ELEMENTIS

A global specialty chemicals company

2 August 2022

ELEMENTIS plc
INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

Strong financial performance, adjusted operating profit up 21% to $66m

- Revenue up 6% (up 9% on an underlying basis*) to $478m driven primarily by successful pricing actions to address rapid cost inflation, as well as improved mix.
- Adjusted operating profit up 21% (25% on an underlying basis*) to $66m, with adjusted operating margin up from 12.0% to 13.7%, as improved price/mix offset continued cost inflation. Profit after tax of $21m compared to $28m in prior year period, with improved performance offset by higher adjusting items[6].
- Leverage ratio[5] down from 3.0x (H1 21) to 2.4x net debt/EBITDA and further progress expected at the year end, in line with typical cash flow seasonality. Net debt of $393m down on the prior year (30 June 21: $415m), with increased earnings partially offset by working capital outflow to secure adequate supplies of critical inventory and to fund growth.

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

- Record Coatings performance, reflective of a higher quality business with further growth potential. Strong Personal Care performance linked to demand recovery and encouraging strategic momentum. As expected, Talc performance was impacted by auto and paper demand related market headwinds – self-help actions, including the full benefit of price increases, to drive improved second half.
- Continued progress on Innovation, Growth and Efficiency strategy to deliver medium term Group performance objectives. Delivered $36m of revenue from new business opportunities, 10 new product launches with new product revenues up from 13% to 14% of sales. On course for targeted $10m of annual cost savings by 2023, with new India AP Actives plant on track for full start up.
- Strategic review of Chromium progressing – further update expected around calendar year end.

Upgrade to guidance – strength in a challenging environment

- Steady demand coupled with self-help actions are anticipated to drive an improved full year financial performance and further deleveraging.
- While mindful of macroeconomic headwinds, the Group's financial performance is expected to be towards the top end of consensus expectations^.

FINANCIAL SUMMARY

	Six months ended 30 June 2022	Six months ended 30 June 2021	% Change Reported
Revenue	**$478m**	**$452m**	+6%
Profit for the period	**$21m**	**$28m**	-25%
Basic earnings per share[2]	**3.6c**	**4.8c**	-25%
Adjusted operating profit[1]	**$66m**	**$54m**	+21%
Adjusted profit before tax[1]	**$53m**	**$40m**	+34%
Adjusted diluted earnings per share[2]	**7.1c**	**5.5c**	+29%
Adjusted operating cash flow[3]	**$19m**	**$30m**	-37%
Net debt[4]	**$393m**	**$415m**	-5%
Ordinary dividend per share	**–**	**–**	**–**

Business performance overview

- **Personal Care** revenue up 23% on an underlying basis* (up 19% on a reported basis) at $106m. Adjusted operating profit up 42% on an underlying basis* (up 35% on a reported basis) to $26m, with adjusted operating margin of 24.5%, up from 21.6% in the prior year.
  - Strong performance against a weak prior year comparative driven by improved category demand as COVID-19 restrictions ease, pricing actions and continued new business success in skin care and Asia.
  - Margins at 24.5%, back towards historical levels, with underlying growth offsetting input cost inflation.

- **Coatings** revenue up 9% on an underlying basis* (up 6% on a reported basis), from $197m to $209m. Adjusted operating profit of $44m significantly up on prior year ($33m), with adjusted operating profit margins of 20.9%, up from 16.7% in the prior year.
  - Strong new business momentum, particularly in North America, and successful pricing actions partially offset by China volume weakness and normalisation of European decorative demand.
  - Continued margin improvement despite accelerating input cost inflation, reflective of improved product portfolio, new business wins and pricing actions.

- **Talc** revenue up 4% on an underlying basis* to $73m (down 5% on a reported basis). As expected, adjusted operating profit down from $8m to $3m, with adjusted operating margin of 3.7%, down from 10.3% in the prior year.
  - Successful pricing actions offset by particularly weak European automotive demand and strike at a major paper customer (since resolved).
  - Margins impacted by short term volume impact, while pricing actions fully mitigate variable cost increases.

- **Chromium** revenue up 1% to $91m. Adjusted operating profit down 9% to $4m.
  - Modest revenue improvement, with strong pricing actions and better mix partially offset by lower volumes due to reduced production at Castle Hayne (now resolved).
  - Adjusted operating margin down from 5.1% to 4.6%, with variable cost inflation fully offset by price increases, but outweighed by reduced plant production and associated maintenance costs.

Commenting on the results, CEO, Paul Waterman said:

“We have made a strong start to the year, benefiting from the combination of focused strategy execution and proactive price management. Whilst we are mindful of the continued macroeconomic risks, the Group has demonstrated the attractiveness of its business model and is well positioned to manage these impacts. We expect that steady demand coupled with our self-help agenda will drive an improved financial performance, towards the top end of expectations, alongside further deleveraging.

The fundamentals of our business remain strong. We have high quality assets with enduring competitive advantages and strong pricing power, and I am confident that the implementation of our Innovation, Growth and Efficiency strategy will position Elementis to deliver our medium term financial ambitions and generate significant shareholder value”.

Notes:
^ Based on company compiled consensus, the Board believes current market forecast for 2022 adjusted operating profit to be in the range of $107m to $125m with an average of $115m.

* Adjusted for constant currency. See Finance Report.
** New products defined as products launched within the last 5 years that are patented and protected products (excluding Chromium)
1 – See note 5
2 – See note 9
3 – See Finance report
4 – See note 12
5 – See unaudited pro forma information
6 – As detailed in note 5, including a $23m non-cash impairment in respect of non-operational nickel bio-leaching PPE

Further information

A virtual presentation for investors and analysts will be held at 09:30 BST on 2 August 2022. The presentation will be webcast on www.elementis.com and a copy of this Interim Results announcement can also be found on this website. Conference call dial in details:

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Business review

CEO's report

The Group delivered a strong financial performance in the first six months of the year, despite global supply chains remaining stretched, inflation surging and pockets of soft demand. This is testament to the attractiveness of our business model and the importance of our self-help agenda. Coatings and Personal Care performed particularly well, and while Talc's financial performance was as expected disappointing due to market related headwinds, the fundamentals of the business are unchanged and with clear opportunities for margin recovery and growth. The Group's performance, combined with continued strategic momentum as part of our Innovation, Growth and Efficiency agenda, has put us in a good position to make further progress towards our medium term performance objectives.

Group performance

In the six months to 30 June 2022, revenue rose 9% on an underlying basis* (up 6% on a reported basis) as strong pricing and mix improvements more than offset weaker volumes linked to unplanned maintenance in Chromium, China coatings softness and automotive and paper related headwinds in Talc. Adjusted operating profit rose 21% on a reported basis to $66m, with successful pricing actions and improved mix more than offsetting cost inflation linked to global supply chain challenges. As a result, margins improved from 12.0% to 13.7%. Reported operating profit decreased from $45m to $32m because of increased adjusting items, as detailed in Note 5.

Personal Care

In the six months to 30 June 2022, Personal Care revenue increased 23% on an underlying basis* (up 19% on a reported basis) against a weak prior year comparative driven by demand recovery, pricing actions and continued strategic progress. As COVID-19 related social and travel restrictions further eased, particularly in the western hemisphere, retail demand in our two key end markets, colour cosmetics and anti-perspirant deodorants, continued to recover. Asia and skin care, two areas of strategic focus, also showed good momentum. Despite lockdowns in China, sales into Asia grew 18% driven by recent capability investments, while skin care sales grew 23% supported by new product launches.

Adjusted operating profit for Personal Care increased 42% on an underlying basis* (up 35% on a reported basis) to $26m, with an adjusted operating margin of 24.5% versus 21.6% in the prior year. Improved volumes and successful pricing actions more than offset increased input costs.

Coatings

In Coatings, revenue rose 9% on an underlying basis* (up 6% on a reported basis) to $209m with successful pricing actions and improved mix offsetting lower volumes. All regional performance commentary is on an underlying basis* unless otherwise stated.

- **Americas** revenue rose 47% on the back of strong new business success and pricing actions. In the US, decorative demand remained healthy, driven by steady construction and residential property activity, and continued new business momentum for our Rheolate® HX rheology series. Revenue from industrial coatings was higher than the prior year period as underlying demand improved in areas such as maintenance and protective coatings.

- **EMEA** revenue rose 20% on the prior year period as improved pricing and robust industrial demand more than offset a normalisation in decorative activity. Industrial coatings demand improved, reflective of new business success, particularly for our Thixatrol® (organic thixotrope) products for adhesive and sealants applications.

- In **Asia**, where approximately 80% of our sales come from industrial coatings, revenue declined 27% because of weaker industrial activity in China, our largest market (~70% of regional sales), due to COVID-19 lockdowns. Outside of China, performance was much stronger in South East Asia as markets such as India and Vietnam experienced resilient demand and our recent sales and marketing investments in the region benefited performance.

Adjusted operating profit rose 37% on an underlying basis* (33% on a reported basis) from $33m to a record level of $44m with improved price/mix and new business success partially offset by accelerating raw material cost inflation and volume weakness in China. As a result, adjusted operating profit margins increased from 16.7% to a record high of 20.9%.

Talc
In Talc, revenue rose 4% on an underlying basis* (down 5% on a reported basis from $77m to $73m) with successful pricing actions offset as expected by volume weakness in plastic and paper applications.

Revenue from industrial talc (representing over 85% of total Talc revenue) rose 7% on an underlying basis*, with successful price increases in response to variable cost inflation partially offset by volume declines. Long life plastics sales were impacted by continued European automotive production declines (-12% vs prior year period±) linked to semi-conductor and Russia/Ukraine related production issues. Sales to coatings customers grew double digits on the prior year period driven by successful pricing actions and growth in Asia as we continue expand the geographic presence of the business via cross selling to existing Coatings customers.

Outside of industrial talc, sales to the graphic paper market declined by 41% following the temporary shutdown (January-April) of our main customer's production plant in Finland due to strike action.

Adjusted operating profit declined from $8m to $3m (margins down from 10.3% to 3.7%), as pricing actions to mitigate variable cost inflation were more than offset by lower volumes due to challenging market demand conditions. Second half performance is expected to be stronger driven by the full benefit of implemented price increases, new business wins, technical ceramics order timing and the restart of production at our customer's paper plant.

In the first half of 2022 the Group recognised a non-cash $23m impairment in respect of non-operational nickel bioleaching property, plant and equipment. Elementis determined that the operational, HSE and financial commitments required were not the best use of the Group's resources. This has been treated as an adjusting item.

Chromium
Revenue in the period was $91m, up 1% from $90m in the first six months of 2021 with improved year on year average pricing largely offset by weaker volumes due to reduced production at our Castle Hayne plant following unplanned maintenance.

Due to improved industrial activity following the COVID-19 related lows in 2020, demand for chromium chemicals has increased across a range of end markets including North American automotive, leather tanning and protective applications. As a result, we estimate global chromium industry capacity utilisation reached approximately 90% in the first half of 2022, compared to 85% in the prior year. It is anticipated this will result in further spot market price increases that should benefit our revenue and margin performance in the second half of the year and into 2023.

Adjusted operating profit for the first six months of the year was $4m, down 9% on the prior year period with pricing actions to offset variable cost increases outweighed by the volume declines. Adjusted operating profit margin fell from 5.1% to 4.6%.

Balance sheet
At 30 June 2022 net debt was $393m compared to $415m at 30 June 2021, with improved earnings partially offset by working capital requirements to secure adequate supplies of critical inventory items and to fund growth, representing a net debt to adjusted EBITDA ratio** of 2.4x (3.0x at 30 June 2021). Further progress on debt and leverage reduction is expected in the second half, driven by earnings and strong underlying cashflow generation, in line with typical seasonality.

The Group successfully refinanced its term loans effective 1 July 2022. The Group took the opportunity to reduce the overall term loan commitment from ~$400m to ~$300m, split between USD and Euro tranches. The new term loans have a maturity of June 2026 with the option of a one year extension. The terms of the existing $375m revolving credit facility are unchanged with maturities in September 2024 ($72m) and September 2025 ($303m).

Interim dividend
We recognise the importance of a dividend to our shareholders. However, given the Group's financial leverage and the continued macroeconomic uncertainty, the Board has decided it is prudent not to declare an interim dividend for 2022. The Board will keep future dividends under review and will restart payments as soon as it is appropriate to do so.

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

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

1. Innovation

We are a global leader in performance additives. Across decorative coatings, premium skin creams and recyclable food packaging, our additives are integral to performance, and our global team of scientists are continually driving the creation of more effective and sustainable solutions to address the needs of our customers and consumers globally.

Our innovation agenda is clear. Firstly, we want to create distinctive new technologies that deliver both improved performance and sustainability benefits. At present, 55% of our revenue (H1 2021: 53%) is from products that are natural or naturally derived[†], building on our progress in recent years. Platforms such as our castor wax based organic thixotropes for high performance adhesives and hectorite derived skin care ingredients provide a great foundation from which to drive this higher.

Secondly, we are focused on the key innovation challenges that our customers face. Consumers are increasingly aware of the impact their buying decisions have on the environment, and as a result, major Personal Care brands are, for example, seeking to reduce the amount of water used in their production systems. Our growing range of skin care products including Thixcin® R PC and Bentone Hydroclay™ are well positioned to help; they are natural, water free and can be used to create luxury products such as cleansers, face masks and balms. Customer uptake and feedback has been strong and we are progressing well in delivering our ambition of $10m incremental skin care sales over the medium term.

Open innovation is also an important enabler of our strategic ambitions and in the first half we launched several products in partnership with NXTLEVVEL Biochem. Revenue from new products*** rose from 13% in the prior year period to 14%, progressing towards our goal of 17% by 2025. Our innovation pipeline is well positioned and in 2022 we are on track to bring more than 20 new products to the market.

2. Growth

Across Personal Care, Coatings and Talc we transform natural and long-life resources into high value additives through distinctive processing, chemistry and formulation. These segments represent over 90% of Group earnings and collectively we see over $100m of medium term incremental growth opportunities.

In Coatings, our "growth platforms" are based on differentiated technologies that respond to specific market needs or trends and currently account for approximately one third of our revenue. In the first half, these platforms grew 23% driven by $17m of new business wins. Our Rheolate HX® series of NiSATs for premium decorative paints continue to experience significant customer momentum, particularly in North America, and are being supported by capacity debottlenecking and investment at our New Martinsville and Livingston plants, alongside new product launches. In addition, the successful expansion of capacity in Hsinchu, Taiwan is supporting the growth of our new castor wax based rheology modifiers for use in adhesives and sealants. This innovation focus and customer centric attitude, combined with reliable supply, has driven notably strong new business momentum with our global key accounts. These accounts represent the largest coatings companies in the world and sales to them grew by 45% in the first half of the year. Recent investments in

our global key account, innovation and technical services teams will ensure we remain close to our customers and continue to build mutually beneficial long term partnerships.

In Personal Care, we see significant scope to expand our scale, and to do so at high margins. Asia represents under 20% of our sales and the medium term aim is to double our cosmetics sales in the region. Despite lockdowns in China, in the first half we grew 18% in Asia, benefitting from recent investments in local resources, including a new technical service centre in Shanghai and recent product launches. To drive further growth, we have continued to invest, with new sales capabilities in India, and the launch of hectorite gels approved for use in Japan, providing access to a large and growing market. In skin care, we aim to deliver $10m of incremental sales over the medium term, and with 23% growth in the first half we are approximately two thirds of the way to our target. Finally, in anti-perspirant actives, we experienced a strong first half performance improvement and our new plant in India is on course for full start up later this year, delivering significant cost savings and enhancing our access to fast growing markets in Asia.

In Talc, while our near-term performance has, as expected, been impacted by weak demand in automotive applications and customer specific issues in paper, the strong fundamentals of the business are unchanged. We are the second largest global producer of talc-based additives, and our growth strategy is focused on expanding into new geographies and markets. In the first half of 2022, while sales in America were broadly flat, we grew 36% in Asia driven by $8m of new business wins across long life plastics, technical ceramics and coatings applications. We remain materially underweight in both these regions and with considerable runway for long term growth. We also are on track for our ultimate goal of $20-25m of revenue synergies by 2023, reaching $21m in the first half of the year, driven by 11% growth in sales to coatings customers, leveraging Elementis' global key account network and strong presence in the coatings market.

3. Efficiency

At Elementis we are always seeking to reduce the impact of our operations on the environment and lower our cost to serve. Due to ongoing global supply chain challenges the Group is experiencing approximately 20% unit cost inflation across raw materials, logistics and energy in 2022. We have responded by focusing on what we can control – running our plants effectively and providing security of supply to customers. In the first half of the year our technical service team helped rapidly qualify over 20 alternative raw materials and manufacturing processes, enabling our systems to continue operating and supplying our customers. In addition, we deployed raw material hedging strategies and implemented price increases where necessary. These actions, combined with further self-help, mean we are confident of defending our margins and making progress towards our $10m of savings by 2023.

A key enabler of $10m supply chain savings by 2023 are our global process improvement projects led by our team of engineers. In the first half we completed 45 projects including the installation of enhanced water monitoring systems in Vuonos, Finland, reducing water usage at the site by over 80%, and the re-engineering of our AP Actives production in New York state to use alternative raw materials that are equally effective but 20% cheaper.

Our process engineers also support our growth ambitions. Following the commercial success of our premium decorative rheology modifiers, and ahead of new capacity installation later this year, our team in Livingston, Scotland successfully debottlenecked 20% extra capacity thanks to optimised reaction times and increased production staffing. These continuous improvement initiatives are delivering significant efficiency, growth and sustainability benefits across the Group, and with 70 further projects in the pipeline we are well positioned for further progress.

Sustainability and the reduction of our environmental footprint is at the forefront of all operational decisions. Our new anti-perspirant actives plant in India, which is on track for full start up in late third quarter, is an additional enabler of our $10m of supply chain savings. This facility will create a cost advantaged global supply chain that is well positioned to serve fast growth markets, and, being a closed water production system, is an incredibly environmentally friendly facility.

Chromium

In April 2022, we announced a strategic review of Chromium to establish whether the full potential of the business can be best delivered as part of Elementis or via a full or partial divestment. The review is progressing as planned and a further update is anticipated around the year end.

Outlook
While supply chain conditions remain extremely challenging and global economic risks are elevated, the Group has again demonstrated resilience and the importance of its self-help agenda. We will continue to maintain our focus on Innovation, Growth and Efficiency and in 2022 expect to deliver $50m of new business opportunities, over 20 new products and progress towards $10m of additional efficiency savings by 2023.

For the rest of the year, we are confident that our self-help actions and a steady demand environment will deliver an improved financial performance, towards the top end of consensus expectations^, and a further reduction in leverage.

Notes:
Where we refer to adjusted performance measures (e.g. adjusted operating profit), see note 5.
* Adjusted for FX (where constant currency reflects prior year results translated at current year exchange rates). See Finance report for the constant currency impact at a business unit level.
** Excluding the impact of IFRS 16
*** New products defined as products launched within the last 5 years, patented and protected products (excluding Chromium)
† Naturally derived products defined in accordance with IS0 16128 standard and explicitly excludes ingredients derived from fossil fuels
± Source: IHS Automotive
^ Based on company compiled consensus, the Board believes current market forecast for 2022 adjusted operating profit to be in the range of $107m to $125m with an average of $115m.

Finance report

Revenue for the six months ended 30 June	Revenue 2021 $m	Effect of exchange rates $m	Increase 2022 $m	**Revenue 2022 $m**
Personal Care	88.8	(2.6)	19.4	**105.6**
Coatings	196.6	(5.4)	18.1	**209.3**
Talc	76.5	(6.9)	2.9	**72.5**
Chromium	90.2	—	0.7	**90.9**
Revenue	452.1	(14.9)	41.1	**478.3**

Adjusted operating profit for the six months ended 30 June	Adjusted operating profit 2021 $m	Effect of exchange rates $m	Increase/ (decrease) 2022 $m	**Adjusted operating profit 2022 $m**
Personal Care	19.2	(0.9)	7.6	**25.9**
Coatings	32.9	(1.0)	11.9	**43.8**
Talc	7.9	(0.6)	(4.6)	**2.7**
Chromium	4.6	—	(0.4)	**4.2**
Central costs	(10.3)	0.5	(1.2)	**(11.0)**
Adjusted operating profit	54.3	(2.0)	13.3	**65.6**

Operating profit for the six months ended 30 June	**2022 Operating profit/(loss) $m**	**Adjusting items $m**	**2022 Adjusted operating profit/(loss)* $m**	2021 Operating profit/(loss) $m	Adjusting items $m	2021 Adjusted operating profit/(loss)* $m
Personal Care	**21.7**	**4.2**	**25.9**	14.7	4.5	19.2
Coatings	**42.6**	**1.2**	**43.8**	30.1	2.8	32.9
Talc	**(23.3)**	**26.0**	**2.7**	4.9	3.0	7.9
Chromium	**2.1**	**2.1**	**4.2**	5.7	(1.1)	4.6
Central costs	**(11.0)**	—	**(11.0)**	(10.3)	—	(10.3)
Total operating profit	**32.1**	**33.5**	**65.6**	45.1	9.2	54.3

*See note 5

Group results

Group revenue for the first six months of 2022 was $478.3m, compared to $452.1m in the same period last year, an increase of $26.2m (5.8%). Excluding the impact of currency, Group revenue rose by 9.4%, driven by particularly strong performance in the Personal Care and Coatings as a result of new business wins, improved mix and successful pricing actions.

Group adjusted operating profit was $65.6m, compared to $54.3m in the same period last year, an increase of 20.8%, and 25.4% excluding currency movements representing an adjusted operating profit margin of 13.7% well up from the 2021 margin of 12.0%. Cost inflation was more than offset by sales price increases. Operating profit decreased from $45.1m in the prior year period to $32.1m with the strong operating performance being more than offset by the impact of the adjusting items, specifically the $23m impairment of the nickel bioleaching property, plant and equipment in the Talc business (see note 5).

Central costs

Central costs are costs that are not identifiable as expenses of a particular business and comprise the global corporate offices in the UK and US which include the Board of Directors, executive and senior management. The increase in central costs for the first half of 2022 was primarily due to underlying cost inflation.

Adjusting items

In addition to the statutory results, the Group uses alternative performance measures, such as adjusted operating profit and adjusted diluted earnings per share, to provide additional useful analysis of the performance of the business. The Board considers these non-GAAP measures as an alternative way to measure the Group's performance. Adjusting items in the 6 months ended June 2022 resulted in a charge of $25.8m before tax, an increase of $20.5m against the same period last year. The key categories of adjusting items are summarised below. For more information on adjusting items and the Group's policy for adjusting items, please see Note 5.

	2022 Six months ended 30 June $m	2021 Six months ended 30 June $m	2021 Year ended 31 December $m
Charge/(credit)			
Adjusting items:			
Business transformation	**3.1**	2.7	4.6
Environmental provisions	**(0.3)**	(1.5)	8.3
Impairment of property, plant and equipment	**23.0**	–	–
Amortisation of intangibles arising on acquisition	**7.7**	8.0	16.0
Impairment of goodwill	**–**	–	52.3
Sale of Montreal land	**–**	–	(1.0)
Total charge to operating profit	**33.5**	**9.2**	**80.2**
Sale of business	**–**	1.1	1.7
Mark to market of derivatives	**(7.7)**	(5.0)	(10.7)
Tax credit in relation to adjusting items	**(5.1)**	(0.6)	(11.3)
Total adjusting items	**20.7**	4.7	59.9

In the first half of 2022, $33.5m of charges to operating profit were classified as adjusting items. Of these items, $7.7m relates to the amortisation of intangibles arising on acquisitions. Business transformation costs of $3.1m represent costs relating to previously initiated programmes to optimise our supply chain and manufacturing footprint, and costs incurred in relation to the Chromium strategic review announced in April 2022. A credit of £0.3m to the environmental provision is comprised of a credit of $5.9m related to the impact of changes in discount rates and a charge of $5.6m related to changes in inflation assumptions. An impairment of $23.0m relates to a non-operational nickel bioleaching plant in Finland following management's decision not to operate the plant for operational, HSE and financial reasons.

The credit to finance income of $7.7m represents movements in mark to market valuation of financial instruments which are not in hedging relationships.

An explanation of other adjusting items relating to the previous period can be found within the Finance report of the 2021 Annual report and accounts.

Other expenses

Other expenses are administration costs incurred and paid by the Group's pension schemes, which relate primarily to former employees of legacy businesses, and were $0.7m in the period compared to $1.0m in the previous year.

Net finance costs

	30 June 2022 $m	30 June 2021 $m
Finance income	**0.1**	0.3
Finance cost of borrowings	**(10.6)**	(12.1)
	(10.5)	(11.8)
Net pension finance income/(expense)	**0.3**	(0.3)
Unwind of discount on provisions	**(0.6)**	(0.6)
Fair value movement on derivatives	**7.7**	5.0
Interest on lease liabilities	**(0.7)**	(0.8)
Net finance costs	**(3.8)**	(8.5)

Net finance costs for the first six months of the year of $3.8m were $4.7m lower than the same period last year. Within this total, net interest costs were $1.3m lower at $10.5m due to a reduced level of borrowings. Net pension finance costs were a $0.3m credit in 2022 compared with a $0.3m debit in 2021 due an increase in the discount rates. The unwind of discount on provisions and interest on lease liabilities in the period remained in line with the previous year. The fair value movement on derivatives which are not in hedging relationships is credited to finance income.

Tax

The Group reports an adjusted tax charge for the first half of 2022 of $11.9m (2021: $7.5m); giving rise to an adjusted effective tax rate of 22.3% (2021: 18.7%). The adjusted effective tax rate is higher than the prior year due to the loss of benefit from the Group's tax efficient financing structure, which was unwound during 2021.

Tax on adjusting items for the first half of 2022 amounts to a credit of $5.1m (2021: credit of $0.6m); resulting in a total statutory tax charge for the period of $6.8m (2021 charge of $6.9m) and a reported effective tax rate of 24.6% (2021: 19.9%).

For the full year 2022, we currently forecast an adjusted effective tax rate of around 23%.

Earnings per share

Statutory basic earnings per share was 3.6 cents for the period compared to basic earnings per share of 4.8 cents in the prior period.

Basic adjusted and diluted adjusted earnings per share for the first half of 2022, calculated on the adjusted earnings of $41.5m (2021: $32.3m), were both 7.1 cents compared to 5.6 cents and 5.5 cents respectively for the same period last year.

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

Adjusted cash flow

Cash flow is summarised below:

	30 June 2022 $m	30 June 2021 $m
Profit before interest, tax, depreciation and amortisation (Adjusted EBITDA)*	**90.2**	80.2
Change in working capital	**(48.8)**	(26.5)
Net capital expenditure	**(21.9)**	(24.2)
Other	**(0.5)**	0.6
Adjusted operating cash flow	**19.0**	30.1
Pension contribution net of current service cost	**0.4**	0.5
Net interest paid	**(9.2)**	(11.8)
Tax	**(11.1)**	(24.0)
Adjusting items	**(1.1)**	(5.5)
Payment of lease liabilities	**(3.8)**	(3.3)
Free cash flow	**(5.8)**	(14.0)
Acquisitions and disposals	**–**	1.9
Currency fluctuations	**13.4**	4.9
Decrease/(increase) in net debt	**7.6**	(7.2)
Net debt at start of period	**(401.0)**	(408.1)
Net debt as at end of period	**(393.4)**	(415.3)

* See alternative performance measures on page 32

Net debt as at 30 June 2022 of $393.4m is slightly down on the 2021 year end position of $401.0m, and down $21.9m compared with 30 June 2021. Adjusted operating cash flow in the period of $19.0m was lower than the $30.1m in the comparative 2021 period, with higher earnings partially offset by an increased working capital outflow as a result of revenue growth and as a response to supply chain challenges.

Net capital expenditure in the period was $21.9m, $2.3m lower than the previous year. Capital spending for the whole year is expected to be between $50-55m. Key areas of growth spend are the new plant in India, which is on course for full start up later this year, NiSAT capacity expansion in Livingston, UK and low temperature organic thixotrope

investment in Asia. In addition there has been spend in Chromium on the replacement of equipment and investment in ERP systems for the Talc business.

There were no pension payments to the UK pension scheme in the period (2021: nil). The most recent triennial review was completed in November 2021 and as a result of the surplus identified no top up contributions are required. The next review is due in September 2023.

Tax payments in the period of $11.1m were much lower than those in 2021 due to the one off $20m payment (at the exchange rate on the date of the transaction) in 2021 in respect of EU state aid which we expect to be repaid in due course.

Dividend payments were nil in the first six months of 2022 (2021: nil). Despite the improvement in operating results and the net debt position, there is still significant market uncertainty and the Board believe it appropriate to continue to reduce net debt. The Board will continue to monitor the situation and will review the dividend position in the second half of the year.

Overall the Group had a net debt position at 30 June 2022 of $393.4m, representing a net debt/EBITDA ratio of 2.4x on a pre-IFRS 16 basis (2.6x at December 2021). Further reduction in leverage is expected by the year end, driven by improved trailing months earnings and robust cash conversion. In the first half of 2022 the Group successfully completed the refinancing of its Term Loan facility. The new $300m Term Loan facility extends to June 2026 with a one year extension option.

Working capital

Working capital days	**30 June 2022**	30 June 2021	31 December 2021
Inventory	**121**	96	105
Debtors	**43**	44	42
Creditors	**73**	66	71
Average working capital to sales (%)	**21.7**	21.7	20.0

Total working capital for the Group of $202.2m was $38.2m higher than at 31 December 2021, driven by higher sales and higher inventory levels to secure adequate supplies of critical inventory. As a result, inventory days increased from 105 (December 2021) to 121 days. Debtor days and creditor days have remained reasonably stable.

Balance sheet

	30 June 2022 $m	30 June 2021 $m	31 December 2021 $m
Property, plant and equipment	**452.6**	506.5	499.7
Other net assets	**840.2**	832.6	802.3
Net debt	**(393.4)**	(415.3)	(401.0)
Equity	**899.4**	923.8	901.0

Property, plant and equipment decreased by $47.1m compared to the value at 31 December 2021, $23.0m as a result of the impairment of the nickel bioleaching equipment in the Talc business, $23.3m as a result of currency translation and depreciation of $24.4m for the 6 months running ahead of net capital expenditure of $21.9m. Other net assets increased by $37.9m primarily as a result of working capital increases.

Equity decreased by $1.6m compared to the value at 31 December 2021 as a result of the statutory profit in the period of $20.8m, actuarial gains on pensions of $9.8m offset by deferred tax on actuarial movements of $2.2m and a loss of $39.3m due to foreign exchange impact on other comprehensive income. The remainder of the movement relates primarily to share based payment provisions and movements in derivatives.

The main dollar currency exchange rates as at 30 June 2022 and average rates in the period were:

	2022 30 June	**2022 Average**	2021 30 June	2021 Average
Sterling	**0.82**	**0.77**	0.72	0.72
Euro	**0.96**	**0.91**	0.84	0.83

Pensions and post retirement plans

	UK $m	US $m	Other $m	**Total $m**
Movement in net deficit				
Net surplus/(deficit) in schemes at 1 January 2022	56.6	(8.3)	(9.0)	**39.3**
Current service cost	(0.3)	(0.4)	(0.2)	**(0.9)**
Contributions	–	0.2	0.3	**0.5**
Administration costs	(0.5)	(0.2)	–	**(0.7)**
Net interest expense	0.5	(0.1)	(0.1)	**0.3**
Actuarial gain	8.3	1.3	0.2	**9.8**
Currency translation difference	(6.1)	–	0.7	**(5.4)**
Net surplus/(deficit) in schemes at 30 June 2022	**58.5**	**(7.5)**	**(8.1)**	**42.9**

During the period the surplus, under IAS 19, on the Group's pension and post-retirement medical plans improved by $3.6m to a net surplus of $42.9m. During the first six months of 2022 the UK scheme had an annualised return on scheme assets of 35.8% (2021: (2.1%)), liabilities decreased by 23% (2021: decreased by 8%) and the net surplus increased by $1.9m. This movement was driven by actuarial changes due predominantly to an increase in the discount rate which more than offset a decrease in scheme assets over the period. Within the US schemes the net deficit decreased by $0.8m mainly due to an increase in the discount rate. Contributions in the period totalled $0.5m (2021: $0.6m), all to the US plans. There were no pension payments to the UK pension scheme in the period (2021: nil). The most recent triennial review was completed in November 2021 and as a result of the surplus identified no top up contributions are required. The next review is due in September 2023.

Related party transactions

There were no material related party transactions entered into during the first half of the year and there have been no material changes to the related party transactions disclosed in the Company's 2021 Annual report and accounts on page 181.

Conflict between Russia and Ukraine

The conflict between Russia and Ukraine has had a major impact on global economic and financial markets. Elementis has not been directly impacted to a material extent by the conflict and the resulting trade sanctions implemented against Russia and Belarus – Elementis has no operational assets or staff in Russia, Belarus or the Ukraine, no material individual customers in Russia or Belarus nor any single-point supply exposure.

Elementis did respond immediately to the sanctions introduced and ceased all supply of product to Russia and Belarus. An estimate of the impact of the revenues lost from this is c.$12 million on an annualised basis, impacting Personal Care, Coatings and Talc to similar degrees. There are no receivables of note due from any Russian or Belarus customers.

Elementis does not single source any product directly from Russia or Ukraine but the Group, like all other companies, has been impacted by the global supply challenges and the inflationary impact of the conflict. Energy and key raw material inputs have increased significantly in price during H1 and Elementis has responded to this with sales price increases and a hedging strategy for energy and key raw materials such as aluminum. In response to the Global supply chain challenges, Elementis has increased its strategic inventory levels to ensure continuity of production and supply to our customers.

Elementis will continue to monitor the impact of the conflict and respond appropriately to impacts on the business.

Cautionary statement

The Elementis plc interim results announcement for the half year ended 30 June 2022, which comprises the CEO's report, Finance report and the Directors' responsibility statement (which taken together constitute the Interim management report) and the interim financial statements and accompanying notes (incorporating a Condensed consolidated balance sheet at 30 June 2022, Condensed consolidated income statement, Condensed consolidated statement of comprehensive income, Condensed consolidated cash flow statement and Condensed consolidated statement of changes in equity, each for the six months ended 30 June 2022) (altogether 'Half yearly financial report'), contains information which viewers or readers might consider to be forward looking statements relating to or in respect of the financial condition, results, operations or businesses of Elementis plc. Any such statements involve risk and uncertainty because they relate to future events and circumstances. There are many factors that could cause actual results or developments to differ materially from those expressed or implied by any such forward looking statements. Nothing in this Half yearly financial report should be construed as a profit forecast.

Directors’ responsibility statement

A full list of the Directors can be found on the Elementis corporate website at: www.elementis.com.

The Directors confirm that to the best of their knowledge:

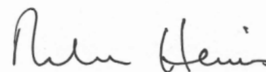
- The condensed set of financial statements set out in this Half-yearly financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the United Kingdom.
- The condensed set of consolidated financial statements, which has been prepared in accordance with the applicable set of accounting standards, gives a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer, or the undertakings included in the consolidation as a whole as required by DTR 4.2.4R; and
- The interim management report contained in this Half-yearly financial report includes a fair review of the information required by:

— DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of the important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year.

— DTR 4.2.8R of the Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in related party transactions described in the 2021 Annual report and accounts that could have a material effect on the financial position or performance of the entity during the first six months of the current financial year.

Approved by the Board on 2 August 2022 and signed on its behalf by:

Paul Waterman
CEO
2 August 2022



Ralph Hewins
CFO
2 August 2022

INDEPENDENT REVIEW REPORT TO ELEMENTIS PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2022 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated cashflow statement, the condensed consolidated statement of changes in equity, and related notes 1 to 16.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2022 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

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

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

Conclusion Relating to Going Concern

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

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

Responsibilities of the directors

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

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

Auditor's Responsibilities for the review of the financial information

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

Use of our report

This report is made solely to the company in accordance with International Standard on Review Engagements (UK) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Deloitte LLP
Statutory Auditor
London, United Kingdom
2 August 2022

Condensed consolidated income statement for the six months ended 30 June 2022

	Note	**2022 Six months ended 30 June $m (unaudited)**	2021 Six months ended 30 June $m (unaudited)	2021 Year ended 31 December $m (audited)
Revenue	4	**478.3**	452.1	880.1
Cost of sales		**(293.8)**	(283.8)	(545.2)
Gross profit		**184.5**	168.3	334.9
Distribution costs		**(76.8)**	(73.9)	(151.9)
Administrative expenses		**(75.6)**	(49.3)	(156.6)
Operating profit	4	**32.1**	45.1	26.4
Loss on disposal		**–**	(1.1)	(1.7)
Other expenses		**(0.7)**	(1.0)	(2.1)
Finance income	6	**7.8**	5.3	11.0
Finance costs	7	**(11.6)**	(13.8)	(27.8)
Profit before tax	4	**27.6**	34.5	5.8
Tax	8	**(6.8)**	(6.9)	(3.3)
Profit for the period		**20.8**	27.6	2.5
Attributable to:				
Equity holders of the parent		**20.8**	27.6	2.5
Earnings per share				
Basic earnings (cents)	9	**3.6**	4.8	0.4
Diluted earnings (cents)	9	**3.5**	4.7	0.4

Condensed consolidated statement of comprehensive income for the six months ended 30 June 2022

	2022 Six months ended 30 June $m (unaudited)	2021 Six months ended 30 June $m (unaudited)	2021 Year ended 31 December $m (audited)
Profit for the period	**20.8**	27.6	2.5
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of retirement benefit obligations	**9.8**	48.5	63.5
Deferred tax associated with retirement benefit obligations	**(2.2)**	(11.8)	(14.6)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	**0.3**	(16.7)	(29.1)
Effective portion of change in fair value of net investment hedge	**(38.6)**	12.3	10.7
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 losses on disposal	**–**	(0.4)	(0.4)
Effective portion of changes in fair value of cash flow hedges	**5.9**	1.5	(0.1)
Fair value of cash flow hedges transferred to income statement	**1.8**	(0.2)	2.7
Exchange differences on translation of share options reserves	**(1.0)**	0.1	–
Other comprehensive (loss)/income, net of tax	**(24.0)**	33.3	34.1
Total comprehensive (loss)/income for the period	**(3.2)**	60.9	36.6
Attributable to:			
Equity holders of the parent	**(3.2)**	60.9	36.6
Total comprehensive (loss)/income for the period	**(3.2)**	60.9	36.6

Condensed consolidated balance sheet at 30 June 2022

	2022 30 June $m (unaudited)	2021 30 June $m (unaudited)	2021 31 December $m (audited)
Non-current assets			
Goodwill and other intangible assets	**785.2**	882.9	815.7
Property, plant and equipment	**452.6**	506.5	499.7
Tax recoverable	**17.7**	20.1	19.7
Deferred tax assets	**28.0**	26.3	28.0
Net retirement benefit surplus	**58.5**	45.2	56.6
Derivative financial instruments	**4.0**	–	–
Total non-current assets	**1,346.0**	1,481.0	1,419.7
Current assets			
Inventories	**218.8**	160.9	186.1
Trade and other receivables	**152.0**	155.2	138.9
Derivative financial instruments	**7.0**	1.5	0.2
Current tax asset	**7.1**	7.2	7.1
Cash and cash equivalents	**76.7**	93.6	84.6
Total current assets	**461.6**	418.4	416.9
Total assets	**1,807.6**	1,899.4	1,836.6
Current liabilities			
Bank overdrafts and loans	**(5.3)**	–	–
Trade and other payables	**(168.6)**	(152.9)	(161.0)
Financial liabilities	**(0.8)**	(11.5)	(1.4)
Current tax liabilities	**(14.3)**	(27.1)	(17.4)
Lease liabilities	**(6.8)**	(7.3)	(6.4)
Provisions	**(7.9)**	(6.2)	(8.7)
Total current liabilities	**(203.7)**	(205.0)	(194.9)
Non-current liabilities			
Loans and borrowings	**(463.2)**	(505.2)	(482.5)
Retirement benefit obligations	**(15.7)**	(19.4)	(17.3)
Deferred tax liabilities	**(146.7)**	(151.1)	(150.0)
Lease liabilities	**(31.1)**	(34.2)	(33.8)
Provisions	**(47.8)**	(47.2)	(53.1)
Financial liabilities	**–**	(13.5)	(4.0)
Total non-current liabilities	**(704.5)**	(770.6)	(740.7)
Total liabilities	**(908.2)**	(975.6)	(935.6)
Net assets	**899.4**	923.8	901.0
Equity			
Share capital	**52.2**	52.2	52.2
Share premium	**243.0**	240.5	240.8
Other reserves	**58.5**	104.8	90.7
Retained earnings	**545.7**	526.3	517.3
Equity attributable to equity holders of the parent	**899.4**	923.8	901.0
Total equity and reserves	**899.4**	923.8	901.0

Condensed consolidated cash flow statement for the six months ended 30 June 2022

	2022 Six months ended 30 June $m (unaudited)	2021 Six months ended 30 June $m (unaudited)	2021 Year ended 31 December $m (audited)
Operating activities:			
Profit for the period	**20.8**	27.6	2.5
Adjustments for:			
Other expenses	**0.7**	1.0	2.1
Finance income	**(7.8)**	(0.3)	(11.0)
Finance costs	**11.6**	8.8	27.8
Tax charge	**6.8**	6.9	3.3
Depreciation and amortisation	**32.5**	33.9	68.3
(Decrease)/increase in provisions and financial liabilities	**(3.3)**	(6.1)	0.8
Pension payments net of current service cost	**0.4**	0.5	(0.1)
Share based payments expense	**2.1**	2.5	5.1
Impairment of goodwill	**–**	–	52.3
Loss on disposal of business	**–**	1.1	1.7
Impairment of property, plant and equipment	**23.0**	–	–
Operating cash flows before movements in working capital	**86.8**	75.9	152.8
Increase in inventories	**(40.3)**	3.0	(24.2)
Increase in trade and other receivables	**(19.3)**	(46.8)	(33.8)
Decrease in trade and other payables	**13.0**	17.3	26.3
Cash generated by operations	**40.2**	49.4	121.1
Income taxes paid	**(11.1)**	(24.0)	(30.9)
Interest paid	**(9.3)**	(12.1)	(23.5)
Net cash flow from operating activities	**19.8**	13.3	66.7
Investing activities:			
Interest received	**0.1**	0.3	0.3
Disposal of property, plant and equipment	**0.5**	–	0.7
Purchase of property, plant and equipment	**(22.3)**	(24.3)	(52.7)
Purchase of business	**–**	–	(0.2)
Disposal of business	**–**	1.9	0.5
Acquisition of intangible assets	**(0.1)**	(0.1)	(0.4)
Contingent consideration paid	**–**	–	(13.2)
Net cash flow from investing activities	**(21.8)**	(22.2)	(65.0)
Financing activities:			
Issue of shares by the Company and the ESOT net of issue costs	**–**	–	0.1
Net movement on existing debt	**0.6**	(3.7)	(18.7)
Payment of lease liabilities	**(3.8)**	(3.3)	(6.7)
Net cash used in financing activities	**(3.2)**	(7.0)	(25.3)
Net decrease in cash and cash equivalents	**(5.2)**	(15.9)	(23.6)
Cash and cash equivalents at beginning of period	**84.6**	111.0	111.0
Foreign exchange on cash and cash equivalents	**(2.7)**	(1.5)	(2.8)
Cash and cash equivalents at end of period	**76.7**	93.6	84.6

Condensed consolidated statement of changes in equity for the six months ended 30 June 2022

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

	Share capital $m	Share premium $m	Translation reserve $m	Hedging reserve $m	Other reserves $m	Retained earnings $m	Total equity $m
At 1 January 2021	52.1	237.7	(48.9)	(8.9)	166.4	462.0	860.4
Profit for the period	–	–	–	–	–	27.6	27.6
Other comprehensive income:							
Exchange differences	–	–	(4.4)	–	0.1	–	(4.3)
Recycling of foreign exchange gains on disposal	–	–	(0.4)	–	–	–	(0.4)
Movement in cash flow hedges	–	–	–	1.3	–	–	1.3
Remeasurement of retirement benefit obligations	–	–	–	–	–	48.5	48.5
Deferred tax adjustment on pension scheme deficit	–	–	–	–	–	(11.8)	(11.8)
Transactions with owners:							
Issue of shares by the Company	0.1	2.8	–	–	(2.9)	–	–
Share based payments	–	–	–	–	2.5	–	2.5
At 30 June 2021	**52.2**	**240.5**	**(53.7)**	**(7.6)**	**166.1**	**526.3**	**923.8**

Notes to the interim financial statements for the six months ended 30 June 2022

1. General Information

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

2. Accounting policies

Basis of preparation

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

As required by the Disclosure and Transparency Rules of the Financial Conduct Authority, the condensed set of financial statements has been prepared applying the same accounting policies and presentation that were applied in the preparation of the Company's published consolidated financial statements for the year ended 31 December 2021 except for the adoption of new standards effective as of 1 January 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments apply for the first time in 2022, but do not have an impact on the interim condensed consolidated financial statements of the Group. During the period, as discussed in note 5, an impairment of $23.0m was made within the Talc business relating to the nickel bioleaching plant in Finland. Other key judgements and sources of estimation uncertainty remain unchanged from those as set in the Annual Report and Accounts at 31 December 2021.

The information for the year ended 31 December 2021 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

3. Going concern

Given the continuing uncertainties resulting from the macro-economic environment in which the Group operates, the directors have placed a particular focus on the appropriateness of adopting the going concern basis in preparing the condensed consolidated financial statements for the six months ended 30 June 2022.

The Group's going concern assessment covers the period of at least 12 months from the date of authorisation of these consolidated half year financial statements (the "going concern period"), and takes into account its substantial liquidity, committed expenditure, likely ongoing levels of costs and the new banking facilities as disclosed in note 15.

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

Testing up to 30 June 2022 confirmed that the Group operated within these covenants and under the base case the Group is expected to remain within its financial covenants throughout the going concern period and the conditions necessary for the reverse stress scenario to be applicable were deemed remote.

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

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

4. Segment reporting

Personal Care – production of rheological modifiers and compounded products, including active ingredients for anti-perspirant deodorants, for supply to Personal Care manufacturers
Coatings – production of rheological modifiers and additives for decorative and industrial coatings
Talc – production and supply of talc for use in plastics, coatings, technical ceramics and paper sectors
Chromium – production of chromium chemicals

	2022 Six months ended 30 June	2021 Six months ended 30 June	2021 Year ended 31 December
Revenue			
Personal Care	**105.6**	88.8	174.7
Coatings	**209.3**	196.6	384.3
Talc	**72.5**	76.5	150.4
Chromium	**90.9**	90.2	170.7
Total revenue	**478.3**	452.1	880.1

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

Reported profit before tax for the six months ended 30 June 2022	**Personal Care $m**	**Coatings $m**	**Talc $m**	**Chromium $m**	**Segment totals $m**	**Central costs $m**	**Total $m**
Adjusted operating profit/(loss)	**25.9**	**43.8**	**2.7**	**4.2**	**76.6**	**(11.0)**	**65.6**
Adjusting Items							
Business transformation	**–**	**(0.6)**	**(0.2)**	**(2.3)**	**(3.1)**	**–**	**(3.1)**
Increase in environmental provisions due to a change in cost of remediation work identified	**–**	**–**	**–**	**(5.6)**	**(5.6)**	**–**	**(5.6)**
Decrease in environmental provisions due to change in discount rate	**–**	**–**	**–**	**5.9**	**5.9**	**–**	**5.9**
Impairment of goodwill	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Write-off of plant and equipment	**–**	**–**	**(23.0)**	**–**	**(23.0)**	**–**	**(23.0)**
Amortisation of intangibles arising on acquisition	**(4.2)**	**(0.6)**	**(2.8)**	**(0.1)**	**(7.7)**	**–**	**(7.7)**
Reported operating profit	**21.7**	**42.6**	**(23.3)**	**2.1**	**43.1**	**(11.0)**	**32.1**
Other expenses	**–**	**–**	**–**	**–**	**–**	**(0.7)**	**(0.7)**
Finance income	**–**	**–**	**–**	**–**	**–**	**7.8**	**7.8**
Finance costs[1]	**–**	**–**	**–**	**–**	**–**	**(11.6)**	**(11.6)**
Reported profit /(loss) before income tax	**21.7**	**42.6**	**(23.3)**	**2.1**	**43.1**	**(15.5)**	**27.6**

[1]Finance income of $7.8m includes the mark to market on derivatives of $7.7m.

Adjusted profit before tax for the six months ended 30 June 2021	Personal Care $m	Coatings $m	Talc $m	Chromium $m	Segment totals $m	Central costs $m	Total $m
Adjusted operating profit/(loss)	19.2	32.9	7.9	4.6	64.6	(10.3)	54.3
Adjusting Items							
Business transformation	(0.1)	(2.3)	–	(0.3)	(2.7)	–	2.7
Increase in environmental provisions due to additional remediation work identified	–	–	–	(0.5)	(0.5)	–	0.5
Increase in environmental provisions due to change in discount rate	–	–	–	2.0	2.0	–	(2.0)
Amortisation of intangibles arising on acquisition	(4.4)	(0.5)	(3.0)	(0.1)	(8.0)	–	8.0
Reported operating profit /(loss)	14.7	30.1	4.9	5.7	55.4	(10.3)	45.1
Loss on disposal	–	–	–	–	–	(1.1)	(1.1)
Other expenses	–	–	–	–	–	(1.0)	(1.0)
Finance income[1]	–	–	–	–	–	5.3	5.3
Finance costs	–	–	–	–	–	(13.8)	(13.8)
Reported profit /(loss) before income tax	14.7	30.1	4.9	5.7	55.4	(20.9)	34.5

[1] Adjusted finance income of $5.3m includes the mark to market on derivatives of $5.0m.

5. Adjusting items and alternative performance measures

In addition to the statutory results, the Group uses alternative performance measures, such as adjusted operating profit and adjusted diluted earnings per share, to provide additional useful analysis of the performance of the business. The Board considers these non-GAAP measures as an alternative way to measure the Group's performance. Adjusting items in the 6 months ended June 2022 resulted in a charge of $25.8m before tax, an increase of $20.5m against the same period from last year. The key categories of adjusting items are summarised below.

	2022 Six months ended 30 June $m	2021 Six months ended 30 June $m	2021 Year ended 31 December $m
Operating profit	**32.1**	45.1	26.4
Adjusting items:			
Business transformation	**3.1**	2.7	4.6
Environmental provisions			
Increase in provisions due to change in cost of remediation work identified	**5.6**	0.5	9.6
Decrease in provisions due to change in discount rate	**(5.9)**	(2.0)	(1.3)
Impairment of property, plant and equipment	**23.0**	–	–
Sale of Montreal land	**–**	–	(1.0)
Impairment of goodwill	**–**	–	52.3
Amortisation of acquired intangibles	**7.7**	8.0	16.0
Net adjusting items	**33.5**	9.2	80.2
Adjusted operating profit	**65.6**	54.3	106.6
Adjusting items:			
Sale of business	**-**	1.1	1.7
Mark to market of derivative financial instruments	**(7.7)**	(5.0)	(10.7)
Net adjusting items on profit before tax	**25.8**	5.3	71.2

	2022 Six months ended 30 June $m	2021 Six months ended 30 June $m	2021 Year ended 31 December $m
Adjusted operating profit			
Personal Care	**25.9**	19.2	36.7
Coatings	**43.8**	32.9	61.8
Talc	**2.7**	7.9	14.0
Chromium	**4.2**	4.6	14.1
Central costs	**(11.0)**	(10.3)	(20.0)
Adjusted operating profit	**65.6**	54.3	106.6
Other expenses	**(0.7)**	(1.0)	(2.1)
Finance income[1]	**0.1**	0.3	0.3
Finance costs	**(11.6)**	(13.7)	(27.9)
Adjusted profit before tax	**53.4**	39.9	76.9

[1]Adjusted finance income of $0.1m excludes the mark to market on derivatives of $7.7m.

Adjusting items in the period fall into the following categories:

Business transformation
As announced in April 2022, the Group has initiated a strategic review of its Chromium business. The review will establish whether the full potential of Chromium can best be delivered as part of Elementis, or via a full or partial divestment. Costs of $2.3m have been incurred in the 6 months to 30 June 2022 in respect of this review. In addition to this, costs of $0.8m have been incurred in other businesses relating to optimisation of the supply chain.

Environmental provision
The Group's environmental provision is calculated on a discounted cash flow basis, reflecting the time period over which spending is estimated to take place. The net movement on the provision for the period to 30 June 2022 is $0.3m. This is comprised of an income statement credit of $5.9m due to a change in discount rates and an income statement charge of $5.6m due to the impact of inflation assumptions. As the provision relates to non-operational facilities these movements are classified as adjusting items.

Impairment of property, plant and equipment
In the first half of 2022 the Group recognised a non-cash $23.0m impairment in respect of non-operational nickel bioleaching property, plant and equipment in the Talc business. Elementis determined that the operational, HSE and financial commitments required were not the best use of the Group's resources.

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.

Impairment of goodwill
In 2021 in Talc, while the business fundamentals were unchanged, the significant impact of COVID-19 on wider industrial activity and global supply chain issues, especially affecting the automotive sector, and the near term forecast profitability of the business, resulted in a goodwill impairment of $53.1m. This impairment was reflected as a P&L charge of $52.3m and a $0.8m movement in exchange differences on translation of foreign operations in other comprehensive income.

Amortisation of intangibles arising on acquisition
Amortisation of $7.7m represents the charge in respect of the Group's acquired intangible assets. As in previous periods, these are included in adjusting items as they are a non-cash charge arising from historical investment activities.

An explanation of other adjusting items relating to the full year 2021 can be found within the 2021 Annual Report and Accounts.

6. Finance income

	2022 Six months ended 30 June $m	2021 Six months ended 30 June $m	2021 Year ended 31 December $m
Interest on bank deposits	**0.1**	0.3	0.3
Fair value movement on derivatives	**7.7**	5.0	10.7
	7.8	5.3	11.0

7. Finance costs

	2022 Six months ended 30 June $m	2021 Six months ended 30 June $m	2021 Year ended 31 December $m
Interest on bank loans	**10.6**	12.1	23.3
Unwind of discount on provisions	**0.6**	0.6	2.6
Pension and other post-retirement liabilities	**(0.3)**	0.3	0.3
Interest on lease liabilities	**0.7**	0.8	1.6
	11.6	13.8	27.8

8. Tax

The charge for tax on profits of $6.8m or 24.6% (2021: charge of $6.9m, or 19.9%) is based on the probable tax charge in those jurisdictions where profits arise. Within this figure is a tax credit of $5.1m (2021: $0.6m) in respect of adjusting items.

9. Earnings per share

	2022 Six months ended 30 June $m	2021 Six months ended 30 June $m	2021 Year ended 31 December $m
Earnings for the purposes of basic earnings per share	**20.8**	27.6	2.5
Adjusting items net of tax	**20.7**	4.7	59.9
Adjusted earnings	**41.5**	32.3	62.4

	Number(m)	Number(m)	Number(m)
Weighted average number of shares for the purposes of basic earnings per share	**582.1**	580.6	581.0
Effect of dilutive share options	**5.3**	8.7	7.8
Weighted average number of shares for the purposes of diluted earnings per share	**587.4**	589.3	588.8

	2022 Six months ended 30 June cents	2021 Six months ended 30 June cents	2021 Year ended 31 December cents
Earnings per share:			
Basic	**3.6**	4.8	0.4
Diluted	**3.5**	4.7	0.4
Adjusted earnings per share:			
Basic	**7.1**	5.6	10.7
Diluted	**7.1**	5.5	10.6

10. Dividends

The following dividends were declared and paid by the Group:

	2022 Six months ended 30 June $m	2021 Six months ended 30 June $m	2021 Year ended 31 December $m
Dividends paid on ordinary shares	**–**	–	–

11. Pension

Valuations for IAS 19 purposes were conducted as of 30 June 2022. At this date the Group is reporting a surplus on its UK scheme of $58.5m (30 June 2021: surplus of $45.2m) and a deficit on all other schemes of $15.6m (30 June 2021: deficit of $19.4m). Additional commentary is included in the Finance Report.

12. Movement in net borrowings

	2022 Six months ended 30 June $m	2021 Six months ended 30 June $m	2021 Year ended 31 December $m
Change in net borrowings resulting from cash flows:			
Decrease in cash and cash equivalents	**(5.2)**	(15.9)	(23.6)
Increase in bank overdrafts and loans	**(5.6)**	–	–
Decrease in borrowings	**5.0**	3.7	18.7
	(5.8)	(12.2)	(4.9)
Currency translation differences	**13.4**	5.0	12.0
(Decrease)/increase in net debt	**(7.6)**	(7.2)	7.1
Net debt at beginning of period	**(401.0)**	(408.1)	(408.1)
Net debt at end of period	**(393.4)**	(415.3)	(401.0)

13. Financial risk management

The Group has exposure to the following financial risks:

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

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group's Audit Committee, assisted by Internal Audit, oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. These interim financial statements do not include all the financial risk management information and disclosures that are required in the Annual report and accounts and should be read in conjunction with the financial statements for the year ended 31 December 2021. The Group's risk management policies have not changed since the year end.

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

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly or indirectly.

Level 3: Valuation techniques using significant unobservable inputs.

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

14. Contingent liabilities

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

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

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

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

The UK Government’s appeal against the European Commission’s decision was heard by the General Court of the European Union during October 2021 and on 8 June 2022 the General Court of the European Union ruled against the UK Government. The UK Government has communicated that it is preparing a further appeal to the European Court of Justice. As Elementis continues to consider that the appeal process will ultimately be successful at 30 June 2022 an asset of $17.7m has been recorded within non current assets on the expectation that the charge will be repaid in due course.

As part of an agreement entered into in 2002 on the acquisition of the Chromium operations at Castle Hayne, the Group would be liable for part of the cost of the closure of a quarry which is currently used for the deposit of solid, non-toxic, waste materials from its manufacturing operations in the event of such a closure. There are a number of potential options available to management to either extend the current life of the quarry or to effect closure of the quarry. Management have engaged third party engineers to explore, evaluate and quantify the options available for the future use and/or closure of the quarry and expect this work to conclude during Q3 2022. Management’s assessment is that at this stage whilst there is a present obligation, there is not a probable outflow of resources associated with the closure of the quarry and even in the event of a probable outflow it is not possible at this stage to determine a reliable estimate.

15. Events after balance sheet date

The Group successfully refinanced its term loans effective 1 July 2022. The Group took the opportunity to reduce the overall term loan commitment from ~$400m to ~$300m, split between USD and Euro tranches. The new term loans have a maturity of June 2026 with the option of a one year extension. The terms of the existing $375m revolving credit facility are unchanged with maturities in September 2024 ($72m) and September 2025 ($303m).

16. Related party transactions

Management have performed a review for any related party transactions and have concluded that position remains unchanged from the year ended 31 December 2021 and is consistent with the information disclosed on page 181 of the Company’s 2021 Annual report and accounts.

Principal risks and uncertainties

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

The principal risks and uncertainties facing the Group have not substantively changed from those set out in the Annual Report and Accounts for the 12 months ended 31 December 2021 (pages 68 to 72), however some of the principal risks and uncertainties identified are trending upwards and further details on these are provided below.

More generally, with respect to COVID-19, whilst there remains some ongoing impact on the Group in terms of staff absences, as people continue to contract the disease and behave responsibly, most of the Group's businesses are now operating largely unimpeded.

Global economic conditions and competitive market pressures

The global economy continues to experience significant inflation, driven principally by a shortage of supply from the restart of the global economy post COVID-19 and the ramifications of the conflict between Russia and Ukraine. The inflationary environment has had a significant impact on the price of key raw materials, logistics and energy. There is a risk that the continuing inflationary pressures, combined with the response of central banks to raise interest rates, could lead to a slowdown in the global economy or even a global recession. These dynamics could lead to increased competitive pressures in the marketplace, resulting in a loss of market share and / or reduced margins.
In response, the Group continues to focus on developing high quality businesses that have enduring competitive advantages in structural growth markets, serving a customer base that provides the widest spread of geographical and end market applications as possible. The rising cost of key raw materials, logistics and energy are being closely monitored and the Group continues to implement price increases where necessary in order to protect margins. In addition, where appropriate, forward contracts are in place to provide future certainty. The impact of interest rate rises on the Group's interest expense is mitigated by the hedging arrangements in place.

Business interruption as a result of supply chain failure of key raw materials

The restart of the global economy post-COVID 19, combined with the recent lockdowns in China and the impact of the conflict between Russia and Ukraine, has created significant global supply chain challenges with respect to the reliability and availability of raw materials. The Group is dependent on numerous raw materials from various sources and has therefore faced, and continues to face, challenges in securing supplies on a timely basis. In response the Group has continued to work at pace to identify and qualify new and alternative sources of supply. The Group also continues to recalibrate inventory levels to ensure that they are appropriate for current supplier lead times.

IT networks, data security and privacy

Consistent with wider developments, the Group is increasingly relying on IT systems for its relationships with customers and suppliers, controls, reporting and internal communications. Any significant disruption could cause delays to key operations and an inability to meet customers' requirements, resulting adverse financial consequences. Ensuring compliance with data protection legislation is also critical, as failure to do so would expose the Group to financial and reputational costs. Since the outbreak of the conflict between Russia and Ukraine there have been an increased level of cyber attacks globally and such events pose a significant risk to the Group.

In response the Group continues to focus on and invest in IT security controls, as well as ensuring that there are robust emergency response and business continuity plans in place. Data management is supported by a focus on processes and controls and the implementation of a privacy and data protection management platform.

In summary, the Group continues to maintain appropriate mitigation strategies to minimise any potential business disruption and will continue to carry out regular and robust assessment and management of the Group's risks.

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 on pages 9 to 13.

	2022 Six months ended 30 June $m	2021 Six months ended 30 June $m	2021 Year ended 31 December $m
Profit for the period	**20.8**	27.6	2.5
Adjustments for:			
Finance income after adjusting items	**(0.1)**	(0.3)	(11.0)
Finance costs and other expenses after adjusting items	**12.3**	9.8	29.9
Tax charge	**6.8**	6.9	3.3
Depreciation and amortisation	**32.5**	33.9	68.3
Excluding intangibles arising on acquisition	**(7.7)**	(8.0)	(16.0)
Adjusting items impacting operating profit	**25.6**	10.3	81.5
Adjusted EBITDA	**90.2**	80.2	158.5

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

Adjusted operating cash flow

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

	2022 Six months ended 30 June $m	2021 Six months ended 30 June $m	2021 Year ended 31 December $m
Net Cash flow from operating activities	**19.8**	13.3	66.7
Less:			
Net capital expenditure	**(21.9)**	(24.2)	(52.4)
Add:			
Income tax paid or received	**11.1**	24.0	30.9
Interest paid or received	**9.2**	11.8	23.5
Pension contributions net of current service cost	**(0.4)**	(0.5)	0.1
Adjusting items – non cash	**0.1**	0.2	(13.2)
Adjusting items – cash	**1.1**	5.5	20.4
Adjusted operating cash flow	**19.0**	30.1	76.0

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.

	2022 Six months ended 30 June $m	2021 Six months ended 30 June $m	2021 Year ended 31 December $m
Operating profit after adjusting items	**65.6**	54.3	106.6
Operating cash flow	**19.0**	30.1	76.0
Add/(deduct):			
Provisions and share based pay	**0.5**	(0.6)	(1.9)
	19.5	29.5	74.1
Adjusted operating cash flow conversion	**30%**	54%	70%

Average trade working capital to sales ratio

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

Adjusted operating profit/operating margin

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

	$m
EBITDA for the last twelve months to 30 June 2022	168.5
IFRS 16 adjustment	(6.6)
Adjusted EBITDA pre IFRS 16	161.9
Net Debt	393.4
Net Debt / EBITDA*	2.43

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

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