

## ELEMENTIS PLC PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

### Improved financial performance driven by sales growth and disciplined margin management

- Revenue from continuing operations up 4% (+10% underlying<sup>1</sup>) from \$709m to \$736m driven by strong new business momentum, targeted pricing actions and improved product mix.
- Adjusted<sup>2</sup> operating profit from continuing operations up 14% (23% underlying<sup>1</sup>) to \$101m, with strong performances in both our Coatings and Personal Care businesses and significantly weaker demand impacting Talc profitability.
- Statutory loss for the year of \$51m, including a \$103m non-cash goodwill impairment charge in the Talc business linked to macro related discount rate increases and demand conditions.
- Net debt<sup>3</sup> of \$367m, down by \$34m from prior year (\$401m). Net debt<sup>3</sup> to EBITDA<sup>4</sup> down from 2.6x to 2.2x as at the year end and leverage now stands at 1.9x pro forma<sup>5</sup> post the disposal of Chromium.

### Significant strategic progress; Chromium disposal, new business wins and the formation of Performance Specialties

- Successful sale of Chromium business for an enterprise value of \$170m post year end and completed 31 January 2023; proceeds of \$119m<sup>6</sup> to reduce the Group's net debt.
- Delivered record \$59m revenues from new business opportunities with 18 new product launches. New products<sup>7</sup> 13% of sales and we are on track towards target of 17% of sales by 2025.
- Transformed business focused on specialty chemicals with leading positions in attractive markets:
  - Substantially enhances margin and growth characteristics
  - Improves earnings resilience
  - Transforms sustainability profile
- Talc combined with Coatings business, effective from January 2023, to create new Performance Specialties business. Combination will create greater market focus, enhanced growth opportunities and reduced costs.

### 2023 Outlook – further deleveraging – continued financial progress

- An encouraging start to 2023, well positioned to make continued financial progress.
- Phasing of customer demand anticipated to be stronger in the second half of the year.
- Strong pipeline of new business and efficiency opportunities.
- Given stronger balance sheet and expected good cash generation, we will look to reinstate the payment of ordinary dividends to shareholders later in 2023.
- We remain confident of the delivery of our medium term target of 17% operating margin.

### Financial Summary

\$m	Continuing operations			Total operations		
	2022	2021	% Change	2022	2021	% Change
Revenue	736	709	+4%	921	880	+5%
Adjusted <sup>2</sup> operating profit	101	88	+14%	124	107	+16%
Adjusted <sup>2</sup> diluted earnings/ per share (cents)	10.9	8.3	+31%	13.9	10.6	+31%
Net debt <sup>3*</sup>	367	401	-9%	367	401	-9%
<b>Statutory results</b>						
Statutory/(loss)/profit	(63)	(8)		(51)	3	
Statutory basic (loss) earnings per share	(10.7)	(1.4)		(8.8)	0.4	

\* – Net debt<sup>3</sup> to EBITDA<sup>4</sup> from total operations was 2.2x in 2022 versus 2.6x in 2021

**Commenting on the results, Paul Waterman, CEO, said:**

*"In 2022 we made significant progress towards our strategic and financial goals. The sale of our Chromium business enhances portfolio quality – reducing the volatility of our earnings, improving margins, and transforming the sustainability profile of our business.*

*Despite a volatile macroeconomic environment with significant cost inflation and supply chain challenges, Elementis delivered resilient revenue growth and higher adjusted<sup>2</sup> operating margins. This was driven by the implementation of our Innovation, Growth and Efficiency strategy across our portfolio of advantaged, high-value specialty products, delivering new product launches, new business wins, and our continued focus on improving operational efficiency.*

*Our more market focused operating structure simplifies Elementis. We have two divisions, Personal Care and Performance Specialties, both with attractive growth opportunities and margin profiles.*

*Trading conditions remain subdued in many of our markets, and we therefore anticipate that demand phasing will be stronger in the second half of the year. Energy prices are also moderating from the peaks of last year. We have a strong pipeline of sales opportunities and are applying our Innovation, Growth and Efficiency strategy to drive further improvement. Despite the continued uncertainty in global demand, we remain confident that Elementis is well placed for future growth and margin improvement."*

**Further information**

A presentation for investors and analysts will be held at 09.00 am GMT on 7 March 2023. The presentation will be webcast on [www.elementis.com](http://www.elementis.com), followed by live question session. Conference call dial in details:

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**Notes:**

<sup>1</sup> – Underlying figures exclude currency effects and M&A

<sup>2</sup> – Adjusted figures exclude the adjusting items set out in note 5

<sup>3</sup> – Pre IFRS 16 basis, refer to unaudited information on page 34 for further information

<sup>4</sup> – Earnings before interest, tax, depreciation and amortization, refer to unaudited information on page 34 for further information

<sup>5</sup> – Reflecting the sale of the Chromium business and assumed elimination of \$7m stranded costs in 2023/24

<sup>6</sup> – After transaction costs and working capital adjustments

<sup>7</sup> – Products launched within the last 5 years, patented and protected products (excluding Chromium)

**– ENDS –**

## BUSINESS PERFORMANCE OVERVIEW

### Revenue

	Revenue 2021 \$m	Effect of exchange rates \$m	Increase 2022 \$m	Revenue 2022 \$m
Personal Care	174.7	(7.4)	44.2	211.5
Coatings	384.3	(14.9)	19.7	389.1
Talc	150.4	(16.9)	2.3	135.8
Inter-segment	-	-	-	-
Revenue from continuing operations	709.4	(39.2)	66.2	736.4
Revenue from discontinued operations	170.7	-	14.3	185.0
Revenue from total operations	880.1	(39.2)	80.5	921.4

### Adjusted operating profit

	Operating profit/(loss) 2021* \$m	Effect of exchange rates \$m	Increase/ (decrease) 2022 \$m	Operating profit/(loss) 2022* \$m
Personal Care	36.7	(2.6)	18.7	52.8
Coatings	61.8	(3.1)	14.6	73.3
Talc	14.0	(1.7)	(12.7)	(0.4)
Central costs	(24.5)	1.0	(1.7)	(25.2)
Adjusted operating profit from continuing operations	88.0	(6.4)	18.9	100.5
Adjusting operating profit from discontinued operations	18.6	-	4.6	23.2
Adjusted operating profit from total operations	106.6	(6.4)	23.5	123.7

\*After adjusting items - see Note 5

Elementis delivered a good financial performance despite challenging markets, with reported revenue from continuing operations growing 4% to \$736m (10% on an underlying<sup>1</sup> basis). Adjusted<sup>2</sup> operating profit increased 14% (23% underlying) from \$88m to \$101m. Adjusted<sup>2</sup> operating margin on continuing operations improved to 13.6% from 12.4% in the prior year. Over 80% of the sales of Elementis are accounted for by the Personal Care and Coatings businesses which generated adjusted<sup>2</sup> operating margins of 25.0% and 18.8% respectively.

Including discontinued operations, Group revenue grew 5% (10% underlying<sup>1</sup>) to \$921m from \$880m in 2021, and adjusted<sup>2</sup> operating profit increased 16% to \$124m compared with \$107m in the prior year.

In 2022 we made significant progress towards our strategic and financial goals. The sale of the Chromium business and the creation of our Performance Specialties business streamlines our operating structure and focuses the Group on higher value added products in attractive growth markets. We are confident that continued application of our Innovation, Growth and Efficiency strategy will enable us to make further progress in 2023.

### Personal Care

Revenue in our Personal Care business increased 21% on a reported basis (26% on an underlying<sup>1</sup> basis), from \$175m to \$212m. Adjusted<sup>2</sup> operating profit increased 44% on a reported basis (55%

underlying<sup>1</sup>) from \$37m to \$53m. The strong business performance resulted in a record adjusted<sup>2</sup> operating profit and an adjusted<sup>2</sup> operating margin of 25.0% vs 21.0% in 2021.

Both our Cosmetics and AP Actives businesses delivered record sales as consumers in many of our end markets enjoyed a return to life without Covid restrictions. Volume growth was particularly strong in Europe, as demand recovered to pre-Covid levels, and AP Actives volumes in the Americas also experienced exceptional growth. Pricing actions and a higher value product mix more than offset higher costs, in particular for raw materials, as well as manufacturing costs.

We have introduced 25 new products since 2020, with sales from new and innovation products growing 47% since 2019. Skincare, AP Actives and Colour Cosmetics all represent future growth opportunities with a \$50m pipeline of new business opportunities established. Our plant in Taloja, which completed customer certifications at the end of 2022, will further strengthen our competitive position and lower production and distribution costs.

## Coatings

Revenue in our Coating and Energy business increased 1% on a reported basis (5% on an underlying<sup>1</sup> basis), from \$384m to \$389m. Adjusted<sup>2</sup> operating profit increased 19% on a reported basis (25% underlying<sup>1</sup>) from \$62m to \$73m. Our focus on higher value ingredients and a better product mix, combined with price/cost initiatives, resulted in a record adjusted<sup>2</sup> operating margin of 18.8% vs 16.1% in 2021.

There were significant differences in performance between our regions and end-markets. Coatings revenue, particularly in the premium decorative market in the Americas, reported robust growth, reflecting healthy construction and housing market activity and new business wins. By contrast, European revenues were impacted by the war in Ukraine and inflationary pressures depressing customer demand in both the decorative and industrial coatings markets. In Asia, more than 80% of our business is industrial coatings. The industrial market in China, our biggest Asian market, was weak throughout the year, due to the impact of continued Covid restrictions, which had a material impact on our performance. Energy, comprising less than 10% of division revenues, benefited from increased levels of drilling activity in the oil and gas sector.

Revenues from new and innovation products generated over \$33m in sales, with nine new products launched over the year, building on our market strengths in premium decorative coatings and waterborne coatings for industrial applications, both growing markets.

## Talc

Revenue in our Talc business fell 10% on a reported basis (growth of 2% on an underlying<sup>1</sup> basis), from \$150m to \$136m. The business reported a small adjusted<sup>2</sup> operating loss of \$0.4m versus a reported operating profit of \$14m in the prior year. As Talc is primarily a European-based business, it was severely impacted by the Russia/Ukraine war, the resulting loss of our Eastern European markets and depressed customer demand in our key markets. In addition, the Ukraine conflict triggered substantial energy price inflation, increasing our costs in what is an energy intensive process. The resulting combination of weak demand and rapidly rising costs impacted performance. These factors, as well as discount rate increases, led to an impairment of the business's value of \$103m.

Over the year we implemented both cost control measures and a series of substantial pricing actions. With actions we have taken, combined with energy prices moderating and demand conditions modestly improving, we are confident of a material recovery in our Talc business in 2023.

At the end of the 2022, we took further strategic action to streamline our business, with a focus on common end markets. As Talc and Coatings share many distribution channels and end markets, we have combined these two businesses into one operating division, Performance Specialties. This will enable a stronger end market focus on attractive growth opportunities. We will continue to report Talc performance for transparency.

We remain confident of the growth potential of the Talc business. Talc is well positioned to benefit from several fundamental growth drivers, such as vehicle light-weighting, and barrier coatings in recyclable

food packaging. These are markets with major growth potential, where the ability of talc to add strength to plastics and ceramics, without adding unnecessary weight, can create attractive sustainable solutions in these industries.

## Chromium

Revenue in our Chromium business increased 8% on a reported and underlying<sup>1</sup> basis, from \$171m to \$185m. Adjusted<sup>2</sup> operating profit increased 25% on a reported and underlying basis, from \$19m to \$23m, resulting in an operating margin of 12.5% vs 10.9% in 2021 excluding stranded costs in 2022 of \$7m which reverted to Group. Market demand overall was stronger in 2022, in particular in the first half, as industrial activity increased across a range of our North American end markets, such as automotive and leather tanning. At the end of the year we announced that we had agreed to sell the Chromium business for an enterprise value of \$170m. This followed our strategic review of Chromium, announced in April 2022, which concluded that the interests of all stakeholders would now be best served by a sale of the business.

## STRATEGY REVIEW

The Group has a clear and consistent strategy, built around the three pillars of **Innovation, Growth and Efficiency**. Effective execution of this strategy delivered the strong performance we saw in 2022, and the Group remains on course to achieve the medium-term financial targets of 17% adjusted<sup>2</sup> operating profit margin, 90% cash conversion and net debt/ EBITDA of under 1.5x.

In line with this strategy, in 2022 our Personal Care, Coatings and Talc businesses continued to develop and launch new, distinctive, high-value products, and to identify and convert attractive new business opportunities. Our focus on continuous operational improvement delivered sustainable cost savings during the year, helping to offset the cost inflation that all our businesses faced.

Chromium is an attractive business with a strong market position, but the business no longer sat strategically within our Group structure. The Board therefore concluded that the Chromium business should be divested, and we announced in November 2022 that agreement had been reached to sell the business to the Yildirim Group for an enterprise value of \$170m. The transaction completed in January 2023, resulting in total cash proceeds of \$119m after the transfer to the buyer of all material liabilities and after transaction costs. The proceeds of the Chromium business divestiture will significantly reduce the Group's net debt and will enable Elementis to deliver higher margins with lower cyclicalities.

Following the divestment of the Chromium business, Elementis is a more focused specialty chemicals business. To capitalise on this streamlined structure, we are combining our Coating and Talc businesses under one management team. These businesses share common customers, distributors and end markets, and these synergies will benefit both businesses.

Our continuing portfolio of businesses have a compelling purpose and strategic rationale. Elementis is a specialty chemicals company, focused on adding value by making our customers' formulations look, feel and perform better. This focus on advantaged, high value products will enable us to deliver higher quality earnings and margins, with lower volatility, and generate significant shareholder value. We continue to make progress towards our medium term goal of 17% operating margin and expect to accelerate our progress through our product growth platforms. As a naturally cash generative business, combined with the sale of our Chromium business, we continue to make progress towards our medium term leverage goal of 1.5x EBITDA.

## Innovation, Growth and Efficiency

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

We are targeting a wide range of attractive growth opportunities in both Personal Care and our new Performance Specialties business, applying our unique chemistry to develop sustainable solutions for customers in markets where demand is growing.

New products and new business will drive continuing growth. We see long-term sustainable growth across all of our personal care and coatings markets, with attractive incremental revenue opportunities.

Our target over the medium term is to launch 15-20 new products annually and to generate 17% of total sales from new products. In Personal Care we will continue to target the skin care market and colour cosmetics markets in Asia, where we remain under-represented, as well as further grow our position in AP Actives. In Performance Specialties we will maintain our investment in our growth platforms: premium decorative paints, waterborne industrial coatings, and adhesives and sealants, seeking to leverage our advantaged products and access to unique materials. We will also focus on the growth opportunity for talc in the automotive sector especially, as the trend towards lighter weight vehicles sees metal components continuing to be replaced by strong, durable plastic equivalents. We also have good market positions in added value products in long life plastics for household and automotive, technical ceramics and barrier coatings which are attractive niche sectors in this industry.

In 2022 Elementis was faced with exceptional conditions in needing to recover soaring input costs. Not only did we see severe inflation in our raw material costs, but we were also impacted by greatly increased costs impacts in logistics and energy costs. Energy costs in Europe significantly increased in response to the Russia/Ukraine conflict.

Our proactive response to severe inflation has involved disciplined action on pricing, but also steps to improve our efficiency. In response to raw material inflation and disruption, we found alternative suppliers, rapidly qualifying more than ten suppliers in the first half of the year alone. In seeking to manage energy costs, we benefited from hedging strategies, although these could not fully mitigate the impacts of such rapidly rising market prices.

Another key efficiency response, which will be seen over the course of 2023/24 is the continued ramp up of our anti-perspirant actives plant in India, which will be a significant enabler of an additional \$10m of savings by 2023. Alongside the production ramp up, we have completed customer qualification. The cost advantaged and resilient global supply position that this new plant gives us will enable us to access future savings.

A key enabler of our efficiency and simplification drive is our digital implementation programme. In 2022 we laid the foundation for the completion of a multi-year programme to consolidate all our ERPs onto one platform. This is set to be complete in 2023 and will provide both efficiency and effectiveness benefits. Our team of global process engineers are also driving our continuous improvement programme.

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

## Safety

Safety is fundamental to the success of Elementis and a core value in our culture. Our goal is to eliminate injuries completely and we continue to drive our TogetherSAFE campaign across the Group to achieve this. In 2022, we made progress on this Journey to Zero, reporting an improvement in our safety performance compared with the previous year, with 75% of our facilities reporting no injuries. The number of recorded employee injuries fell by 25% to 9, with the number of hand injuries falling to 3, from 6 in the prior year.

Our new Taloja anti-perspirant actives plant in India was completed and brought into production having recorded more than 1.56 million safe working hours.



## People

In 2022, we took further action to embed our culture and made good progress in living our Values, launching a new Code of Conduct and revitalising our approach to compliance and ethics, to maintain and improve employee engagement and commitment.

During the year we launched our Employee Value Proposition, 'Connect. Grow. Make a Difference', based on employee input, and supported the rollout with a series of workshops. We continued to drive Diversity, Equity and Inclusion across the Group, through a DE&I Leadership Council, training programmes and specialist external trainers, and employee resource groups, such as the global Women in Leadership group. We also held a series of events in October focusing on inclusion, followed up by the launch of an inclusion newsletter.

People are the bedrock upon which our success depends and the past three years have been challenging for everyone, firstly managing the impact of the COVID pandemic, then navigating our way out of this and learning to live with a 'new normal'. We thank the whole Elementis team for their fortitude, adaptability and commitment during this period, and look forward to together creating a successful future for the Company.

## Sustainability

Our aim is to develop high performance additives that deliver positive, sustainable outcomes for the environment and for society. To this end we seek to design products that use fewer resources and create less pollution. Our areas of focus include reducing GHG emissions with an ambition to reach Net Zero by 2050; water, waste and energy management; and product design for better lifecycle impacts.

Specific sustainability related applications benefits delivered by Elementis products include additives working at lower temperatures, which reduce customers' energy consumption; additives supporting formulation of low VOC paints, which create less air pollution; and the use of talc in lightweight plastics in vehicles, which improves their energy efficiency.

We continue to better understand our carbon footprint and the value-creating opportunities reducing it can unlock. We completed our first assessment of value-chain (Scope 3) GHG emissions in 2022 and committed to adopt a science-based target via the Science Based Targets initiative, aligning our strategy to reduce GHG emissions across our operations and value chains with the 2015 Paris Agreement. In 2022, 69% of our revenue for our continuing operations came from natural or naturally derived chemistries, while we increased our electricity from renewable or low carbon sources to 77%, contributing to our 50% reduction in Scope 1 and 2 (market based) GHG emissions per tonne since 2019. Since 2019, we have reduced water withdrawal per tonne of product made by 15%, and waste sent to third parties per tonne of product made by 13% across our operations.

We believe clear disclosure of our ESG data is important, and in 2022, we improved our climate rating at the Climate Disclosure Project (CDP) to B in 2022, and increased our EcoVadis Gold rating score compared with the prior year.

### Notes:

<sup>1</sup> – Underlying figures exclude currency effects and M&A.

<sup>2</sup> – Adjusted figures exclude the adjusting items set out in Note 5.

## FINANCE REPORT

### Revenue

	2022 \$m	2021 \$m	Change
Personal Care	211.5	174.7	36.8
Coatings	389.1	384.3	4.8
Talc	135.8	150.4	(14.6)
Inter-segment	—	—	—
Revenue from continuing operations	736.4	709.4	27.0
Revenue from discontinued operations	185.0	170.7	14.3
Revenue from total operations	921.4	880.1	41.3

### Operating profit

	2022 Operating profit/(loss) \$m	Adjusting items \$m	2022 Adjusted operating profit/(loss) <sup>1</sup> \$m	2021 Operating profit/(loss) \$m	Adjusting items \$m	2021 Adjusted operating profit/(loss) <sup>1</sup> \$m
Personal Care	44.4	8.4	52.8	27.9	8.8	36.7
Coatings	69.2	4.1	73.3	56.5	5.3	61.8
Talc	(134.0)	133.6	(0.4)	(44.3)	58.3	14.0
Central costs <sup>2</sup>	(21.4)	(3.8)	(25.2)	(28.2)	3.7	(24.5)
Operating (loss)/profit from continuing operations	(41.8)	142.3	100.5	11.9	76.1	88.0
Operating profit from discontinued operations	15.2	8.0	23.2	14.5	4.1	18.6
Operating (loss)/profit from total operations	(26.6)	150.3	123.7	26.4	80.2	106.6

<sup>1</sup> – After adjusting items – see note 5.

<sup>2</sup> – Central costs include \$6.8m (2021: \$4.5m) of stranded costs in relation to the Chromium business following the discontinued operations classification.

### Group results

In 2022, revenue from continuing operations increased 4% from \$709m to \$736m due to strong new business success, targeted pricing actions and demand recovery across most of our end markets. Excluding the impact of currency translation, underlying revenue from continuing operations increased 10%. Revenue in Personal Care rose 21% on a reported basis and 26% on an underlying basis\*, delivering record sales in both AP Actives and Cosmetics. In Coatings, revenue increased 1% on a reported basis and 5% on an underlying basis\*, with pricing actions and a better product mix offsetting lower volumes. In Talc, revenue decreased 10% on a reported basis and increased 2% on an underlying basis\*, with a decline in volumes partially offset by pricing actions and an improved product mix. Revenue in Chromium, a discontinued operation, increased 8% due to strong volume growth as demand increased across a range of industrial end markets.

Reported operating profit/loss from continuing operations decreased from a profit of \$12m to a loss of \$42m with a strong performance improvement partially offset by \$142m of adjusting items; the largest of which was a \$103m non-cash Talc goodwill impairment (2021: Talc \$52m) due to the lower demand environment, global inflationary pressures and the rising cost of capital in the second half of 2022. Adjusted operating profit from continuing operations increased 23% on an underlying basis\* from \$82m to \$101m with the



forementioned higher revenue and associated earnings more than offsetting cost inflation. The loss before income tax from continuing operations for the year was \$63m compared with \$8m in 2021.

### 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 2022 resulted in a charge of \$135.7m before tax, an increase of \$68.6m 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	Central costs \$m	Continuing operations \$m	Discontinued operations \$m	Total \$m
Business transformation	–	(2.9)	(1.9)	–	(4.8)	–	(4.8)
Environmental provisions	–	–	–	3.8	3.8	(2.2)	1.6
Impairment of property, plant, and equipment	–	–	(23.0)	–	(23.0)	–	(23.0)
Impairment of goodwill	–	–	(103.4)	–	(103.4)	–	(103.4)
Costs associated with Chromium disposal	–	–	–	–	–	(5.6)	(5.6)
Amortisation of intangibles arising on acquisitions	(8.4)	(1.2)	(5.3)	–	(14.9)	(0.2)	(15.1)
<b>Total charge to operating profit</b>	<b>(8.4)</b>	<b>(4.1)</b>	<b>(133.6)</b>	<b>3.8</b>	<b>(142.3)</b>	<b>(8.0)</b>	<b>(150.3)</b>
Unrealised mark to market of derivatives	–	–	–	6.6	6.6	–	6.6
<b>Total</b>	<b>(8.4)</b>	<b>(4.1)</b>	<b>(133.6)</b>	<b>10.4</b>	<b>(135.7)</b>	<b>(8.0)</b>	<b>(143.7)</b>

### Business transformation

In November 2020, the closure of the Charleston plant was announced. Costs of \$2.9m in 2022 (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. Since November 2020, costs of \$22.7m have been incurred in relation to the closure of this site. Further charges of \$1.9m relate to the Talc integration and synergy projects. This project was completed in 2022.

### 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 continuing provisions relates to a change in discount rates that has decreased the liability by \$7.2m (2021: \$0.6m) in the year, and extra remediation work identified in the year which has resulted in a \$3.4m (2021: \$5.3m) increase to the liability. As these costs relate to non-operational facilities they are classified as adjusting items.

### Impairment of goodwill

The performance of the Talc business was adversely impacted in the second half of 2022 by a lower demand environment, global inflationary pressures, higher energy costs and the Russia/Ukraine conflict. These factors, as well as a reduction in the near term forecasted profitability of the Talc business and a rise in the pre-tax discount rate resulted in an impairment charge of \$103.4m being recognised (2021: \$52.3m), to reduce the remaining Talc goodwill to \$nil. Due to the currency in which the goodwill was held, this impairment also gave rise to a \$8.0m (2021: \$0.8m) movement in exchange differences on translation of foreign operations within other comprehensive income.

**Impairment of property plant and equipment**

In 2022 the Group recognised a non-cash \$23.0m impairment in respect of non-operational bioleaching property, plant and equipment in the Talc business. The Group determined that the operational, health and safety and financial commitments required to operate the equipment were not the best use of the Group's resources.

**Costs associated with Chromium disposal**

As announced in November 2022, the Group signed a sale and purchase agreement for the divestment of its Chromium business. The transaction completed in January 2023. Costs totalling \$5.6m were incurred during 2022 as part of the divestiture process.

**Amortisation of intangibles arising on acquisitions**

Amortisation of \$14.9m (2021: \$15.8m) 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.

**Unrealised mark to market of derivatives**

The unrealised movements in the mark to market valuation of financial instruments that are not in hedging relationships are treated as adjusting items as they are unrealised 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 those associated with US dollar and euro interest payments and aluminium and nickel pricing. In 2022 interest rate and commodity price movements were such that the net impact of the hedge transactions was a gain of \$1.6m (2021: gain of \$2.7m) 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 2022, adjusted central costs were \$25.2m, an increase of \$0.7m on the previous year primarily due to cost movements between continuing and discontinued operations offset by favourable exchange rate movements and a reduction in variable remuneration.

**COVID-19 assistance**

The Group has accessed in China and Taiwan various government support schemes aimed at mitigating the impact losses resulting from COVID-19. During the year payment plans were agreed with the tax authorities in China and Taiwan to defer payment of income taxes and payroll taxes, resulting in \$1.6m of payment deferrals.

**Other expenses**

Other expenses are administration costs incurred and paid by the Group's pension schemes that relate primarily to former employees of legacy businesses. These costs were \$1.3m in 2022 compared with \$2.0m in the previous year.

## Net finance costs

	2022 \$m	2021 \$m
Finance income	0.2	0.3
Finance cost of borrowings	(19.5)	(23.2)
	(19.3)	(22.9)
Net pension finance income/(costs)	0.6	(0.2)
Discount unwind on provisions	(0.7)	(1.7)
Fair value movement on derivatives	9.1	10.7
Interest on lease liabilities	(1.4)	(1.6)
<b>Net finance costs</b>	<b>(11.7)</b>	<b>(15.7)</b>

Net finance costs for 2022 were \$11.7m, a decrease of \$4.0m on last year. Net 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, net pension interest income/(costs), fair value movement on derivatives and interest charged on lease liabilities.

The decrease in net finance costs is primarily due lower interest payable on borrowings following the refinancing of the Group's term loans on 1 July 2022 (\$3.6m decrease).

The fair value movement on derivatives, which are unrealised mark to market on derivatives that are not in hedging relationships decreased by \$1.6m in 2022.

Net pension finance income/(costs), which are a function of discount rates under IAS 19, and the value of schemes' deficit or surplus positions, changed from a net finance cost of \$0.2m in 2021 to a net finance income of \$0.6m in 2022.

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 \$0.7m in 2022 compared to an unwind of \$1.7m in 2021.

Both finance income and the interest on lease liabilities, were broadly consistent in 2022 compared with 2021.

## Taxation

### Tax charge

	2022 Effective rate %	2021 Effective rate %
	\$m	\$m
Reported tax charge/(credit)	7.8 (14.2)	0.4 (5.3)
Adjusting items tax credit	(8.3) –	(10.5) –
<b>Adjusted tax charge</b>	<b>16.1 20.0</b>	<b>10.9 18.3</b>

The Group incurred a tax charge of \$16.1m (2021: \$10.9m) on adjusted profit before tax, resulting in an effective tax rate of 20.0% (2021: 18.3%). The Group's effective tax rate in 2022 is slightly lower than its usual range due to beneficial adjustments in respect of prior years and the recognition of previously unrecognised deferred tax assets.

Tax on adjusting items relates primarily to the amortisation of intangible assets and the impairment of the bioleaching plant.

The medium-term expectation for the Group's adjusted effective tax rate is around 25-26% due to the previously announced increase in UK corporation tax rates from April 2023.

### Earnings per share

Note 7 sets out a number of calculations of 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 from continuing operations per share was 10.9 cents for 2022 compared with 8.3 cents in the previous year, an increase of 31% due to a higher adjusted profit after tax. Basic earnings per share from continuing operations before adjusting items was a loss per share of 10.7 cents compared with a loss per share of 1.4 cents in the previous year.

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 not recommending a final dividend for 2022. The Board recognises the importance of dividends to shareholders and will look to reinstate payments during 2023.

### Cash flow

As per the statutory cash flow statement, net cash flow from operating activities increased by \$10.3m to \$77.0m in 2022, primarily due to lower cash taxes and interest paid, offset by an increase in working capital outflow as a result of movement in inventories and debtors.

Net cash outflow in relation to investing activities decreased by \$18.1m to \$46.9m primarily due to lower capital expenditure and no contingent consideration payable in 2022.

Net cash outflow in relation to financing activities increased by \$32.5m to \$57.8m in 2022 primarily due to the repayment of borrowings as part of the refinancing completed on 1 July 2022.

The adjusted cash flow, which excludes the effect of adjusting items from operating cash flow and is therefore distinct from the statutory cash flow referenced above, is summarised below. A reconciliation between statutory operating profit to EBITDA is shown in the Alternative Performance Measures section in this report.

	2022 \$m	2021 \$m
EBITDA <sup>◇</sup>	173.1	158.5
Change in working capital	(58.8)	(31.6)
Capital expenditure	(46.5)	(52.8)
Other	(3.6)	1.9
<b>Adjusted operating cash flow</b>	<b>64.2</b>	76.0
Pension payments	(1.0)	(0.1)
Interest	(14.6)	(23.2)
Tax	(13.4)	(30.9)
Adjusting items	(5.2)	(20.4)
Payment of lease liabilities	(7.1)	(6.7)
<b>Free cash flow</b>	<b>22.9</b>	(5.3)
Issue of shares	0.9	0.1
Dividends paid	–	–
Acquisitions and disposals	–	0.3
Currency fluctuations	10.4	12.0
<b>Movement in net debt</b>	<b>34.2</b>	7.1
Net debt at start of year	(401.0)	(408.1)
Net debt at end of year	(366.8)	(401.0)

<sup>◇</sup> EBITDA – earnings before interest, tax, adjusting items, depreciation, and amortisation

Adjusted operating cash flow decreased by \$11.8m to \$64.2m in 2022. An increase in EBITDA of \$14.6m and a decrease in net capital expenditure of \$6.3m was offset by a \$27.2m increase in working capital outflow.

Free cash flow of \$22.9m in 2022 represents an increase of \$28.2m on the prior year period. Cash tax outflows decreased from \$30.9m to \$13.4m, primarily due to the one-off nature of the \$19m charging notice received for the ongoing EU state aid case in 2021. That, combined with a further one-off cash outflow in 2021 of \$13.2m in respect of a historic, pre-acquisition interest deductibility tax case is the primary driver of the decrease in adjusting items cash outflow in 2022.

Net debt decreased from \$401.0m in 2021 to \$366.8m in 2022, a reduction of \$34.2m. Net debt to adjusted EBITDA decreased from 2.6x in 2021 to 2.2x in 2022 on a pre-IFRS 16 basis. The decrease in leverage was driven by the improvement in adjusted EBITDA, reflective of the Group's higher earnings during 2022.

## Balance sheet

	2022 \$m	2021 \$m
Intangible fixed assets	660.2	815.7
Tangible fixed assets	386.4	499.7
Working capital	141.5	164.0
Net tax liabilities	(102.2)	(112.6)
Provisions and retirement benefit obligations	(12.2)	(22.5)
Financial assets and liabilities	5.9	(5.2)
Lease liabilities	(36.3)	(40.2)
Unamortised syndicate fees	4.3	3.1
Net debt	(366.8)	(401.0)
Net assets held for sale	103.1	–
<b>Total equity</b>	<b>783.9</b>	<b>901.0</b>

Group equity decreased by \$117.1m in 2022 (2021: increase of \$40.6m). Intangible fixed assets decreased by \$155.5m due to an impairment of \$103.4m, \$15.7m of amortisation of intangibles, \$35.6m of foreign exchange, \$0.2m of additions and \$1.0m being transferred to assets held for sale. Tangible fixed assets decreased by \$113.3m, due to gross additions of \$46.9m and right-of-use asset capitalisation of \$5.3m more than offset by exchange differences of \$19.9m, depreciation of \$49.3m, the impairment of the bioleaching plant of \$23.0m, \$3.0m of net disposals and \$70.3m being transferred to assets held for sale.

Working capital comprises inventories, trade and other receivables and trade and other payables. Working capital decreased by \$22.5m in 2022, primarily as a result of the classification of Chromium working capital as held for sale offset by inventory movements during the year.

Net tax liabilities decreased by \$10.4m primarily as a result of the amortisation of the intangible fixed assets leading to a reduction in the associated deferred tax liability, and the recognition of previously unrecognised deferred tax assets.

Adjusted ROCE (excluding goodwill) increased from 13% to 15%, with increased adjusted operating profit partially offsetting increased total operating capital employed (see the section on Alternative Performance Measures in this report).

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

	Year end	2022 Average	Year end	2021 Average
Pounds sterling	0.83	0.81	0.74	0.73
Euro	0.94	0.95	0.88	0.84

## 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 2022, the Group held provisions of \$29.7m (2021: \$61.8m) consisting of environmental provisions of \$27.5m (2021: \$58.7m), self-insurance provisions of \$0.5m (2021: \$0.7m) and restructuring and other provisions of \$1.7m (2021: \$2.4m).

Environmental provisions have decreased by \$31.2m in 2022, of which \$19.5m was transferred to liabilities held for sale. An expense of \$8.7m (of which \$3.4m relates to continuing operations) which relates to extra remediation work required was offset by a \$10.3m credit (of which \$7.2m relates to continuing operations)



related to a change in the discount rate applied to the liabilities; leading to a reduction of \$1.6m. The remaining movement relates to the unwind of the discount in the year (\$1.3m) offset by currency translation of \$3.5m and utilisation of \$7.9m. The self-insurance provision represents the Group's estimate of its liability arising from retained liabilities under the Group's insurance programme and decreased by \$0.2m in the period.

The restructuring and other provisions categories relate primarily to restructuring provisions made for adjusting head count and other costs of restructuring where a need to do so has been identified by management.

### Pensions and other post retirement benefits

	2022 \$m	2021 \$m
Net (surplus)/liability:		
UK	(26.4)	(56.6)
US	3.5	8.3
Other	5.4	9.0
	(17.5)	(39.3)

#### UK plan

The largest of the Group's retirement plans is the UK defined benefit pension scheme (UK Scheme), which at the end of 2022 had a surplus, under IAS 19, of \$26.4m (2021: \$56.6m). The UK Scheme is relatively mature, with approximately two thirds of its gross liabilities represented by pensions in payment and it is closed to new members. Losses on plan assets of \$200.4m (2021: return of \$24.9m) and liability adjustments of \$176.8m (2021: \$27.1m) arising due to higher discount rates decreased the net surplus for the year. Company contributions of \$0.5m (2021: \$0.6m) 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 liability at the end of 2022 of \$nil (2021: \$1.7m), and a post retirement medical plan with a liability of \$3.5m (2020: \$6.6m). The US pension plans are smaller than the UK plan and in 2022 the overall deficit of the US plans decreased by \$4.8m due to transfers to liabilities held for sale of \$2.4m and actuarial decreases in the liability of \$28.7m (2021: \$6.3m), losses on plan assets of \$26.1m (2021: return of \$4.4m) and employer contributions of \$1.2m (2021 \$1.0m).

#### Other plans

Other liabilities at 31 December 2022 amounted to \$5.4m (2021: \$9.0m) 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

Net financial assets at 31 December 2022 are net derivative financial assets of \$5.9m (2021: net liability of \$5.2m) relating to the valuation of various risk management instruments.

The movements in the mark to market valuation of cross currency swaps 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.

## Events after the balance sheet date

On 1 January 2023 the Talc and Coatings segments merged to form a new segment called Performance Specialties.

On 31 January 2023 the Group completed the sale of its Chromium business to the Yildirim Group for an enterprise value of \$170m, of which total cash proceeds of \$119m were received.

On 31 January 2023 the Group repaid \$83.0m of its US dollar borrowings and €31.4m of its euro borrowings.

During February 2023 the Group was notified that the Administrative Court in Finland had revoked its permit for the expansion of mining operations at the Uutela mine located in Sotkamo, Finland. The permit was previously issued by the Finnish Safety and Chemicals Agency; the body empowered to issue such permits. The Group intends to appeal the decision. If the appeal were to be unsuccessful the impact would be to reduce the Talc ore available to the Group by approximately 6%.

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

# Consolidated income statement for the year ended 31 December 2022

	2022 \$m	2021 <sup>1</sup> \$m
Revenue	736.4	709.4
Cost of sales	(437.5)	(420.4)
Gross profit	298.9	289.0
Distribution costs	(125.0)	(126.1)
Administrative expenses	(215.7)	(151.0)
Operating profit/(loss)	(41.8)	11.9
(Loss)/profit on disposal	–	(1.7)
Other expenses <sup>2</sup>	(1.3)	(2.0)
Finance income	9.9	11.0
Finance costs	(21.6)	(26.7)
(Loss)/profit before income tax	(54.8)	(7.5)
Tax	(7.8)	(0.4)
Loss from continuing operations	(62.6)	(7.9)
Profit from discontinued operations	11.5	10.4
(Loss)/profit for the year	(51.1)	2.5
Attributable to:		
Equity holders of the parent	(51.1)	2.5
<b>Earnings per share</b>		
From continuing operations		
Basic loss (cents)	(10.7)	(1.4)
Diluted loss (cents)	(10.7)	(1.4)
From continuing and discontinued operations		
Basic (loss)/earnings (cents)	(8.8)	0.4
Diluted (loss)/earnings (cents)	(8.8)	0.4

1 2021 has been represented following the classification of the Chromium business as a discontinued operation.

2 Other expenses comprise administration expenses for the Group's pension schemes.

# Consolidated statement of comprehensive income for the year ended 31 December 2022

	2022 \$m	2021 \$m
<b>(Loss)/Profit for the year</b>	<b>(51.1)</b>	2.5
<b>Other comprehensive income:</b>		
Items that will not be reclassified subsequently to profit and loss:		
Remeasurements of retirement benefit obligations	<b>(18.5)</b>	64.3
Deferred tax associated with retirement benefit obligations	<b>5.3</b>	(14.6)
Items relating to discontinued operations, net of tax	<b>0.3</b>	(0.8)
Items that may be reclassified subsequently to profit and loss:		
Exchange differences on translation of foreign operations	<b>(100.9)</b>	(29.1)
Effective portion of change in fair value of net investment hedge	<b>46.2</b>	10.7
Tax associated with change in fair value of net investment hedge	<b>(2.8)</b>	1.8
Tax associated with changes in cashflow hedges	<b>0.8</b>	(0.4)
Recycling of deferred foreign exchange gains on disposal	<b>–</b>	(0.4)
Effective portion of changes in fair value of cash flow hedges	<b>(2.6)</b>	(0.1)
Fair value of cash flow hedges transferred to income statement	<b>1.6</b>	2.7
Exchange differences on translation of share options reserves	<b>(0.9)</b>	–
Other comprehensive (loss)/income	<b>(71.5)</b>	34.1
Total comprehensive (loss)/income for the year	<b>(122.6)</b>	36.6
Attributable to:		
Equity holders of the parent	<b>(122.6)</b>	36.6

# Consolidated balance sheet as at 31 December 2022

	2022 31 December \$m	2021 31 December \$m
<b>Non-current assets</b>		
Goodwill and other intangible assets	660.2	815.7
Property, plant, and equipment	386.4	499.7
Tax recoverable	17.5	19.7
Financial assets	1.3	–
Deferred tax assets	24.8	28.0
Net retirement benefit surplus	26.4	56.6
<b>Total non-current assets</b>	<b>1,116.6</b>	<b>1,419.7</b>
<b>Current assets</b>		
Inventories	182.0	186.1
Trade and other receivables	94.9	138.9
Financial assets	10.7	0.2
Current tax assets	7.0	7.1
Cash and cash equivalents	54.9	84.6
<b>Total current assets</b>	<b>349.5</b>	<b>416.9</b>
Assets classified as held for sale	160.9	–
<b>Total assets</b>	<b>1,627.0</b>	<b>1,836.6</b>
<b>Current liabilities</b>		
Bank overdrafts and loans	(2.7)	–
Trade and other payables	(135.4)	(161.0)
Financial liabilities	(3.3)	(1.4)
Current tax liabilities	(20.2)	(17.4)
Lease liabilities	(6.1)	(6.4)
Provisions	(5.8)	(8.7)
<b>Total current liabilities</b>	<b>(173.5)</b>	<b>(194.9)</b>
<b>Non-current liabilities</b>		
Loans and borrowings	(414.7)	(482.5)
Retirement benefit obligations	(8.9)	(17.3)
Deferred tax liabilities	(131.3)	(150.0)
Lease liabilities	(30.2)	(33.8)
Provisions	(23.9)	(53.1)
Financial liabilities	(2.8)	(4.0)
<b>Total non-current liabilities</b>	<b>(611.8)</b>	<b>(740.7)</b>
Liabilities classified as held for sale	(57.8)	–
<b>Total liabilities</b>	<b>(843.1)</b>	<b>(935.6)</b>
<b>Net assets</b>	<b>783.9</b>	<b>901.0</b>
<b>Equity</b>		
Share capital	52.3	52.2
Share premium	238.7	240.8
Other reserves	42.1	90.7
Retained earnings	450.8	517.3
<b>Total equity attributable to equity holders of the parent</b>	<b>783.9</b>	<b>901.0</b>
<b>Total equity</b>	<b>783.9</b>	<b>901.0</b>

# Consolidated statement of changes in equity for the year ended 31 December 2022

	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 cash flow hedges	–	–	–	–	–	(0.4)	(0.4)
Tax associated with changes 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
<b>Balance at 31 December 2021</b>	<b>52.2</b>	<b>240.8</b>	<b>(67.7)</b>	<b>(8.6)</b>	<b>167.0</b>	<b>517.3</b>	<b>901.0</b>
<b>Balance at 1 January 2022</b>	<b>52.2</b>	<b>240.8</b>	<b>(67.7)</b>	<b>(8.6)</b>	<b>167.0</b>	<b>517.3</b>	<b>901.0</b>
Comprehensive income							
Loss for the year	–	–	–	–	–	(51.1)	(51.1)
Other comprehensive income							
Exchange differences	–	–	(54.7)	–	(0.9)	–	(55.6)
Fair value of cash flow hedges transferred to the income statement	–	–	–	1.6	–	–	1.6
Effective portion of changes in fair value of cash flow hedges	–	–	–	(2.6)	–	–	(2.6)
Tax associated with changes in cashflow hedges	–	–	–	–	–	0.8	0.8
Tax associated with change in fair value of net investment hedge	–	–	–	–	–	(2.8)	(2.8)
Remeasurements of retirement benefit obligations	–	–	–	–	–	(18.2)	(18.2)
Deferred tax adjustment on pension scheme deficit	–	–	–	–	–	5.3	5.3
Transfer	–	–	–	7.8	(4.0)	(3.8)	–
Total other comprehensive income/(loss)	–	–	(54.7)	6.8	(4.9)	(18.7)	(71.5)
Total comprehensive income/(loss)	–	–	(54.7)	6.8	(4.9)	(69.8)	(122.6)
Transactions with owners:							
Issue of shares by the Company	0.1	0.8	–	–	–	–	0.9
Deferred tax on share based payments recognised within equity	–	–	–	–	–	0.4	0.4
Share based payments	–	–	–	–	3.4	–	3.4
Fair value of cash flow hedges transferred to net assets	–	–	–	0.8	–	–	0.8
Reserve reclassification <sup>1</sup>	–	(2.9)	–	–	–	2.9	–
Total transactions with owners	0.1	(2.1)	–	0.8	3.4	3.3	5.5
<b>Balance at 31 December 2022</b>	<b>52.3</b>	<b>238.7</b>	<b>(122.4)</b>	<b>(1.0)</b>	<b>165.5</b>	<b>450.8</b>	<b>783.9</b>

1 Reclassification adjustments to correct share premium and retained earnings reserves as at 31 December 2022.



# Consolidated cash flow statement for the year ended 31 December 2022

	2022 \$m	2021 \$m
<b>Operating activities:</b>		
(Loss)/profit for the year	(51.1)	2.5
Adjustments for:		
Other expenses	1.4	2.1
Finance income	(9.9)	(11.0)
Finance costs	22.3	27.8
Tax charge	10.7	3.3
Depreciation and amortisation	65.0	68.3
Impairment loss on property, plant, and equipment	23.0	–
(Decrease)/increase in provisions and financial liabilities	(9.3)	0.8
Pension payments net of current service cost	(1.0)	(0.1)
Share based payments expense	3.4	5.1
Impairment of goodwill	103.4	52.3
Loss on disposal of business	–	1.7
Operating cash flow before movement in working capital	157.9	152.8
Increase in inventories	(72.1)	(24.2)
Decrease/(increase) in trade and other receivables	4.6	(33.8)
Increase in trade and other payables	14.8	26.3
Cash generated by operations	105.2	121.1
Income taxes paid	(13.4)	(30.9)
Interest paid	(14.8)	(23.5)
<b>Net cash flow from operating activities</b>	<b>77.0</b>	<b>66.7</b>
<b>Investing activities:</b>		
Interest received	0.2	0.3
Disposal of property, plant and equipment	–	0.7
Purchase of property, plant and equipment	(46.9)	(52.7)
Purchase of business	–	(0.2)
Disposal of business	–	0.5
Acquisition of intangible assets	(0.2)	(0.4)
Contingent consideration paid	–	(13.2)
<b>Net cash flow from investing activities</b>	<b>(46.9)</b>	<b>(65.0)</b>
<b>Financing activities:</b>		
Issue of shares by the Company and the ESOT net of issue costs	0.9	0.1
Net movement on existing debt	(51.6)	(18.7)
Payment of interest on lease liabilities	(1.4)	(1.6)
Payment of gross lease liabilities	(5.7)	(5.1)
<b>Net cash used in financing activities</b>	<b>(57.8)</b>	<b>(25.3)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(27.7)</b>	<b>(23.6)</b>
Cash and cash equivalents at 1 January	84.6	111.0
Foreign exchange on cash and cash equivalents	(2.0)	(2.8)
Less: cash and cash equivalents classified as held for sale	–	–
<b>Cash and cash equivalents at 31 December</b>	<b>54.9</b>	<b>84.6</b>

# 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 2022 or 2021 but is derived from those accounts. Statutory accounts for 2021 have been delivered to the Registrar of Companies, and those for 2022 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 6 March 2023.

## 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 2022 which will be made available to shareholders on 22 March 2023.

## 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

	2022 \$m	2021 \$m
Interest on bank deposits	0.2	0.3
Pension and other post retirement liabilities	0.6	–
Fair value movement on derivatives	9.1	10.7
	9.9	11.0

## 4. Finance costs

	2022 \$m	2021 \$m
Interest on bank loans	19.5	23.2
Pension and other post retirement liabilities	–	0.2
Unwind of discount on provisions	0.7	1.7
Interest on lease liabilities	1.4	1.6
	21.6	26.7

## 5. Adjusting items and alternative performance measures

	2022 \$m	2022 Discontinued operations \$m	2022 Total \$m	2021 \$m	2021 Discontinued operations \$m	2021 Total \$m
Business transformation	4.8	–	4.8	4.3	0.3	4.6
Environmental provisions						
Increase in provisions due to additional remediation work identified	3.4	5.3	8.7	5.3	4.3	9.6
(Decrease)/Increase in provisions due to change in discount rate	(7.2)	(3.1)	(10.3)	(0.6)	(0.7)	(1.3)
Impairment of property, plant and equipment	23.0	–	23.0	–	–	–
Impairment of goodwill	103.4	–	103.4	52.3	–	52.3
Costs associated with Chromium disposal	–	5.6	5.6	–	–	–
Sale of Montreal land	–	–	–	(1.0)	–	(1.0)
Amortisation of intangibles arising on acquisition	14.9	0.2	15.1	15.8	0.2	16.0
	142.3	8.0	150.3	76.1	4.1	80.2
Sale of Business	–	–	–	1.7	–	1.7
Unrealised mark to market of derivative financial instruments	(6.6)	–	(6.6)	(10.7)	–	(10.7)
Tax credit in relation to adjusting items	(8.3)	(1.7)	(10.0)	(10.5)	(0.8)	(11.3)
	127.4	6.3	133.7	56.6	3.3	59.9

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 to the consolidated financial statements, 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 \$135.7m (2021: \$67.1m). The items fall into a number of categories, as summarised below:

**Business transformation** – In November 2020, the closure of the Charleston plant was announced. Costs of \$2.9m (\$4.2m in 2021) including \$0.4m of depreciation (\$0.4m in 2021) associated with the closure of the site are classified as an adjusting item and the site is planned to be disposed of in the future. Since November 2020, costs of \$22.7m have been incurred in relation to the closure of the site. In addition to this, costs of \$1.9m have been incurred in relation to the Talc integration and synergy projects. This project was completed in 2022.

**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 the provision relates to a change in discount rates that has decreased the liability by \$7.2m in the year (2021: \$0.6m) and extra remediation work identified in the year which has resulted in a \$3.4m increase to the liability (2021: \$5.3m). As these costs relate to non-operational facilities they are classified as adjusting items.

**Impairment of property, plant and equipment** – In 2022 the Group recognised a non-cash \$23.0m impairment in respect of non-operational bioleaching property, plant and equipment in the Talc business. The Group determined that the operational, health and safety and financial commitments required to operate the equipment were not the best use of the Group's resources.

**Impairment of goodwill** – The performance of the Talc business was adversely impacted by a lower demand environment, global inflationary pressures, higher energy costs and the Russia/Ukraine conflict. These factors, as well as a reduction in the near term forecasted profitability of the Talc business and a rise in the pre-tax discount rate resulted in an impairment charge of \$103.4m being recognised (2021: \$52.3m). Due to the currency in which the goodwill was held, this impairment also gave rise to a \$8.0m (2021: \$0.8m) movement in exchange differences on translation of foreign operations within other comprehensive income.

**Costs associated with Chromium disposal** – As announced in November 2022, the Group signed a sale and purchase agreement for the divestment of its Chromium business. The transaction completed in January 2023. Costs totalling \$5.6m were incurred during 2022 as part of the divestiture process.

**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 \$14.9m (2021: \$15.8m) 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** – In 2021, the \$1.7m loss on disposal of two non-core dental businesses, Eisenbacher Dentalwaren ED GmbH and Adentatec GmbH, was treated as an adjusting item.

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

**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 2022 the reconciliation to the adjusted consolidated income statement is shown below.

	2022 Profit and loss \$m	2022 Adjusting items \$m	2022 Profit and loss after adjusting items \$m	2021 Profit and loss \$m	2021 Adjusting items \$m	2021 Profit and loss after adjusting items \$m
Revenue	736.4	–	736.4	709.4	–	709.4
Cost of sales	(437.5)	–	(437.5)	(420.4)	–	(420.4)
Gross profit	298.9	–	298.9	289.0	–	289.0
Distribution costs	(125.0)	–	(125.0)	(126.1)	–	(126.1)
Administrative expenses	(215.7)	142.3	(73.4)	(151.0)	76.1	(74.9)
Operating (loss)/profit	(41.8)	142.3	100.5	11.9	76.1	88.0
Loss on disposal	–	–	–	(1.7)	1.7	–
Other expenses	(1.3)	–	(1.3)	(2.0)	–	(2.0)
Finance income	9.9	(6.6)	3.3	11.0	(10.7)	0.3
Finance costs	(21.6)	–	(21.6)	(26.7)	–	(26.7)
(Loss)/profit before income tax	(54.8)	135.7	80.9	(7.5)	67.1	59.6
Tax	(7.8)	(8.3)	(16.1)	(0.4)	(10.5)	(10.9)
(Loss)/profit from continuing operations	(62.6)	127.4	64.8	(7.9)	56.6	48.7
Profit from discontinued operations	11.5	6.3	17.8	10.4	3.3	13.7
(Loss)/profit for the year	(51.1)	133.7	82.6	2.5	59.9	62.4
Attributable to:						
Equity holders of the parent	(51.1)	133.7	82.6	2.5	59.9	62.4
<b>Earnings per share</b>						
From continuing operations						
Basic (loss)/earnings (cents)	(10.7)	21.8	11.1	(1.4)	9.8	8.4
Diluted (loss)/earnings (cents)	(10.7)	21.6	10.9	(1.4)	9.7	8.3
From continuing and discontinued operations						
Basic (loss)/earnings (cents)	(8.8)	23.0	14.2	0.4	10.3	10.7
Diluted (loss)/earnings (cents)	(8.8)	22.7	13.9	0.4	10.2	10.6

To support comparability with the financial statements as presented in 2022, a reconciliation from reported profit/(loss) before interest to adjusted operating profit/(loss) by segment is shown below for each year.

	Personal Care \$m	Coatings \$m	Talc \$m	Segment totals \$m	Central costs \$m	Total \$m
<b>2022</b>						
<b>Reported operating profit/(loss)</b>	<b>44.4</b>	<b>69.2</b>	<b>(134.0)</b>	<b>(20.4)</b>	<b>(21.4)</b>	<b>(41.8)</b>
Adjusting Items						
Business transformation	–	2.9	1.9	4.8	–	4.8
Increase in environmental provisions due to additional remediation work identified	–	–	–	–	3.4	3.4
Increase in environmental provisions due to change in discount rate	–	–	–	–	(7.2)	(7.2)
Impairment of property, plant and equipment	–	–	23.0	23.0	–	23.0
Impairment of goodwill	–	–	103.4	103.4	–	103.4
Amortisation of intangibles arising on acquisition	8.4	1.2	5.3	14.9	–	14.9
<b>Adjusted operating profit /(loss)</b>	<b>52.8</b>	<b>73.3</b>	<b>(0.4)</b>	<b>125.7</b>	<b>(25.2)</b>	<b>100.5</b>
Operating profit from discontinued operations						15.2
Adjusting items from discontinued operations						8.0
<b>Adjusted operating profit from discontinued operations</b>						<b>23.2</b>
<b>Adjusted operating profit from total operations</b>						<b>123.7</b>

	Personal Care \$m	Coatings \$m	Talc \$m	Segment totals \$m	Central costs \$m	Total \$m
<b>2021</b>						
<b>Reported operating profit/(loss)</b>	<b>27.9</b>	<b>56.5</b>	<b>(44.3)</b>	<b>40.1</b>	<b>(28.2)</b>	<b>11.9</b>
Adjusting Items						
Business transformation	0.1	4.2	–	4.3	–	4.3
Increase in environmental provisions due to additional remediation work identified	–	–	–	–	5.3	5.3
Increase in environmental provisions due to change in discount rate	–	–	–	–	(0.6)	(0.6)
Impairment of goodwill	–	–	52.3	52.3	–	52.3
Sale of Montreal land	–	–	–	–	(1.0)	(1.0)
Amortisation of intangibles arising on acquisition	8.7	1.1	6.0	15.8	–	15.8
<b>Adjusted operating profit /(loss)</b>	<b>36.7</b>	<b>61.8</b>	<b>14.0</b>	<b>112.5</b>	<b>(24.5)</b>	<b>88.0</b>
Operating profit from discontinued operations						14.5
Adjusting items from discontinued operations						4.1
<b>Adjusted operating profit from discontinued operations</b>						<b>18.6</b>
<b>Adjusted operating profit from total operations</b>						<b>106.6</b>



## 6. Income tax expense

	2022 \$m	2021 \$m
<b>Current tax:</b>		
UK corporation tax	11.2	12.5
Overseas corporation tax on continuing operations	6.5	4.2
Adjustments in respect of prior years:		
United Kingdom	(0.6)	(1.0)
Overseas	(3.8)	(7.2)
Total current tax	13.3	8.5
<b>Deferred tax:</b>		
United Kingdom	3.1	(2.8)
Overseas	(8.4)	(4.8)
Adjustment in respect of prior years:		
United Kingdom	–	–
Overseas	(0.2)	(0.5)
Total deferred tax	(5.5)	(8.1)
Income tax (credit)/expense for the year	7.8	0.4
<b>Comprising:</b>		
Income tax (credit)/expense for the year	7.8	0.4
Adjusting items <sup>1</sup>		
Overseas taxation on adjusting items	(6.3)	(11.4)
UK taxation on adjusting items	(2.0)	0.9
Taxation on adjusting items	(8.3)	(10.5)
Income tax expense for the year after adjusting items	16.1	10.9

<sup>1</sup>See Note 5 for details of adjusting items.

The tax charge on profits represents an effective rate of 14.2% (2021: 5.3%) and an effective tax rate after adjusting items of 20.0% (2021: 18.3%).

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

	2022 Gross \$m	2022 Tax impact \$m	2021 Gross \$m	2021 Tax impact \$m
Business transformation	4.8	1.1	4.3	0.9
Environmental provisions	(3.8)	(0.7)	4.7	0.9
M&A and disposal costs	–	–	1.7	–
Impairment of property, plant and equipment	23.0	4.9	–	–
Impairment of goodwill	103.4	–	52.3	–
Mark to market of derivative financial instruments	(6.6)	(1.3)	(10.7)	(2.0)
Sale of Montreal land	–	–	(1.0)	–
Amortisation of intangibles arising on acquisition	14.9	2.9	15.8	3.5
Reversal of uncertain tax provision	–	1.4	–	7.2
Total	135.7	8.3	67.1	10.5

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 adjusted effective tax rate in 2022 is slightly lower than its usual range due to beneficial adjustments in respect of prior years and the recognition of previously unrecognised deferred tax assets. The medium-term expectation for the Group's adjusted effective tax rate is around 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 is implementing Pillar Two on slightly different timescales but certain jurisdictions have announced their intentions to implement for accounting periods beginning on or after 31 December 2023. The Group continues to consider the impact of the announcements on its tax position.

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

	2022 \$m	2022 %	2021 \$m	2021 %
Profit/(loss) before tax	(54.8)		(7.5)	
Tax at 19.0% (2021: 19.0%)	(10.4)	(19.0)	(1.4)	(19.0)
Difference in overseas effective tax rates	2.3	4.2	1.5	20.0
Income not taxable and impact of tax efficient financing	(0.4)	(0.7)	(1.0)	(13.3)
Expenses not deductible for tax purposes	21.8	39.7	12.0	160.0
Adjustments in respect of prior years	(4.6)	(8.4)	(8.8)	(117.2)
Tax rate changes	0.2	0.4	(1.3)	(17.2)
Movement in unrecognised deferred tax	(1.1)	(2.0)	(0.6)	(8.0)
Total charge/(credit) and effective tax rate for the year	7.8	14.2	0.4	5.3

The adjustment in respect of prior years relates primarily to the release of uncertain tax provisions.

## 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:

	2022 \$m	2022 Discontinued operations \$m	2022 \$m	2021 \$m	2021 Discontinued operations \$m	2021 \$m
<b>Earnings:</b>						
(Loss)/earnings for the purpose of basic earnings per share	(62.6)	11.5	(51.1)	(7.9)	10.4	2.5
Adjusting items net of tax	127.4	6.3	133.7	56.6	3.3	59.9
Adjusted earnings	64.8	17.8	82.6	48.7	13.7	62.4

	2022 m	2021 m
<b>Number of shares:</b>		
Weighted average number of shares for the purposes of basic earnings per share	<b>582.6</b>	581.0
Effect of dilutive share options	<b>9.7</b>	7.8
Weighted average number of shares for the purposes of diluted earnings per share	<b>592.3</b>	588.8

The dilutive (loss)/earnings per share calculation in the table below, does not include the impact of the 9.7m dilutive share options (2021: 7.8m dilutive share options), as the inclusion of these potential shares would have an anti-dilutive impact on the diluted loss per share from continuing operations; it would decrease the diluted loss per share from continuing operations.

	2022 cents	2022 Discontinued operations cents	2022 cents	2021 cents	2021 Discontinued operations cents	2021 cents
<b>Earnings per share:</b>						
Basic (loss)/earnings	<b>(10.7)</b>	<b>2.0</b>	<b>(8.8)</b>	(1.4)	1.8	0.4
Diluted (loss)/earnings	<b>(10.7)</b>	<b>2.0</b>	<b>(8.8)</b>	(1.4)	1.8	0.4
Basic after adjusting items	<b>11.1</b>	<b>3.1</b>	<b>14.2</b>	8.4	2.4	10.7
Diluted after adjusting items	<b>10.9</b>	<b>3.0</b>	<b>13.9</b>	8.3	2.3	10.6

## 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 lodged an appeal against the charging notices that did not defer the payment of the tax assessed.

The UK Government's appeal against the European Commission's decision was heard by the General Court of the European Union during October 2021 and on 8 June 2022 the General Court of the European Union ruled against the UK Government. The UK Government lodged a further appeal to the European Court of Justice during Q3 2022. As Elementis continues to consider that the appeal process will ultimately be successful, at 31 December 2022 an asset has been recorded within non-current assets in 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. The Group entered into a share purchase agreement with Yildirim Group during November 2022 to divest its Chromium operations; as part of that share purchase agreement the Yildirim Group will take on any future liability associated with the closure of the quarry. The transaction to divest the Chromium operations closed on 31 January 2023. Management's assessment is therefore that as at 31 December 2022 while 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 to determine a reliable estimate.

In August 2022 the Brazilian tax authorities opened a tax audit into the Group's Brazilian entity. The audit is focused on the customs classification code used since 2017 for one of the entity's imported raw materials. The potential exposure is \$3.1m. Management have obtained legal advice on the matter and, based on the advice received, management believes that the customs classification coding used is correct. Management therefore concluded that as at 31 December 2022 it is not probable that an outflow of economic resources will be required to settle the matter.

#### **9. Events after the balance sheet date**

On 1 January 2023 the Talc and Coatings segments merged to form a new segment called Performance Specialties.

On 31 January 2023 the Group completed the sale of its Chromium business to the Yildirim Group for an enterprise value of \$170m, of which total cash proceeds of \$119m were received.

On 31 January 2023 the Group repaid \$83m of its US dollar borrowings and €31.4m of its euro borrowings.

During February 2023 the Group was notified that the Administrative Court in Finland had revoked its permit for the expansion of mining operations at the Uutela mine located in Sotkamo, Finland. The permit was previously issued by the Finnish Safety and Chemicals Agency; the body empowered to issue such permits. The Group intends to appeal the decision. If the appeal were to be unsuccessful the impact would be to reduce the Talc ore available to the Group by approximately 6%.

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

## 10. Goodwill and other intangible assets

	2022 \$m	2021 \$m
Goodwill at 1 January	613.0	668.0
Exchange differences	(28.7)	(2.2)
Acquisitions	–	0.5
Disposals	–	(1.0)
Impairment	(103.4)	(52.3)
Goodwill at 31 December	480.9	613.0
Other intangible assets at 31 December	179.3	202.7
Total goodwill and intangibles at 31 December	660.2	815.7

The performance of the Talc business was adversely impacted in the second half of 2022 by a lower demand environment, global inflationary pressures, higher energy costs and the Russia/Ukraine conflict. These factors, as well as a reduction in the near term forecasted profitability of the Talc business and a rise in the pre-tax discount rate resulted in an impairment charge of \$103.4 million being recognised (2021: \$52.3m). Due to the currency in which the goodwill was held, this impairment also gave rise to a \$8.0 million (2021: \$0.8m) movement in exchange differences on translation of foreign operations within other comprehensive income.

The recoverable amount of \$244.6m (2021: \$440.7m) for the CGU was calculated using forecasted cash flows based on budgets and plans for 2023 to 2027, a pre-tax discount rate of 12.0% (2021: 10.0%), a long-term growth rate of 3.0% (2021: 3.0%), and revenue growth of between 4.1% and 12.8% (2021: 5.0% and 8.0%). The pre-tax discount rate is based on the geographies in which the Talc CGU operates. The increase in the pre-tax discount rate used in 2022 as compared to 2021, was primarily driven by the increase in risk-free rates and the pre-tax cost of debt. The long-term growth rates are supported by third party studies which consider the long-term growth prospects for the Talc industry. The revenue growth forecasts reflect market and independent data as well as management's estimates regarding medium term growth in the Talc industry. The movement in the revenue growth forecasts for 2022 as compared to 2021 reflects a steady recovery of the Talc business following the lower demand noted in the second half of 2022.

The high end of reasonably possible changes, all in isolation, would have the following impact: increasing the discount rate by 0.5% would result in a further impairment charge \$13.4m to amortising intangible assets; decreasing the long-term growth rate by 1.0% would result in a further impairment charge of \$17.5m to amortising intangible assets; and decreasing the forecasted revenue by 2.5%, yearly over each year in the 5 year forecasting model, would result in a further impairment charge of \$24.8m to amortising intangible assets.

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.

	2022 Profit and loss \$m	2021 Profit and loss \$m
<b>(Loss)/profit for the year</b>	<b>(51.1)</b>	<b>2.5</b>
Adjustments for		
Profit from discontinued operations	(11.5)	(10.4)
Finance income	(9.9)	(11.0)
Finance costs and other expenses	22.9	28.7
Tax charge	7.8	0.4
Depreciation and amortisation	56.6	58.3
Excluding intangibles arising on acquisition	(14.9)	(15.8)
Loss on disposal	–	1.7
Adjusting items before finance costs and depreciation	141.9	75.7
Adjusted EBITDA from continuing operations	141.8	130.1
Adjusted EBITDA from discontinued operations	31.3	28.4
Adjusted EBITDA from total operations	173.1	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 taxes paid or received, interest paid or received, pension contributions net of current service cost and adjusting items.

	2022 \$m	2021 \$m
Net cash flow from operating activities from total operations	77.0	66.7
Less: Capital expenditure	(47.1)	(52.4)
Add:		
Income tax paid or received	13.4	30.9
Interest paid or received	14.8	23.5
Pension contributions net of current service cost	1.0	0.1
Adjusting items – non cash	(0.1)	(13.2)
Adjusting items – cash	5.2	20.4
Adjusted operating cash flow from total operations	64.2	76.0



### Adjusted operating cash conversion

Adjusted operating cash conversion is defined as adjusted operating profit divided by adjusted operating cash flow plus provisions and share based payments.

	2022 \$m	2021 \$m
Operating profit after adjusting items from total operations	123.7	106.6
Operating cash flow	64.2	76.0
Add:		
Provisions and share based payments	3.6	(1.9)
	67.8	74.1
Adjusted operating cash flow conversion from total operations	55%	70%

### Contribution margin

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

	2022 \$m			2021 \$m		
	Continuing operations	Discontinued operations	Total operations	Continuing operations	Discontinued operations	Total operations
Revenue	736.4	185.0	921.4	709.4	170.7	880.1
Variable costs	(388.3)	(100.8)	(489.1)	(379.0)	(100.2)	(479.2)
Non variable costs	(49.2)	(34.2)	(83.4)	(41.4)	(24.6)	(66.0)
Cost of sales	(437.5)	(135.0)	(572.5)	(420.4)	(124.8)	(545.2)

### 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.

	2022 \$m	2021 \$m
Operating profit from total operations after adjusting items	123.7	106.6
Fixed assets excluding goodwill	654.5	722.1
Working capital	231.9	164.0
Operating provisions	(48.7)	(61.8)
Operating capital employed	837.7	824.3
Adjusted return on capital employed	15%	13%

### 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 on a pre-IFRS 16 basis.

	2022 \$m	2021 \$m
Revenue	921.4	880.1
Adjusted operating profit from total operations	123.7	106.6
Adjusted operating margin from total operations	13.4%	12.1%
Adjusted EBITDA from total operations	173.1	158.5
IFRS 16 adjustment	(7.1)	(6.8)
Adjusted EBITDA pre-IFRS 16	166.0	151.7
Net Debt*	366.8	401.0
Net Debt/EBITDA**	2.2	2.6

\* Net debt excludes lease liabilities.

\*\* Net Debt/EBITDA, where EBITDA is the adjusted EBITDA on total operations of the Group on a pre IFRS16 basis.

\*\*\*\*\*

### 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.