ELEMENTIS

A global specialty chemicals company

28 July 2020

ELEMENTIS plc
INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

Resilient performance in the face of COVID-19 related Q2 volume impacts

- Revenue down 14% (down 11% on an organic basis*) from $450m to $387m principally due to COVID-19 related impact on Q2 volumes across industrial end markets.
- Statutory loss after tax of $51m (June 2019 $40m profit) after $60m of non-cash goodwill impairments across Energy and Talc assets primarily as a result of COVID-19 impact. Adjusted operating profit down 34% (down 33% on an organic basis*) to $42m despite a resilient Coatings and Personal Care performance with cost savings, raw material cost benefits and steady price/mix offset by lower volumes.
- Net debt down by $55m from $509m (June 2019) to $453m ($454m at December 2019) representing a leverage[5] of 3.1x EBITDA vs recently relaxed covenant of 3.75x. The Group continues to have significant liquidity with over $300m immediately available.

Swift COVID-19 response and resilient global supply chain

- Prioritising the well-being of our people and continued supply to our customers; the Group's 22 global production sites have operated largely uninterrupted.
- Proactive cash and cost management. $10m of in-year COVID-19 response savings underway. Accelerated progress on $15m medium term efficiency programme; $5m in 2020 from 2019 organisation restructuring & $10m supply chain savings now expected one year earlier in 2021.

A strong business, well positioned for the delivery of sustainable growth and value creation

- Business fundamentals remain strong – a higher quality, advantaged portfolio with material growth and self-help opportunities.
- Progress on Innovation, Growth and Efficiency strategy to deliver medium term Group performance objectives. On track for over $30m of NBOs and 26 new product launches in 2020
- New 2030 targets for GHG emissions, energy efficiency, water usage in operations and waste reflect acceleration of sustainability agenda.

Modest sequential improvement from May. Expecting significant reduction in net debt in H2

- Modest sequential improvement in June and July trading from May volume trough.
- Focus on tight cost control and cash management continues. Expect to significantly reduce net debt by year end.

FINANCIAL SUMMARY

	Six months ended 30 June 2020	Six months ended 30 June 2019	% Change
Revenue	**$387m**	**$450m**	-14%
Statutory (loss)/profit for the period	**$(51)m**	**$40m**	-227%
Statutory basic (loss)/earnings per share[2]	**(8.8)c**	**6.9c**	-228%
Adjusted operating profit[1]	**$42m**	**$64m**	-34%
Adjusted profit before tax[1]	**$28m**	**$49m**	-42%
Adjusted diluted earnings per share[2]	**3.5c**	**6.5c**	-46%
Operating cash flow[3]	**$28m**	**$62m**	-55%
Net debt[4]	**$453m**	**$509m**	-11%
Ordinary dividend per share	**–**	**2.80c**	**–**

Business performance overview

- **Personal Care** revenue flat on an organic basis* (down 11% on a reported basis) at $90m. Adjusted operating profit down 11% on organic basis* (down 13% on a reported basis) to $20m, representing a 22.4% margin.
  - Continued volume momentum in AP Actives (double digit growth y-o-y) offset by modest COVID-19 related decline in Cosmetics and gypsum dental plant disposal.
  - Margins robust at 22.4%, broadly stable on prior year. Decline in operating profit driven by mix impact of relatively softer Cosmetics volumes.
- **Coatings** revenue down 7% on a constant currency basis (9% on a reported basis), from $164m to $148m. Adjusted operating profit of $23m marginally down on prior year ($24m), with adjusted operating profit margins up from 14.6% to 15.5%.
  - Weak Q2 volumes in industrial coatings across all geographies; deco more resilient. Price/mix improved and good customer momentum in growth platforms.
  - Margin improvement reflective of transformation programme benefits and improved product portfolio.
- **Talc** revenue down 16% on constant currency basis to $61m (18% on a reported basis). Adjusted operating profit down 37% on constant currency basis (40% on a reported basis) to $6m, with margins down from 14.0% to 10.2%.
  - Following a solid Q1, revenue impacted by significant Q2 volume weakness in European automotive and paper markets as a result of COVID-19 related customer plant shutdowns.
  - Margins impacted by volume deterioration and lower fixed cost absorption.
- **Chromium** revenue down 12% to $78m. Adjusted operating profit down 72% to $3m.
  - Performance impacted by weak Q2 industrial demand, customer plant shutdowns and lower year on year pricing in rest of the world business. North American pricing and margins resilient.
  - Margins down from 12.7% to 4.0% due to lower volumes and weaker pricing.
- **Energy** revenue down 50% to $14m. Adjusted operating loss of $2m (H1 2019: $3m operating profit).
  - Profitability impacted by significantly weaker volumes due to lower oil prices and reduced drilling activity, particularly in North America.

Commenting on the results, CEO, Paul Waterman said:

"After a good start to the year, we have faced challenging conditions across all our businesses in the second quarter due to the impact of COVID-19.

Our focus has been to safeguard the health and wellbeing of our employees and to continue to provide a reliable service to our customers. I am proud of the dedication of our people and the resilience of our global supply chain which has operated largely uninterrupted. We have also taken immediate actions to optimise profit performance and cash delivery, while continuing to implement our strategy so that we emerge from this crisis well positioned for future value creation.

In recent years we have focused Elementis on high quality, high margin activities in Personal Care, Coatings and Talc. Despite the uncertainties of the current market environment, these businesses have enduring positions of strength in structural growth markets and we remain well positioned to deliver on our medium term financial ambitions which will drive significant profitable growth and deleveraging."

Further information

A virtual presentation for investors and analysts will be held at 09:30 BST on 28 July 2020. The presentation will be webcast on www.elementis.com. Conference call dial in details:

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Notes:
* Adjusted for constant currency and M&A. See Finance Report.
1 - See note 5
2 - See note 9
3 - See Finance report
4 - See note 12
5 - See unaudited pro forma information

– ENDS –

Business review

CEO's report

The first six months of 2020 has posed unprecedented challenges for our employees, customers and shareholders. We have responded by focusing on the safety of our workforce, maintaining reliable supply to our customers and optimising our financial performance. While a solid first quarter was followed by a significantly weaker second quarter due to COVID-19, we have made strategic progress to position the business for long term success.

COVID-19 response

The COVID-19 pandemic and the global measures being taken to mitigate its impact have resulted in significant change for our employees, customers and shareholders. We have had an executive team in place to manage our response and I am extremely proud of how the business has reacted.

Our top priority is to do the right thing for our staff, in the knowledge they will look after our customers. Since mid-March the majority of our office based staff, representing approximately 25-30% of our workforce at the peak, have been successfully working from home, enabled by recent technology investments. At our 22 global manufacturing plants, comprehensive social distancing and safety measures have helped to keep our people safe. Enhanced employee communications and well-being resources have ensured continued close collaboration across the organisation.

We have continued to provide a reliable service for our customers. With the exception of short temporary closures at two sites in China and one site in Brazil, the company's production sites have operated well with no raw material shortages. This resilience is partly reflective of recent operating changes; for instance reducing our single sourced raw materials from 40% in 2016 to 25% today. It is also a credit to our people who have worked tirelessly with suppliers, logistics partners and customers to ensure adequate plans are in place for all contingencies. Furthermore, we have continued to support our partners' innovation efforts through the delivery of virtual innovation and technical support sessions to over 7,000 customer employees around the world.

We have also taken swift and decisive action to reduce costs, conserve cash and strengthen our balance sheet. While the Group has benefited from $5m of head count related cost actions taken in late 2019, and accelerated progress towards our $10m of supply chain savings, short term mitigation has focused on the cessation of discretionary expenditure in areas such as marketing and travel. This is anticipated to save approximately $10m in 2020. Co-ordination between our supply chain, sales and finance teams has been strong, and as a result we are well positioned to deliver $7m of further sustainable working capital savings in 2020. In addition, as previously announced, given the market and economic uncertainties, the Group has taken two steps to provide additional financial headroom and preserve cash:

- First, Elementis has secured a relaxation of its banking covenants from 3.25x to 3.75x net debt/EBITDA** which will apply for the two testing periods of 30 June 2020 and 31 December 2020.

- Second, the 2019 final dividend of 4.4487 pence per share (c. $33m in total) was suspended in March 2020 and the Board has decided not to declare an interim dividend for 2020.

These actions are to ensure we conserve cash and remain well positioned for long-term success.

Group performance

Personal Care

In the six months to 30 June 2020, Personal Care revenue was flat on an organic basis* with growth in AP Actives offset by weaker Cosmetics performance. Revenue fell 11% on a reported basis to $90m due to the disposal of a dental gypsum plant at the end of 2019 and foreign exchange headwinds. In Cosmetics, market conditions for our primary end market of premium colour cosmetics were challenging as COVID-19 related lockdowns weakened category sales. In AP Actives, constant currency revenue was slightly ahead of the prior year with double digit volume growth offset by weaker price/mix, in line with our strategy to grow market share ahead of the startup of our new facility in India. While the startup has been delayed by 6 months to

mid-2021, due to COVID-19 related factors, it will materially improve our competitiveness through the mitigation of tariffs, reduced production costs and improved access to growth markets in Asia.

Adjusted operating profit for Personal Care declined 11% on an organic basis* and 13% on a reported basis to $20m, with adjusted operating margins robust at 22.4%. The decline in adjusted operating profit was primarily driven by the mix impact of relatively softer Cosmetics volumes.

Coatings
In Coatings, revenue fell 7% on a constant currency basis, and 9% on a reported basis to $148m. While performance in the first quarter was good with solid volume growth, the second quarter was notably weaker as COVID-19 related lockdowns impacted volumes. All regional performance commentary is on a constant currency basis unless otherwise stated.

- Americas revenue fell 5% on the prior year period. In the US, decorative coatings had a strong start to the year as households took the opportunity to undertake renovation projects and our premium RHEOLATE® HX rheology series continued to build customer momentum. Revenue from industrial coatings was lower with double digit volume declines in the second quarter due to notable weakness in the automotive and construction markets. Sales in Latin America were materially impacted by the challenging macroeconomic environment particularly in Brazil.
- In Asia, where over 80% of our sales come from industrial coatings, revenue declined by 7% with volume weakness in the second quarter due to customer destocking, primarily in areas intended for export, offsetting improved pricing and mix. Activity levels were weak across all countries in Asia, with some markets such as India particularly impacted by the shutdown of the domestic chemicals industry.
- EMEA revenue fell 10% on the prior year period. Industrial coatings volumes declined 16% in the period, reflective of weak activity across automotive and industrial machinery end markets. Decorative coatings were broadly stable with good DIY demand offset by weaker professional activity.

Despite the decline in revenue, adjusted operating profit fell only 1% on a constant currency basis (4% decline on a reported basis) to $23m with weaker volumes offset by transformation savings, route to market optimisation and improved mix through our value focused product portfolio. As a result, adjusted operating profit margins increased from 14.6% to 15.5%. The Coatings transformation programme has created an integrated and more customer centric organisation that is well positioned for future success.

Talc
While pricing in Talc remained stable, revenue fell by 16% on a constant currency basis (18% decline on a reported basis) to $61m with lower volumes primarily in the second quarter. Revenue from industrial talc customers (c.80% of Talc sales) declined 10% on a constant currency basis, with weakness in plastics and technical ceramics due to COVID-19 related automotive plant shutdowns. Sales to coatings customers were broadly stable on the prior year period, reflective of market share gains. While sales to paper customers are anticipated to decline in the medium term, they fell at an accelerated rate in the first half due to weak graphic paper demand and temporary plant shutdowns.

Adjusted operating profit fell by 40% on a reported basis and 37% on a constant currency basis to $6m. Of the reported $4m year on year decline in adjusted operating profit, $1m was due to adverse foreign exchange movements and $3m was primarily a result of weaker volumes.

Chromium
Revenue in the period was $78m, down 12% on 2019 due to weak volumes and continued pricing pressure. Owing to COVID-19 related plant shutdowns, demand declined across a range of industrial end markets including automotive, aerospace and leather tanning. As a result, global chromium industry capacity utilisation fell below 70% with deflationary pricing pressure primarily impacting our sales outside of North America. Within North America, Chromium continues to enjoy a strong competitive advantage due to our position as the only producer in the region and our unique delivery system that generates significant operational and safety benefits for our customers.

Adjusted operating profit for the first six months of the year was $3m, down 72% versus the prior year period due to lower volumes and weak pricing outside of North America. Adjusted operating profit margin declined from 12.7% to 4.0%.

Energy
In the first six months of the year, Energy revenue declined by 50% to $14m, with stable pricing offset by weak drilling volumes. In North America, which accounts for approximately 75% of the Energy segment revenue, rig counts fell approximately 50% on the prior year period reflective of the decline in oil prices.

Adjusted operating profit declined to a loss of $2m (2019 H1 profit of $3m) due to the fall in volumes and lower fixed cost absorption.

Balance sheet
At the end of June 2020 net debt fell $55m on the prior year period (30 June 2019: $509m) to $453m as a result of robust underlying cash generation, representing a net debt to adjusted EBITDA ratio** of 3.1x (2.8x at 30 June 2019). Net debt was broadly stable on December 2019 ($454m), with resilient earnings and capital expenditure discipline offset by a temporary working capital outflow. Strong underlying cash generation, supported by the delivery of $7m of sustainable working capital improvements, is expected to drive a significant reduction in net debt in the second half of 2020. Non cash goodwill impairments of $60.7m have been recognised in the period.

Interim dividend
We recognise the importance of a dividend to our shareholders. However, given the COVID-19 related macroeconomic uncertainty and low demand visibility the Board has decided it is prudent to preserve cash and will not be declaring an interim dividend for 2020. The Board will keep future dividends under review and will restart payments when it is appropriate to do so.

Strategic progress
Over the last three years significant progress has been made transforming our portfolio and re-positioning Elementis as a premium performance additives company with advantaged positions in growing markets. Personal Care, Coatings and Talc represent over 80% of Elementis' earnings, and in each we see clear opportunities to grow.

Whilst COVID-19 represents an immediate headwind that has occupied significant management time and attention, our strategic pillars of Innovation, Growth and Efficiency remain and execution against our priorities in these areas will deliver our medium term performance objectives of:

- An adjusted operating profit margin of 17%
- Cash conversion of 90% plus
- Financial leverage of under 1.5x net debt/EBITDA

1. Innovation

Innovation is at the heart of what we do. We are a global leader in performance-driven additives that create innovative solutions for our customers. While COVID-19 has reduced the physical time spent in laboratories with our customers, we have continued to deliver innovation excellence via virtual interaction. Starting with our established customer relationships and leveraging digital platforms, we have delivered virtual training and technical workshops to over 7,000 employees at 400 customers in 60 countries around the world. This innovation support has allowed our customers to grow and develop their industry and application knowledge even while working remotely.

We deliver distinctive technologies to our customers. This means solutions that improve performance and lower operational costs, while at the same time enhancing our customers' sustainability credentials. At the end of June 2020, 45% of our product portfolio delivered against all of these priorities, stable on 2019 and with room to grow towards our target of 60% by 2025.

The improved penetration of our differentiated technologies has been particularly encouraging in Coatings, where our growth platforms rose 3% in the first half 2020. New castor wax based organic thixatropes (THIXATROL® AS80) gained share in the hybrid adhesives and sealants market through delivery of improved adhesion, lower temperature activation and sustainability benefits. Likewise in premium decorative coatings, our new RHEOLATE® HX series of thickeners is delivering enhanced stain resistance and application benefits, in preservative free and powder formats. For customers this means better performance, compliance with new regulations and improved sustainability claims.

While differentiated innovation is crucial, we also want to deliver more new products. In the first half of 2020, revenue from new and protected products was 11%, broadly in line with 2019. Our goal is for 15% of our sales to come from new or protected products, and our innovation pipeline is well positioned to deliver this. In the second half of 2020, we plan to launch 21 new products delivering solutions to customers in natural personal care ingredients, waterborne industrial coatings and recyclable food packaging.

2. Growth

Today over 80% of Elementis' earnings are generated by Personal Care, Coatings and Talc. The value chains across these segments are similar, transforming advantaged and long life hectorite and talc resources into high value additives via distinctive processing formulation expertise, as well as consistent product quality. While the first six months of 2020 has presented challenges for the Group, we have continued to execute against our growth objectives which will set us up for long term success.

In Personal Care, there are major opportunities for our hectorite clay based ingredients. Despite strong recent growth in Asia, with over 20% average annual growth in the last four years, we remain relatively underweight with the region representing around 20% of our global sales. To drive further progress we have recently invested in new sales and marketing personnel, and are continuing to build our dedicated technical support for the region from Shanghai. Skin care is a new and attractive market for our natural solutions, and our recently launched BENTONE® LUXE and HYDROCLAY™ ingredients continue to receive encouraging customer feedback and exhibit strong early sales momentum.

In Talc, we are the second largest global player and with a specific focus on high value industrial applications. While automotive plant shutdowns have represented a material short term headwind in the first six months of 2020, there are clear medium term growth opportunities for Talc supported by structural mega-trends. Vehicle light weighting, emissions regulations and reduced single use plastic consumption are expected to drive strong sustainable demand for our Talc. In the first half of 2020, we captured new business opportunities in long life plastics across Asia and rolled out new products such as barrier coatings for recyclable food packaging; this will drive future value creation. We have also made progress towards our goal of $20-25m revenue synergies. Through leveraging Elementis' global marketing, distribution and innovation capabilities, our sales in China grew over 20% in the first half and we won new business in South America with a leading global Coatings company.

Finally, our Coatings transformation programme has created an integrated, simpler and more customer centric organisation with operating margins around 16%, despite the COVID-19 related slowdown. Key global accounts continue to appreciate our reliability and innovation led approach, and our Coatings organisation has a strong new business focus, with $10m of opportunities captured in the first half, and more in the pipeline. This has been enabled by a differentiated product portfolio focused on high margin, structural growth opportunities in premium decorative, waterborne industrial additives and hybrid adhesives and sealants. Coatings is well positioned for future success.

3. Efficiency

We know where and how we want to grow, and our Efficiency programme is focused on ensuring we grow at the lowest operating cost. While we have identified and taken actions to deliver $10m of temporary short term savings from our COVID-19 response actions in 2020, we have also made good progress to accelerate the delivery of $15m of medium term efficiency savings.

In first half of 2020 we successfully embedded our organisational redesign. This process started with our transformed business portfolio and an analysis to determine whether our existing global structure was appropriate. The result is an alignment of job levels on a global basis and bigger reporting spans with fewer layers, promoting faster decision making and a more efficient execution. These actions, taken at the end of 2019, have resulted in a lower headcount of approximately 100 full-time employees and are delivering $5m of savings in 2020.

A further $10m of efficiency gains are anticipated to come from our global supply chain, through our new Indian manufacturing facility, volume reallocation across our asset footprint, efficiency gains in Chromium and procurement improvements. Although the startup of the India plant has been delayed by six months to

H1 2021 due to the COVID-19 related shutdown of the Indian chemicals industry, given the scale of the opportunity we see throughout our supply chain the delivery of $10m savings is now anticipated to arrive one year early in 2021.

As a result of recent portfolio changes we have reduced our total capital expenditure and increased the proportion allocated to productivity and growth, while spending appropriately to ensure ongoing safety improvements and reliability. To ensure we leverage every opportunity to reduce our environmental footprint, sustainability is at the forefront of all investment decisions. In India, our new site is based on a closed loop production system, meaning we are as efficient and low environmental impact as possible. The ultimate goal is for our operations to be carbon neutral. This is appropriate from an efficiency and an environmental perspective, and our new 2030 sustainability targets are a step towards this.

Another key enabler of our efficiency and simplification drive is our digital implementation programme. Whilst 2019 witnessed significant improvement in our ability to identify new customers, we have made progress on how we optimise the customer journey. Our website and digital tool-set are e-commerce ready and in the second half of 2020 we will roll out integrated systems to deliver seamless online lead-to order fulfilments cycles for customers. This will result in an improved customer experience, more efficient responses and it will help us capture our best growth opportunities. Last, it should be noted that our ability to remotely manage Elementis through COVID-19 has been underpinned by the digital investments made over the past 5 years.

Outlook

Looking forward we see significant potential for Elementis. We have a clear, focused strategy and will pursue our key growth and efficiency initiatives, and continue to innovate for high margins and distinctiveness.

Moving into the second half of the year, while near term demand visibility remains limited and business uncertainty elevated (see page 12), we have seen a modest sequential demand improvement from the trough in May as countries begin to emerge from lockdown and industrial production improves. Nonetheless, we are focused on what we can control, namely tight cost and cash management. In 2020, the delivery of $15m of cost and $7m of working capital savings, will optimise earnings and help to significantly reduce our net debt at the year end.

Notes:

Where we refer to adjusted performance measures (e.g. adjusted operating profit), see note 5.
Where we refer to constant currency, see Finance report.
* Adjusted for constant currency and M&A. See Finance report.
** Excluding the impact of IFRS 16

Finance report

Revenue for the six months ended 30 June	Revenue 2019 $m	Effect of exchange rates $m	Impact of M&A** $m	Increase/ (decrease) 2020 $m	**Revenue 2020 $m**
Personal Care	100.7	(1.5)	(9.7)	0.3	**89.8**
Coatings	163.5	(3.7)	–	(11.6)	**148.2**
Talc	74.5	(1.6)	–	(12.0)	**60.9**
Chromium	88.3	–	–	(10.8)	**77.5**
Energy	27.9	(0.1)	–	(13.8)	**14.0**
Inter-segment	(5.2)	–	–	1.3	**(3.9)**
Revenue	449.7	(6.9)	(9.7)	(46.6)	**386.5**

Adjusted operating profit for the six months ended 30 June	Adjusted operating profit* 2019 $m	Effect of exchange rates $m	Impact of M&A** $m	Decrease 2020 $m	**Adjusted operating profit* 2020 $m**
Personal Care	23.2	(0.5)	(0.2)	(2.4)	20.1
Coatings	23.9	(0.7)	–	(0.2)	23.0
Talc	10.4	(0.6)	–	(3.6)	6.2
Chromium	11.2	–	–	(8.1)	3.1
Energy	3.1	–	–	(5.5)	(2.4)
Central costs	(7.7)	0.3	–	(0.6)	(8.0)
Adjusted operating profit	64.1	(1.5)	(0.2)	(20.4)	42.0

* See note 5
** M&A includes the sale of a non core gypsum plant (part of the Dental business)

Group results

Group revenue for the first six months of 2020 was $386.5m, compared to $449.7m in the same period last year, a decrease of $63.2m (14.1%), or 10.8% excluding currency and M&A movements. The decrease in revenue is principally due to the impact of COVID-19 on second quarter volumes across industrial end markets and the sale of a non core gypsum plant (part of the Dental business).

Group adjusted operating profit was $42.0m, compared to $64.1m in the same period last year, a decrease of 34.5%, and 32.9% excluding currency movements with lower revenues principally due to COVID-19 partially offset by cost savings. Reported operating profit declined from $63.8m in the prior year period to a loss of $35.2m as a result of lower underlying earnings and $60.3m of non-cash goodwill impairments in the Energy and Talc segments. The goodwill impairments are discussed in more detail in adjusting items.

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 2020 was primarily due to an increase in the holiday accrual as a result of COVID-19.

Adjusting items

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

	2020 Six months ended 30 June $m	2019 Six months ended 30 June $m	2019 Year ended 31 December $m
Charge/(credit)			
Adjusting items:			
Restructuring	**–**	–	5.1
Business transformation	**2.2**	–	2.5
Environmental provisions	**4.0**	–	4.9
Business disposal activities	**1.1**	–	–
Amortisation of intangibles arising on acquisition	**9.6**	9.3	18.6
Impairment of goodwill	**60.3**	–	–
Release of contingent consideration	**–**	(9.0)	(9.0)
Total charge to operating profit	**77.2**	0.3	22.1
Sale of Dental plant	**–**	–	9.0
Charges to finance costs:			
Mark to market of derivatives	**2.6**	–	1.4
Currency hedge due to dividend cancellation	**1.8**	–	–
Tax credit in relation to adjusting items	**(10.5)**	(2.3)	(6.1)
Total adjusting items	**71.1**	(2.0)	26.4

In the first half of 2020, $77.2m of charges to operating profit were classified as adjusting items. Of these items, $60.3m relates to the impairment of goodwill held in the Energy and Talc businesses. As a result of the currently low oil price and the expected ongoing challenging outlook for the Energy sector, in particular the North American shale market, all of the remaining goodwill held in the Energy operating segment has been impaired ($26.9m). In Talc, while the business fundamentals are unchanged and the medium term growth outlook attractive, a goodwill impairment of $33.4m has been recognised due to a higher weighted average cost of capital and the significant impact of COVID-19 on wider industrial activity and the near term profitability of the business.

Of the remaining adjusting items charged to operating profit $9.6m relates to the amortisation of intangibles arising on acquisitions. Business transformation costs of $2.2m relate to previously initiated programmes to optimise our supply chain, manufacturing footprint and organisational structure. Costs incurred as part of business disposal activities amounted to $1.1m, whilst charges of $3.1m and $0.9m relate to the impact of a change in discount rates on the environmental provision and additional remediation work identified.

The charges to finance costs include $2.6m for movements in market to market valuation of financial instruments which are not in hedging relationships and $1.8m due to currency hedge cancellations following the suspension of the 2019 final ordinary dividend.

An explanation of other adjusting items relating to the previous period can be found within the Finance report of the 2019 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 $0.9m in the period compared to $1.0m in the previous year.

Net finance costs

	30 June 2020 $m	30 June 2019 $m
Finance income	**0.3**	0.3
Finance cost of borrowings	**(11.5)**	(12.7)
	(11.2)	(12.4)

Net pension finance expense	**(0.3)**	(0.3)
Unwind of discount on provisions	**(0.6)**	(0.6)
Fair value movement on derivatives	**(2.6)**	–
Dividend currency hedge cancellation	**(1.8)**	–
Interest on lease liabilities	**(0.8)**	(0.9)
Net finance costs	**(17.3)**	(14.2)

Net finance costs for the first six months of the year of $17.3m were $3.1m higher than the same period last year. Within this total, net interest costs were $1.2m lower at $11.2m due mainly to the lower average levels of borrowing across the period. Net pension finance costs, 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 charged to finance costs along with the charge incurred on reversal of the currency hedge following the cancellation of the 2019 final ordinary dividend.

Tax

The Group reports an adjusted tax charge for the first half of 2020 of $8.0m (2019: $10.7m); giving rise to an adjusted effective tax rate of 28.5% (2019: 21.9%). The adjusted effective tax rate is higher than the prior year due to the one-off impact of withholding taxes incurred on the repatriation of profits from China, combined with downward pressure on the Group's earnings as a result of COVID-19.

Tax on adjusting items for the first half of 2020 amounts to a credit of $10.5m (2019: $2.3m); resulting in a total statutory tax credit for the period of $2.5m (2019 charge of $8.4m) and a reported effective tax rate of 4.6% (2019: 17.3%).

For the full year 2020, we currently forecast an adjusted effective tax rate of around 26%. Our medium term P&L tax rate guidance remains around 22%.

Earnings per share

Statutory basic loss per share was 8.8 cents for the period compared to basic earnings per share of 6.9 cents in the prior period.

Basic adjusted and diluted adjusted earnings per share for the first half of 2020, calculated on the adjusted earnings of $20.2m (2019: $38.2m), were 3.5 cents and 3.5 cents respectively compared to 6.6 cents and 6.5 cents 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 2020 $m	30 June 2019 $m
Profit before interest, tax, depreciation and amortisation (Adjusted EBITDA)*	**67.2**	85.4
Change in working capital	**(23.5)**	1.0
Capital expenditure	**(15.5)**	(23.1)
Other	**(0.3)**	(1.6)
Operating cash flow	**27.9**	61.7
Pension payments	**0.3**	(0.3)
Interest and tax	**(15.6)**	(11.7)
Adjusting items	**(7.0)**	(28.7)
Payment of lease liabilities	**(3.0)**	–
Free cash flow	**2.6**	21.0
Dividends	**–**	(32.8)
Currency fluctuations	**(1.6)**	1.3
Decrease/(increase) in net debt	**1.0**	(10.5)
Net debt at start of period	**(454.2)**	(498.1)
Net debt as at end of period	**(453.2)**	(508.6)

* See unaudited pro forma information

Net debt in the first six months of $453.2m, was broadly stable on the 2019 year end position of $454.2m, and down $55.4m on 30 June 2019. Operating cash flow in the period fell by $33.8m to $27.9m with lower earnings and a working capital outflow partially offset by reduced capital expenditure.

Capital expenditure in the period was $15.5m, $7.6m lower than the previous year. Capital spending for the year as a whole is expected to be approximately $45m (2019: $47m), with just over 50% of the spend allocated to growth and productivity projects including our plant in India, a new ball mill in Vuonos and the automation of control systems at our hectorite mine in Newberry.

There were no pension deficit payments in the period (2019: nil), a result of the September 2017 triennial review of the UK pension scheme concluding that no cash top up payments are required from Elementis until at least 2021. Interest and tax payments in the period were $3.9m higher than the previous year, mostly due to one off US tax refunds received in the first half of 2019.

Dividend payments were zero in the first six months of 2020, compared to $32.8m in the prior year period, following the Board's decision to suspend the 2019 final dividend in light of the macroeconomic uncertainties associated with COVID-19 and a desire to preserve cash.

Overall the Group had a net debt position on its balance sheet of $453.2m, representing a net debt to EBITDA ratio (pre IFRS 16) of 3.1x (2.7x at December 2019), and access to significant liquidity, with over $300m immediately available through cash on the balance sheet (c.$100m) and undrawn credit facilities (c.$200m). Following the 12 month covenant relaxation agreed with our lenders in March 2020, the current provision in our banking arrangements is for the net debt/EBITDA covenant to step down from 3.75x at present to 3.25x in June 2021. Under all potential future trading scenarios our assessment shows the Group has sufficient liquidity in place, assuming continued access to facilities and ability to operate within its financial covenants. However, under a possible but not probable, most severe downside scenario, the Group is not expected to remain within its financial covenants throughout the going concern period without an extension of the current covenant relaxation into future periods. Under this downside scenario, which arises due to risks over levels of future revenue, the Group will have to secure an extension of the current Net Debt/EBITDA covenant relaxation for the testing date of 30 June 2021. The directors consider this possibility to constitute a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Further details are in note 3 to the condensed financial statements. The Group remains highly profitable (excluding non-cash adjusting items) with strong market positions and continues to engage constructively with its lending banks.

Working capital

Working capital days	**30 June 2020**	30 June 2019	31 December 2019
Inventory	**105**	106	97
Debtors	**50**	44	39
Creditors	**79**	63	66
Average working capital to sales (%)	**23.2**	22.2	22.4

Total working capital for the Group was $23.5m lower than at the end of June 2019. The primary driver of this decrease is 14% lower reported sales in the first half of 2020 compared to the prior year period, and subsequently lower trade receivables. Inventory days remained broadly stable at 105 as a result of active stock management during a period of relatively low sales. Debtor days increased from 44 to 50 days, reflective of a tougher working capital environment as many customers sought to further optimise their own working capital positions. Creditor days increased to 79 days from 63 in June 2019 due to the timing of raw material purchases and payments.

Balance sheet

	30 June 2020 $m	30 June 2019 $m	31 December 2019 $m
Property, plant and equipment	**502.4**	522.2	513.6
Other net assets	**784.2**	903.9	846.8
Net debt	**(453.2)**	(508.6)	(454.2)
Equity	**833.4**	917.5	906.2

Property, plant and equipment decreased by $19.8m compared to the value at 30 June 2019 as a result of depreciation of $70.4m for the 12 months running ahead of capital expenditure of $39.7m. Other net assets decreased by $119.7m as a result of the $60.3m impairment of goodwill held in the Energy and Talc businesses, $18.9m amortisation of acquired

intangibles, a reduction in working capital of $23.5m, the sale of a non-core gypsum plant ($7.8m) and small movements in lease liabilities and deferred tax assets.

Equity decreased by $84.1m as a result of a statutory loss in the intervening period of $44.7m, dividends of $16.5m and $18.9m due to exchange rates. The remainder of the movement relates primarily to actuarial movements on pensions and share based payment provisions.

The main dollar currency exchange rates as at 30 June 2020 and average rates in the period were:

	2020 30 June	**2020 Average**	2019 30 June	2019 Average
Sterling	**0.81**	**0.79**	0.79	0.77
Euro	**0.89**	**0.91**	0.88	0.89

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 2020	7.4	(15.9)	(8.6)	**(17.1)**
Current service cost	(0.3)	(0.5)	(0.1)	**(0.9)**
Contributions	0.1	0.3	0.2	**0.6**
Administration costs	(0.6)	(0.2)	(0.1)	**(0.9)**
Net interest expense	–	(0.2)	(0.1)	**(0.3)**
Actuarial (loss)/gain	13.0	(10.1)	–	**2.9**
Currency translation difference	(0.2)	–	–	**(0.2)**
Net surplus/(deficit) in schemes at 30 June 2020	**19.4**	**(26.6)**	**(8.7)**	**(15.9)**

During the period the deficit, under IAS 19, on the Group's pension and post-retirement medical plans improved by $1.2m to $15.9m. During the first six months of 2020 the UK scheme had an annualised return of 14% (2019: 16%), liabilities increased by 3% (2019: increase by 8%) and the net surplus increased by $12.0m. This movement was driven by the strong scheme asset performance more than offsetting an increase in liabilities due a fall in the discount rate over the period. Within the US schemes the net deficit increased by $10.7m mainly due to a decrease in the discount rate. Contributions in the period totalled $0.6m (2019: $0.8m), remaining low following the funding agreement reached with the UK Trustees after the September 2017 triennial valuation under which top up contributions are no longer required for a period of at least three years.

Government assistance

The Group has taken advantage of limited assistance provided by governments such as the NOW 2.0 wage subsidy programme in the Netherlands and the CARES act in the US to defer payroll tax payments. The support from these schemes has not had a material impact on the results.

Cautionary statement

The Elementis plc interim results announcement for the half year ended 30 June 2020, 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 2020, 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 2020) (altogether 'Half yearly financial report'), contains information which viewers or readers might consider to be forward looking statements relating to or in respect of the financial condition, results, operations or businesses of Elementis plc. Any such statements involve risk and uncertainty because they relate to future events and circumstances. There are many factors that could cause actual results or developments to differ materially from those expressed or implied by any such forward looking statements. Nothing in this Half yearly financial report should be construed as a profit forecast.

Related party transactions

There were no material related party transactions entered into during the first half of the year and there have been no material changes to the related party transactions disclosed in the Company's 2019 Annual report and accounts on page 155.

Directors' responsibility statement

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

The Directors confirm that to the best of their knowledge:

- The condensed set of financial statements set out in this Half-yearly financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.
- The condensed set of consolidated financial statements, which has been prepared in accordance with the applicable set of accounting standards, gives a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer, or the undertakings included in the consolidation as a whole as required by DTR 4.2.4R; and
- The interim management report contained in this Half-yearly financial report includes a fair review of the information required by:
  - DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of the important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year.
  - DTR 4.2.8R of the Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in related party transactions described in the 2018 Annual report and accounts that could have a material effect on the financial position or performance of the entity during the first six months of the current financial year.

Approved by the Board on 28 July 2020 and signed on its behalf by:

Paul Waterman
CEO
28 July 2020

Ralph Hewins
CFO
28 July 2020

INDEPENDENT REVIEW REPORT TO ELEMENTIS PLC

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2020 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated cash flow statement, the condensed consolidated statement of changes in equity, and related notes 1 to 15. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

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

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Material uncertainty related to going concern

We draw attention to note 3 in the financial statements, which indicates that access to the group's revolving credit facilities is dependent on the group operating within its financial covenants. The Board has considered potential downside scenarios which model varying impacts of short and long term macroeconomic impacts and consequences of Covid-19. Under the Board's most severe downside forecast cash flow scenario, which the Board consider is possible but not probable, the group would have to secure an extension of the current Net Debt/EBITDA covenant relaxation for the testing date of 30 June 2021. As stated in note 3, these events or conditions, along with the other matters as set forth in note 3 to the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Use of our report

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

Deloitte LLP
Statutory Auditor
London, United Kingdom
28 July 2020

Condensed consolidated income statement for the six months ended 30 June 2020

	Note	**2020 Six months ended 30 June $m**	2019 Six months ended 30 June $m	2019 Year ended 31 December $m
Revenue	4	**386.5**	449.7	873.6
Cost of sales		**(254.9)**	(285.6)	(552.2)
Gross profit		**131.6**	164.1	321.4
Distribution costs		**(55.3)**	(64.5)	(127.3)
Administrative expenses		**(111.5)**	(35.8)	(93.2)
Operating (loss)/profit	4	**(35.2)**	63.8	100.9
Loss on disposal		**–**	–	(9.0)
Other expenses		**(0.9)**	(1.0)	(1.5)
Finance income	6	**0.3**	0.3	0.4
Finance costs	7	**(17.6)**	(14.5)	(29.8)
(Loss)/profit before tax	4	**(53.4)**	48.6	61.0
Tax	8	**2.5**	(8.4)	(14.6)
(Loss)/profit for the period		**(50.9)**	40.2	46.4
Attributable to:				
Equity holders of the parent		**(50.9)**	40.2	46.4
(Loss)/earnings per share				
Basic (cents)	9	**(8.8)**	6.9	8.0
Diluted (cents)	9	**(8.7)**	6.8	7.9

Condensed consolidated statement of comprehensive income for the six months ended 30 June 2020

	2020 Six months ended 30 June $m	2019 Six months ended 30 June $m	2019 Year ended 31 December $m
Profit for the period	**(50.9)**	40.2	46.4
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gain on pension and other post retirement schemes	**2.9**	0.7	(11.1)
Deferred tax associated with pension and other post retirement schemes	**(0.3)**	(0.2)	1.3
	2.6	0.5	(9.8)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	**19.5**	5.6	(23.9)
Effective portion of change in fair value of net investment hedges	**(39.6)**	(6.5)	27.5
Recycling of deferred foreign exchange losses on disposal	**–**	–	0.4
Effective portion of changes in fair value of cash flow hedges	**(2.7)**	(2.4)	(2.8)
Fair value of cash flow hedges transferred to income statement	**0.1**	(0.3)	–
Exchange differences on translation of share options reserves	**(3.7)**	–	2.7
	(26.4)	(3.6)	3.9
Other comprehensive income, net of tax	**(23.8)**	(3.1)	(5.9)
Total comprehensive income for the period	**(74.7)**	37.1	40.5
Attributable to:			
Equity holders of the parent	**(74.7)**	37.1	40.5
Total comprehensive income for the period	**(74.7)**	37.1	40.5

Condensed consolidated balance sheet at 30 June 2020

	2020 30 June $m	2019 30 June $m	2019 31 December $m
Non-current assets			
Goodwill and other intangible assets	**870.0**	966.4	958.1
Property, plant and equipment	**502.4**	522.2	513.6
ACT recoverable	**2.0**	4.9	4.8
Deferred tax assets	**28.2**	24.4	28.2
Retirement benefit surplus	**19.4**	19.2	7.4
Total non-current assets	**1,422.0**	1,537.1	1,512.1
Current assets			
Inventories	**172.0**	178.3	168.7
Trade and other receivables	**123.5**	151.9	117.9
Derivatives	**0.1**	–	0.1
Current tax asset	**2.5**	3.0	2.5
Cash and cash equivalents	**102.0**	87.3	103.9
Total current assets	**400.1**	420.5	393.1
Total assets	**1,822.1**	1,957.6	1,905.2
Current liabilities			
Bank overdrafts and loans	**(2.0)**	(4.8)	(2.2)
Trade and other payables	**(123.2)**	(134.4)	(134.5)
Financial liabilities	**(7.2)**	(0.6)	(2.1)
Current tax liabilities	**(22.5)**	(23.7)	(23.2)
Lease liabilities	**(6.3)**	(7.4)	(7.1)
Provisions	**(6.1)**	(6.2)	(6.4)
Total current liabilities	**(167.3)**	(177.1)	(175.5)
Non-current liabilities			
Loans and borrowings	**(548.6)**	(591.1)	(550.8)
Employee retirement benefits	**(35.3)**	(29.4)	(24.5)
Deferred tax liabilities	**(142.5)**	(148.3)	(150.2)
Lease liabilities	**(38.0)**	(42.3)	(39.8)
Provisions	**(44.9)**	(38.4)	(45.2)
Financial liabilities	**(12.1)**	(13.5)	(13.0)
Total non-current liabilities	**(821.4)**	(863.0)	(823.5)
Total liabilities	**(988.7)**	(1,040.1)	(999.0)
Net assets	**833.4**	917.5	906.2
Equity			
Share capital	**52.1**	52.1	52.1
Share premium	**237.7**	237.6	237.7
Other reserves	**66.6**	83.8	91.1
Retained earnings	**477.0**	544.0	525.3
Equity attributable to equity holders of the parent	**833.4**	917.5	906.2
Total equity and reserves	**833.4**	917.5	906.2

Condensed consolidated cash flow statement for the six months ended 30 June 2020

	2020 Six months ended 30 June $m	2019 Six months ended 30 June $m	2019 Year ended 31 December $m
Operating activities:			
Profit for the period	**(50.9)**	40.2	46.4
Adjustments for:			
Other expenses	**0.9**	1.0	1.5
Finance income	**(0.3)**	(0.3)	(0.4)
Finance costs	**17.6**	14.5	29.8
Tax	**(2.5)**	8.4	14.6
Depreciation and amortisation	**34.8**	34.5	70.1
Decrease in provisions	**–**	(31.4)	(27.8)
Pension contributions net of current service cost	**0.3**	(0.3)	(1.2)
Share based payments	**1.9**	1.9	3.0
Impairment of Goodwill	**60.3**	–	–
Loss on disposal of business	**–**	–	9.0
Operating cash flows before movements in working capital	**62.1**	68.5	145.0
(Increase)/decrease in inventories	**(5.6)**	10.3	18.6
(Increase)/decrease in trade and other receivables	**(8.0)**	(12.7)	15.5
(Decrease) in trade and other payables	**(9.9)**	(6.1)	(8.5)
Cash generated by operations	**38.6**	60.0	170.6
Income taxes (paid)/received	**(3.9)**	0.7	(2.2)
Interest paid	**(12.0)**	(13.6)	(25.0)
Net cash flow from operating activities	**22.7**	47.1	143.4
Investing activities:			
Interest received	**0.3**	0.3	0.4
Disposal of property, plant and equipment	**0.1**	0.3	0.8
Purchase of property, plant and equipment	**(15.4)**	(23.2)	(47.7)
Disposal of business	**–**	–	(2.1)
Acquisition of intangibles	**(0.2)**	(0.2)	(0.4)
Net cash flow from investing activities	**(15.2)**	(22.8)	(49.0)
Financing activities:			
Issue of shares by the Company and the ESOT net of issue costs	**0.1**	–	0.1
Dividends paid	**–**	(32.8)	(49.3)
Outflow of cancelled dividend hedge	**(1.8)**	–	–
Net movement on existing debt	**(2.9)**	2.9	(30.4)
Payment of lease liabilities	**(3.1)**	(2.9)	(6.0)
Net cash used in financing activities	**(7.7)**	(32.8)	(85.6)
Net (decrease)/increase in cash and cash equivalents	**(0.2)**	(8.5)	8.8
Cash and cash equivalents at beginning of period	**103.9**	96.1	96.1
Foreign exchange on cash and cash equivalents	**(1.7)**	(0.3)	(1.0)
Cash and cash equivalents at end of period	**102.0**	87.3	103.9

Condensed consolidated statement of changes in equity for the six months ended 30 June 2020

	Share capital $m	Share premium $m	Translation reserve $m	Hedging reserve $m	Other reserves $m	Retained earnings $m	Total equity $m
At 1 January 2020	52.1	237.7	(69.0)	(8.4)	168.5	525.3	906.2
Profit for the period	–	–	–	–	–	(50.9)	(50.9)
Other comprehensive income:							
Exchange differences	–	–	(20.1)	–	(3.7)	–	(23.8)
Movement in cash flow hedges	–	–	–	(2.6)	–	–	(2.6)
Actuarial gain on pension scheme	–	–	–	–	–	2.9	2.9
Deferred tax adjustment on pension scheme deficit	–	–	–	–	–	(0.3)	(0.3)
Transactions with owners:							
Share based payments	–	–	–	–	1.9	–	1.9
At 30 June 2020	**52.1**	**237.7**	**(89.1)**	**(11.0)**	**166.7**	**477.0**	**833.4**

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

Notes to the interim financial statements for the six months ended 30 June 2020

1. General Information

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

2. Accounting policies

Basis of preparation
This condensed set of financial statements (also referred to as ‘interim financial statements’ in this announcement) has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

As required by the Disclosure and Transparency Rules of the Financial Conduct Authority, the condensed set of financial statements has been prepared applying the same accounting policies and presentation that were applied in the preparation of the Company's published consolidated financial statements for the year ended 31 December 2019.

The information for the year ended 31 December 2019 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 significant uncertainties resulting from the impact of COVID-19 on the 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 2020.

The Group’s going concern assessment covers the period of at least 12 months from the date of authorisation of these consolidated half year financial statements (the “going concern period”), and takes into account its substantial liquidity, committed expenditure, and likely ongoing levels of costs. In preparing the assessment, alongside the most likely “base case” forecast, the Board has considered potential downside scenarios which model varying impacts of short and long term macroeconomic consequences of COVID-19.

This assessment shows the Group has sufficient liquidity to discharge its liabilities as they fall due throughout the going concern period under all scenarios, assuming continued access to our revolving credit facilities. Access to these credit facilities is dependent on the group operating within its financial covenants. The Group agreed a 12 month covenant relaxation with our lenders in March 2020, the revised provision in our banking arrangements is for the net debt/EBITDA covenant to step down from 3.75x at present to 3.25x in June 2021. Testing up to 30 June 2020 confirmed that the Group operated within these covenants.

Under all forecast scenarios except the possible but not probable, most severe downside scenario, the Group is expected to remain within its financial covenants throughout the going concern period without an extension of the current covenant relaxation into future periods.

Under this downside scenario, which arises due to risks over levels of future revenue, the Group will have to secure an extension of the current Net Debt/EBITDA covenant relaxation for the testing date of 30 June 2021. This is a key assumption and is not certain. In the event that the Group requires a covenant relaxation but is not granted one, then following a covenant breach, lenders could elect to trigger a repayment of outstanding debt. In such circumstances and without further mitigating actions, the Group may be unable to realise assets and discharge liabilities in the normal course of business. The directors therefore consider this possibility to constitute a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern.

The Group maintains a strong focus on revenue generation, cost control and cash and working capital management as well as continual dialogue with its lenders to mitigate against such a situation.

Notwithstanding the above uncertainty, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the going concern period, and thus the Board has continued to adopt the going concern basis in preparing the condensed consolidated half year financial statements.

4. Segment reporting

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

	Six months ended 30 June 2020			Six months ended 30 June 2019			Year ended 31 December 2019		
	Gross $m	**Inter-segment**	**External $m**	Gross $m	Inter-segment	External $m	Gross $m	Inter-segment $m	External $m
Revenue									
Personal Care	**89.8**	**–**	**89.8**	100.7	–	100.7	195.0	–	195.0
Coatings	**148.2**	**–**	**148.2**	163.5	–	163.5	320.1	–	320.1
Talc	**60.9**	**–**	**60.9**	74.5	–	74.5	150.7	–	150.7
Chromium	**77.5**	**(3.9)**	**73.6**	88.3	(5.2)	83.1	171.0	(9.8)	161.2
Energy	**14.0**	**–**	**14.0**	27.9	–	27.9	46.6	–	46.6
Total revenue	**390.4**	**(3.9)**	**386.5**	454.9	(5.2)	449.7	883.4	(9.8)	873.6

All revenues relate to the sale of goods

	2020 Six months ended 30 June $m	2019 Six months ended 30 June $m	2019 Year ended 31 December $m
Adjusted operating profit			
Personal Care	**20.1**	23.2	42.7
Coatings	**23.0**	23.9	48.3
Talc	**6.2**	10.4	25.7
Chromium	**3.1**	11.2	18.2
Energy	**(2.4)**	3.1	3.8
Central costs	**(8.0)**	(7.7)	(15.7)
Adjusted operating profit	**42.0**	64.1	123.0
Adjusting items	**(77.2)**	(0.3)	(22.1)
Operating profit	**(35.2)**	63.8	100.9
Loss on disposal	**–**	–	(9.0)
Other expenses	**(0.9)**	(1.0)	(1.5)
Finance income	**0.3**	0.3	0.4
Finance costs	**(17.6)**	(14.5)	(29.8)
Profit before tax	**(53.4)**	48.6	61.0

5. Adjusting items and alternative performance measures

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

	2020 Six months ended 30 June $m	2019 Six months ended 30 June $m	2019 Year ended 31 December $m
Operating profit	**(35.2)**	63.8	100.9
Adjusting items:			
Restructuring	**–**	–	5.1
Business transformation	**2.2**	–	2.5
Environmental provisions	**4.0**	–	4.9
Business disposal activities	**1.1**	–	–
Impairment of goodwill	**60.3**	–	–
Amortisation of acquired intangibles	**9.6**	9.3	18.6
Release of contingent consideration	**–**	(9.0)	(9.0)
Net adjusting items	**77.2**	0.3	22.1
Adjusted operating profit	**42.0**	64.1	123.0

	2020 Six months ended 30 June $m	2019 Six months ended 30 June $m	2019 Year ended 31 December $m
Adjusted operating profit			
Personal Care	**20.1**	23.2	42.7
Coatings	**23.0**	23.9	48.3
Talc	**6.2**	10.4	25.7
Chromium	**3.1**	11.2	18.2
Energy	**(2.4)**	3.1	3.8
Central costs	**(8.0)**	(7.7)	(15.7)
Adjusted operating profit	**42.0**	64.1	123.0
Other expenses	**(0.9)**	(1.0)	(1.5)
Finance income	**0.3**	0.3	0.4
Finance costs[1]	**(13.2)**	(14.5)	(28.4)
Adjusted profit before tax	**28.2**	48.9	93.5

1 Adjusted finance costs of $13.2m excludes the mark to market on derivatives of $2.6m and currency hedge of $1.8m.

Adjusting items in the period fall into the following categories:

Business transformation
Business transformation costs of $2.2m relate to previously initiated programmes to optimise our supply chain and manufacturing footprint.

Environmental provision
Of the charge of $4.0m, $3.1m relates to the impact of changes in discount rates and $0.9m relates to additional remediation work identified.

Business disposal activities
Costs incurred as part of business disposal activities.

Impairment of goodwill
As a result of the currently low oil price and the expected ongoing challenging outlook for the Energy sector, in particular the North American shale market, a $26.9m impairment has been recognised in Energy. In Talc, while the business fundamentals are unchanged and the medium term growth outlook attractive, the significant impact of COVID-19 on wider industrial activity and the near term profitability of the business combined with an increase in the pre-tax discount rate has resulted in a $33.4m goodwill impairment charge.

Amortisation of intangibles arising on acquisition
These costs total $9.6m in the 6 months to 30 June 2020 and, as in prior periods, are excluded from operating profit to provide readers of the report with additional useful analysis of the performance of the business.

An explanation of other adjusting items relating to the full year 2019 can be found within the 2019 Annual Report and Accounts.

6. Finance income

	2020 Six months ended 30 June $m	2019 Six months ended 30 June $m	2019 Year ended 31 December $m
Interest on bank deposits	**0.3**	0.3	0.4

7. Finance costs

	2020 Six months ended 30 June $m	2019 Six months ended 30 June $m	2019 Year ended 31 December $m
Interest on bank loans	**11.5**	12.7	23.7
Unwind of discount on provisions	**0.6**	0.6	0.5
Pension and other post-retirement liabilities	**0.3**	0.3	2.4
Fair value movement on derivatives	**2.6**	–	1.4
Dividend currency hedge cancellation	**1.8**	–	–
Interest on lease liabilities	**0.8**	0.9	1.8
	17.6	14.5	29.8

8. Tax

The credit for tax on profits of $2.5m or 4.6% (2019: $8.4m, or 17.3%) is based on the probable tax charge in those jurisdictions where profits arise. Within this figure is a tax credit of $10.5m (2019: $2.3m) in respect of adjusting items.

9. Earnings per share

	2020 Six months ended 30 June $m	2019 Six months ended 30 June $m	2019 Year ended 31 December $m
(Loss)/earnings for the purposes of basic earnings per share	**(50.9)**	40.2	46.4
Adjusting items net of tax	**71.1**	(2.0)	26.4
Adjusted earnings	**20.2**	38.2	72.8

	Number(m)	Number(m)	Number(m)
Weighted average number of shares for the purposes of basic earnings per share	**579.9**	579.6	579.6
Effect of dilutive share options	**4.3**	7.3	8.9
Weighted average number of shares for the purposes of diluted earnings per share	**584.2**	586.9	588.5

	2020 Six months ended 30 June cents	2019 Six months ended 30 June cents	2019 Year ended 31 December cents
(Loss)/earnings per share:			
Basic	**(8.8)**	6.9	8.0
Diluted	**(8.7)**	6.8	7.9
Adjusted earnings per share:			
Basic	**3.5**	6.6	12.6
Diluted	**3.5**	6.5	12.4

10. Dividends

The following dividends were declared and paid by the Group:

	2020 Six months ended 30 June $m	2019 Six months ended 30 June $m	2019 Year ended 31 December $m
Dividends paid on ordinary shares	**–**	32.8	49.3

11. Pension

Valuations for IAS 19 purposes were conducted as of 30 June 2020. The Group is reporting a deficit on its combined retirement benefit obligations of $15.9m at the end of June 2020, compared to deficits of $10.2m at the same time last year and $17.1m at the end of December 2019. Additional commentary is included in the Finance Report.

12. Movement in net cash/(borrowings)

	2020 Six months ended 30 June $m	2019 Six months ended 30 June $m	2019 Year ended 31 December $m
Change in net cash/(borrowings) resulting from cash flows			
(Decrease)/increase in cash and cash equivalents	**(0.2)**	(8.8)	8.8
Decrease/(increase) in borrowings	**2.9**	(2.9)	0.6
	2.7	(11.7)	29.7
Currency translation differences	**(1.7)**	1.2	4.8
Increase/(decrease) in net debt	**1.0**	(10.5)	43.9
Net debt at beginning of period	**(454.2)**	(498.1)	(498.1)
Net debt at end of period	**(453.2)**	(508.6)	(454.2)

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 2019. The Group's risk management policies have not changed since the year end.

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

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

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

Level 3: Valuation techniques using significant unobservable inputs.

The Group carried its trade and other receivables and payables, excluding derivatives, at amortised cost and consider fair value approximates carrying value. Derivatives are categorised within level 2. All other financial instruments, including cash and loans are categorised within level 1.

14. Contingent liabilities

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

In 2013 the UK Government (through HMRC) introduced the UK Finance Company Exemption ('FCE') regime. Elementis entered into the FCE regime during 2014. In October 2017 the European Commission opened a State Aid investigation into the regime. In April 2019 the European Commission concluded that the FCE regime constituted State Aid in circumstances where Groups had accessed the regime using a financing company with UK significant people functions; the European Commission therefore instructed the UK Government to collect any relevant State Aid amounts. The UK Government indicated that it disagreed with the European Commission's conclusion and appealed the decision in July 2019. 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 therefore Elementis will submit its analysis to HMRC by the end of July 2020. Following consultation with external professional advisers Elementis believes that there is a technical position for asserting that our relevant financing company should have minimal UK significant people functions. The range of possible outcomes is between $nil and $19.8m and our current assessment is that no provision is required in respect of this case at this stage. We will continue to consider the impact of the Commission's decision on the Group and the potential requirement to record a provision.

15. Goodwill and other intangible assets

	2020 Six months ended 30 June $m	2019 Year ended 31 December $m
1 January	**725.7**	717.3
Exchange differences	**(17.6)**	8.4
Impairment	**(60.3)**	–
30 June / 31 December	**647.8**	725.7
Other intangible assets	**222.2**	232.4
Total goodwill and intangibles at 30 June / 31 December	**870.0**	958.1

Impairment test
Impairment of goodwill is tested annually, or more frequently where there is an indication of impairment. The Group's annual test is performed at 31 October. It has been determined that the adverse impact of COVID-19 on global economic activity and the challenging trading results give rise to an indicator of impairment at 30 June 2020, for the Talc and Energy cash generating units. An impairment test has been performed as at that date for these CGUs.

The recoverable amounts of the CGUs are determined from value in use calculations which uses cash flow projections based on financial budgets approved by the directors covering a three to five year period. The key assumptions for the value in use calculations are expected changes to sales volumes, selling prices and direct costs during the forecast period, growth rates used to extrapolate beyond the forecast period and the discount rates applied to the resulting cash flows. Changes in sales volumes, selling prices and direct costs are based on past practices and expectations of future changes in the market. Cash flows for periods beyond the forecast period are extrapolated based on estimated growth rates of between 0% and 3%. The rates do not exceed the average long term growth rate for the relevant markets. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs.

Results
The effect of COVID-19 on the Energy market has seen a significant decline in oil prices, rig counts and thus demand for drilling products. As a result, our business segment recorded an operating loss in the 6 months to June 2020. Given the challenging market outlook, in particular for North American shale, we have assumed continued subdued demand in the near to mid-term and have therefore impaired the full value of the goodwill associated with the Energy CGU of $26.9m. A pre-tax discount rate of 10.6% was applied.

In assessing potential downside risks to our base case (for example a further macroeconomic downturn) we have determined it appropriate to recognise an impairment charge of $33.8m to the goodwill of the Talc CGU based on a recoverable amount of $477.3m. Due to the currency of the entity where this is held, this impairment is reflected as a P&L charge of $33.4m and $0.4m movement in exchange differences on translation of foreign operations in other comprehensive

income. In reaching the impairment charge the forecast period of four and a half years includes revenue growth and therefore operating profit growth of between 1% and 14%. A pre-tax discount rate of 10.6% was applied. The outcome of the impairment review is most sensitive to changes to forecast operating profit and discount rate. A 0.5% increase in the pre-tax discount rate would increase the impairment charge by $29.0m and a 5% decrease in forecast operating profit or revenue in each year of the five year forecast period would increase the impairment charge by $21.7m.

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

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 delivery of 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 2019 (pages 50 to 52), however, the following principal risks and uncertainties are trending upwards taking into account the impact of COVID-19; 'Uncertain global economic conditions and competitive pressures in the market place (including currency movement)', 'Business interruption as a result of a major event or natural catastrophe', 'Business interruption as a result of supply chain failure of key raw materials and/or 3rd party service provision', 'Talent management and succession planning' and 'IT, Cyber and GDPR'.

With respect to the impact of the COVID-19 pandemic during the period, the scale of the virus developed from an outbreak in China in January into a global pandemic by late February. Pandemic risk on this scale whilst unprecedented, presented a range of direct and indirect risks to the Group's business and operations. The Company's response to the pandemic has been systematic and the Group remains prepared to implement appropriate mitigation strategies to minimise any potential business disruption and will continue to carry out a regular and robust assessment and management of the Group's risks.

COVID-19 pandemic risk strategy and actions

Employees
A COVID-19 response team was established to co-ordinate and focus action on the health and safety of our employees using local, national and federal governmental guidance and public health guidance. Led by Executive Leadership Team members, this team directed the activities in respect of identifying, co-ordinating and mitigating potential impacts in respect of COVID-19 with a primary focus on the health and safety of employees – both at manufacturing sites and those working in the home environment. To date, whilst a small number of employees and contractors contracted the virus, there have been no employee fatalities or incidents where our sites were not able to operate as a result of employee absence. Our response team acted swiftly to provide employees with policies, procedures and checklists, both at site level and for home working. An early warning tracking system was established to understand how many employees were self-isolating and/or had tested positive for the virus. A dedicated micro-site was deployed where employees could access relevant health & safety guidance and other information. Our TogetherSafe initiative was launched during the period with a focus on demonstrating our commitment to safety and our team ethos into a culture of shared responsibility by building a global network of Safety Champions. A series of all employee and leadership townhalls have also been held during the period offering a feedback loop and shared understanding of how the Group was navigating the pandemic. Our compliance framework and attention to cyber risk has been re-emphasised in recognition of increasing risk trends in these areas, particularly in a time of global crisis.

Supply Chain
Our supply chain has been operating in a state of heightened business continuity awareness. Our plant managers and their teams continue to play a key role in local information gathering which has proved highly valuable and brought our employees closer together in the process. Our supply chain team have worked tirelessly to ensure continuity of supply and operational reliability. Throughout the period, only four sites were temporarily closed as a result of the pandemic, two sites in China, one in Brazil and the site under construction in India. PPE, social distancing and hygiene guidance is in place and being managed at all sites. Raw materials were assessed and alternative suppliers were engaged where necessary. Management of pricing, demand planning and inventory has been managed well during the period. We have increased the frequency of our supply and demand planning process to ensure a reliable, cost effective supply of products. Production supply plans have been adjusted to meet changes in demand whilst optimizing overall cost to serve our customers.

Customers, distributors and suppliers
In connection with the anticipated slowdown in Q2 affecting the majority of our businesses, our senior business leaders, customer accounts, R&D and supply chain teams sought to understand the direct and indirect impacts of the evolving nature of COVID-19 from our customers, distributors and suppliers which was then utilised in our response planning. The mix of country specific demand issues presented some opportunities where competitors were not able to offer reliability of supply. We continue to monitor credit risk and viability of customer and distributor relationships and seek to ensure fair trading terms for both parties. Notwithstanding the COVID-19 impact on demand, new business opportunities continue to come on stream and we continue to monitor consumer behaviour and sentiment.

Profitability and liquidity

As a result of the significant uncertainty still surrounding the ultimate impact of COVID-19 over the global economy, we withdrew formal revenue guidance for the current financial year, as it is not possible to provide reliable forward guidance in the current environment. The Board have been kept informed on government and tax authority measures in response to COVID-19. The Board took action to suspend the 2019 final dividend and 2020 interim dividend and secured a relaxation of its key Net Debt/EBITDA banking covenant from 3.25 to 3.75 for two testing periods in response to ongoing uncertainties associated with the duration and impact of COVID-19. Management continue to actively scenario plan based on latest forecasts and oversee weekly response plan updates with a particular focus on controlling working capital and capital expenditure.

Operational effectiveness
The impact of employees working from home has validated the resiliency of our business continuity plans. The investment in tools and technology has enabled a smooth transition however, we continue to closely monitor the security infrastructure and 3rd party systems to ensure ongoing business continuity of systems and processes. Awareness campaigns relating to malware and phishing attacks have been circulated to mitigate the risk of these type of attacks and security measures have been put in place.

In summary, the Group remains prepared to implement appropriate mitigation strategies to minimise any potential business disruption and will continue to carry out a 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.

	2020 Six months ended 30 June $m	2019 Six months ended 30 June $m	2019 Year ended 31 December $m
Profit for the year	**(50.9)**	40.2	46.4
Adjustments for:			
Finance Income	**(0.3)**	(0.3)	(0.4)
Finance costs and other expenses after adjusting items	**18.5**	15.5	31.3
Tax charge	**(2.5)**	8.4	14.6
Depreciation and amortisation	**34.8**	34.5	70.1
Excluding intangibles arising on acquisition	**(9.6)**	(9.3)	(18.6)
Disposal of business	**-**	-	9.0
Adjusting items impacting operating profit	**77.2**	0.3	22.1
Adjusted EBITDA	**67.2**	89.3	174.5

Operating cash flow

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

	2020 Six months ended 30 June $m	2019 Six months ended 30 June $m	2019 Year ended 31 December $m
Net Cash flow from operating activities	**22.7**	47.1	143.4
Less:			
Capital expenditure	**(15.5)**	(23.1)	(47.3)
Impact of IFRS 16	**-**	(4.2)*	-
Add:			
Income tax paid or received	**3.9**	(0.7)	2.2
Interest paid or received	**12.0**	13.6	25.0
Pension contributions net of current service cost	**(0.3)**	0.3	1.2
Adjusting items excluding dividend hedge	**5.1**	28.7	30.3
Operating cash flow	**27.9**	61.7	154.8

* 30 June 2019 adjusted cash flow was pre IFRS 16

Operating cash conversion

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

	2020 Six months ended 30 June $m	2019 Six months ended 30 June $m	2019 Year ended 31 December $m
Operating profit from total operations after adjusting items	**42.0**	64.1	123.0
Operating cash flow	**27.9**	61.7	154.8
Add:			
Provisions and share based pay	**0.3**	1.6	5.4
	28.2	63.3	160.2
Operating cash flow conversion	67%	99%	130%

Unaudited pro forma information

The Net Debt / EBITDA ratio is calculated using pro forma adjusted EBITDA. A reconciliation of adjusted EBITDA to pro forma adjusted EBITDA is shown below:

	$m
EBITDA for the last twelve months to 30 June 2020	152.4
IFRS 16 adjustment	(7.2)
Pro forma adjusted EBITDA	145.2
Net Debt	453.2
Net Debt / EBITDA	3.1x

- ENDS -