Excluding intangibles arising on acquisition	**(16.0)**	(15.5)
Adjusting items before finance costs and depreciation	**81.5**	109.5
Adjusted EBITDA	**158.5**	132.8

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 taxes paid or received, interest paid or received, pension contributions net of current service cost and adjusting items.

	2021 $m	2020 $m
Net cash flow from operating activities	**66.7**	107.1
Less: Capital expenditure	**(52.4)**	(40.0)
Add:		
Income tax paid or received	**30.9**	8.5
Interest paid or received	**23.5**	23.7
Pension contributions net of current service cost	**0.1**	0.1
Adjusting items – non cash	**(13.2)**	(1.8)
Adjusting items - cash	**20.4**	12.2
Adjusted operating cash flow	**76.0**	109.8

Adjusted operating cash conversion

Adjusted operating cash conversion is defined as operating cash flow (as defined above) excluding payments for provisions and share based pay, divided by operating profit from total operations after adjusting items.

	2021 $m	2020 $m
Operating profit after adjusting items	**106.6**	81.6
Operating cash flow	**76.0**	109.8
Add:		
Provision and share based payments	**(1.9)**	1.7
	74.1	111.5
Adjusted operating cash flow conversion	**70%**	137%

Contribution margin
The Group's contribution margin, which is defined as sales less all variable costs, divided by sales and expressed as a percentage.

	2021 $m	2020 $m
Revenue	**880.1**	751.3
Variable costs	**(479.2)**	(410.8)
Non variable costs	**(66.0)**	(83.2)
Cost of sales	**(545.2)**	(494.0)

Adjusted Group profit before tax
Adjusted Group profit before tax is defined as the Group profit before tax from total operations (both continuing and discontinued) after adjusting items, excluding adjusting items relating to tax.

Adjusted return on operating capital employed
The adjusted return on operating capital employed (ROCE) is defined as operating profit from total operations after adjusting items divided by operating capital employed, expressed as a percentage. Operating capital employed comprises fixed assets (excluding goodwill), working capital and operating provisions. Operating provisions include self insurance and environmental provisions but exclude retirement benefit obligations.

	2021 $m	2020 $m
Operating profit from total operations after adjusting items	**106.6**	81.6
Fixed assets excluding goodwill	**722.1**	740.7
Working capital	**164.0**	141.4
Operating provisions	**(61.8)**	(58.8)
Operating capital employed	**824.3**	823.3
Adjusted return on capital employed	**13%**	10%

Average trade working capital to sales ratio
The trade working capital to sales 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 operating profit, after adjusting items, 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 as per our banking covenants.

	2021 $m	2020 $m
Revenue	**880.1**	751.3
Adjusted operating profit	**106.6**	81.6
Adjusted operating margin	**12.1%**	10.9%
Adjusted EBITDA	**158.5**	132.8
IFRS 16 adjustment	**(6.8)**	(6.4)
Adjusted EBITDA pre IFRS 16	**151.7**	126.4
Net Debt	**401.0**	408.1
Net Debt/EBITDA*	**2.64**	3.23

* Net Debt/EBITDA, where EBITDA is the Adjusted EBITDA on continuing operations of the Group on a pre IFRS16 basis, is the definition of Net Debt/EBITDA for Elementis' core banking covenants.

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Related party transactions

The Company is a guarantor to the UK pension scheme under which it guarantees all current and future obligations of UK subsidiaries currently participating in the pension scheme to make payments to the scheme, up to a specified maximum amount. The maximum amount of the guarantee is that which is needed (at the time the guarantee is called on) to bring the scheme's funding level up to 105 per cent of its liabilities, calculated in accordance with section 179 of the Pensions Act 2004. This is also sometimes known as a Pension Protection Fund ("PPF") guarantee, as having such a guarantee in place reduces the annual PPF levy on the scheme.

Directors' responsibility statement

The following is an extract of the full statement prepared in connection with the Company's Annual Report and Accounts (comprising both consolidated and parent company financial statements) for the year ended 31 December 2021. The full text of the Directors' responsibility statement will appear in the 2021 Annual Report and Accounts.

The Directors of the Company confirm that to the best of their knowledge:

- The financial statements, which have been prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole.
- The strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.