

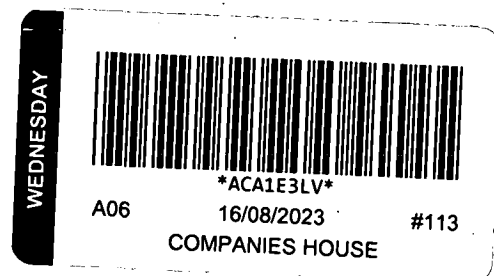
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**MACDERMID PERFORMANCE SOLUTIONS UK LIMITED**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2022**



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**MACDERMID PERFORMANCE SOLUTIONS UK LIMITED**

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**COMPANY INFORMATION**

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**Directors**

P A Bray  
S G Sheffield  
R K Davies

**Registered number**

01290882

**Registered office**

Unit 2 Genesis Business Park  
Albert Drive  
Sheerwater  
Woking  
Surrey  
GU21 5RW

**Independent auditor**

Grant Thornton UK LLP  
Chartered Accountants & Statutory Auditor  
Waterloo House  
71 Princess Road West  
Leicester  
LE1 6TR

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**MACDERMID PERFORMANCE SOLUTIONS UK LIMITED**

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**MACDERMID PERFORMANCE SOLUTIONS UK LIMITED**

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**STRATEGIC REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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The directors present the strategic report for the year ended 31 December 2022

**Principal activities and business review**

The principal activities of the company continue to be the manufacture and supply of specialty chemicals and materials for use in surface coating and printed circuit board industries and the manufacture and supply of industrial lubricants.

During the prior year the company acquired the entire share capital of H. K. Wentworth Ltd. The UK based group is the owner of the Electrolube & AF market leading brands with technology in conformal coatings, encapsulation resins, thermal interface materials, contact lubricants and cleaning chemistry.

The company provides technology-based solutions to the surface coating industry. Our customers are mainly involved in coating applications, found in all industrial manufacturing sectors. The company also supplies innovative, environmentally-sound products to printed circuit board manufacturers involved in industries from mobile phones to the automotive industry.

MacDermid Performance Solutions UK Limited is a wholly-owned subsidiary of MacDermid Continental Investments Limited.

**Principal risks and uncertainties**

The management of the business and the execution of the company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the company are considered to relate to the company's competitors and product availability.

The company provides high quality technical service support to its customers, which helps mitigate the risk of our competitors taking over business from customers.

The company invests in research and development to continually update products, formulations and lower the risk of raw materials for our products becoming unavailable, due to environmental and health and safety legislation changes.

**Results and dividends**

The performance of the company showed an increase in turnover of 18.7% from 2021.

The results of the company show profit before taxation of £59m (2021: £19.3m) for the year (after dividends received of £57m (2021: £17.3m)) and turnover of £31m (2021: £26.1m). The trading results for the year and the company's financial position at the end of the year are set out on page 14 to page 15 of the financial statements.

The company recharges the cost of research and development plus a mark up to MacDermid Acumen Inc., a group undertaking which owns the intellectual property on behalf of the group. During the year, recharges amounted to £2.1m (2021: £2.5m).

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**MACDERMID PERFORMANCE SOLUTIONS UK LIMITED**

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**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**Key performance indicators**

The key performance indicators monitored by management are growth in turnover, operating profit margin and profit for the financial year.

Total turnover for the year has increased by 18.7% (2021: increased by 2.7%) with sales to UK customers increasing by 15.6% (2021: increased by 8.1%). Sales to other EU countries increased by 24.7% (2021: decreasing by 34.8%) whilst sales to the rest of the world have increased by 37.5% (2021: increased by 109.5%) and an increase in sales to the Republic of South Africa of 44.7% (2021: increased by 5.1%) (note 4). Sales increased mainly due to volume of products sold to UK customers returning to levels seen prior to the impact of COVID-19 that have a major trading impact.

The company made an operating profit of £1.8m compared to an operating profit of £1.8m in 2021, with no change (2021: decrease of 21.6%). The operating profit margin was 5.9% compared to operating profit margin of 6.9% in 2021.

**Future developments**

During 2021 the company entered equipment financing, lease and material sales agreement with customer. This arrangement has enabled the company to open additional revenue stream. The directors are confident about the success of this strategic move.

In the opinion of the directors', this strategic acquisition will allow the company to expand the solutions it is able to provide to existing customers in the electronics segment, adding value and strengthening partnerships.

The reduction in the rate of sterling against the US Dollar and Euro has been helpful to the company as the majority of its sales are exported to these two currency zones.

**Non-financial key performance indicators**

The company believes in safeguarding the health, safety and welfare of its employees. During the year the turnover of employees was low, which continued the trend of recent years. The company continues to invest in its employees, with training and career development. Employee numbers are detailed in note 5.

The company's quality management system has been certified to ISO 9001 since 1986 and its environmental management system to ISO 14001 since 2003. The company's safety management system is based on the requirements of ES OHSAS 18001 - Occupational health and safety management systems. During 2015 the new standard SO 45001 - Occupational health and safety management systems was published, the company's safety management system has since been modified to comply with this standard and align with new standards for ISO 9001 and ISO 14001.

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**MACDERMID PERFORMANCE SOLUTIONS UK LIMITED**

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**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**Section 172(1) statement**

Section 172 of the Companies Act 2006 (the "Act") requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing so, section 172(1)(a)-(f) of the Act requires directors to have regard to certain stakeholders and matters (amongst other matters).

The company engages with its stakeholders, when appropriate, and has processes in place to capture and consider stakeholders' insights and views. In performing their section 172 duties, the directors take into account this stakeholders' feedback, the section 172 matters as well as other factors they consider relevant to their board discussions and decision-making.

In light of the new disclosure requirements of Section 172(1) of the Act, set out below are further details on how the directors have had regard to the matters and stakeholders set out in section 172(1) during this financial year:

*(i) Likely consequences of any decisions in the long term*

Macdermid Performance Solutions UK Ltd, being a manufacturer, invests in capital assets in order to support its long-term growth strategy and maintain a leading position in EHS compliance with the aim of minimising operational risks. The general strategy of the company, and of the group is to strategically acquire and maintain leading positions in niche sectors of high-growth markets by offering innovative products and high value-added services to its customers. This means that the directors, when making decisions, place a strong emphasis on commercial excellence and innovation in order to ultimately drive value and performance for the benefit of all stakeholders. Directors also focus on developing sustainable solutions that not only meet but exceed the increasingly stringent environmental standards customers and regulators. Financial robustness is another important part of the company's value creation process. The company's business typically requires low capital expenditures, which translate into cash flow margins and returns on capital. Instead of large investments in physical assets to sustain business or growth, the company dedicates its investments into technological innovations or sales and services areas. As a privately-owned company held by Element Solutions Inc ("Element Solutions"), a U.S. public entity, the board considers that the interests of the company and its stakeholders were aligned in seeking sustainable value creation over the longer term through the group's operations, promoting long term strategic decision-making.

*(ii) Employees*

The company places a premium on maintaining an expert and qualified employee base in order to provide innovative products and specialized technical service to its customers. As such, the company takes active steps to offering ongoing training programs, both online and academic to enable employees to build on their skills and capabilities. Internal communications are also designed to ensure that employees are informed of performance and strategy along with regular individual performance reviews. These include regular presentations and meetings with Q&A sessions. In addition, employees may report issues through the whistleblowing hotlines operated by Element Solutions which may be discussed among the company's directors when appropriate. The integrity of this process is an important part of the governance arrangements of the company and the company group.

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**MACDERMID PERFORMANCE SOLUTIONS UK LIMITED**

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**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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*(iii) Suppliers, customers and other key stakeholders*

Fostering positive and strong business relationships with key stakeholders, such as customers and suppliers, is critical to the creation of sustainable long term value. As a result of the company group's decentralised model, engagement with customers and suppliers is a matter that is largely delegated to the management teams of each business, who know their businesses best. As such, the directors support the management teams to manage those customer and supplier relationships. In addition, as part of its innovation and product development process, the company has multiple interactions with various partners in a number of jurisdictions around the world to develop commercially viable, environmentally friendly solutions for its customers. The company is also committed to engaging with its shareholder, being Element Solutions, its ultimate parent entity. The directors meet or communicate on a regular basis with Element Solutions' senior management, so feedback can be received, and any issues or questions raised can be properly considered.

*(iv) impact on the community and environment*

In addition to understanding and having regard to the interests of its stakeholders, the company is committed to reducing the impact of operations on the community and the environment. Element Solutions, the company's ultimate parent entity, plays a constructive role in promoting the protection and enhancement of the environment as it encourages companies within its group to innovate and invest in new technologies to solve environmental challenges. The company's directors are aligned with this strategy and understand that it is both socially responsible and commercially compelling to develop sustainable solutions that meet or exceed the increasingly stringent environmental standards of the company's customers and regulators. As such, their decision-making is geared towards developing commercially viable, environmentally friendly solutions for the customers of the company and the company group in general.

*(v) Maintaining a reputation for high standards of business conduct*

The company operates in end-markets characterised by long term relationships between stakeholders. Maintaining a strong reputation for high standards of business conduct is vital and Element Solutions, the company's ultimate parent entity, expects all entities within its group and members of the supply chain to act with integrity, acting openly, honestly and ethically. Element Solutions maintains effective oversight with respect to business conduct. Integrity is underpinned with global corporate policies in relation to bribery and corruption, data protection, equality, diversity and inclusion, modern slavery, fraud and whistleblowing, each of which is reinforced through appropriate training. In addition to the group's core values, all employees must comply with these requirements and when taken together with the group's corporate responsibility commitments, they provide the framework within which the group, including the company, operates both internally and in its markets. Suppliers and contractors are also expected to behave in a consistent, responsible manner.

*(vi) Acting fairly between members*

As a wholly owned subsidiary, the directors do not consider the factor set out in section 172(1)(f) (need to act fairly between the members of the company) relevant to the proper discharge of their duty under section 172 of the Act.

This report was approved by the board and signed on its behalf.

*Paul Bray*

**P A Bray**  
Director

Date: 10/8/2023

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**MACDERMID PERFORMANCE SOLUTIONS UK LIMITED**

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**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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The directors present their annual report and the audited financial statements for the year ended 31 December 2022.

**Principal activities**

The principal activity of the company continued to be that of the manufacture and supply of speciality chemicals and materials for use in surface coating and printed circuit board industries and the manufacture and supply of industrial lubricants.

**Directors**

The directors who served during the year were:

P A Bray  
S G Sheffield  
R K Davies

**Directors' responsibilities statement**

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**Results and dividends**

The results for the year are set out on page 14.

Ordinary dividends were paid amounting to £25,653,000 (2021: £7,803,000). The directors do not recommend payment of a further dividend.



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**MACDERMID PERFORMANCE SOLUTIONS UK LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**Qualifying third party indemnity provisions**

The company has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the date of approval of financial statements.

**Financial risk management**

The main risks arising from the company's financial instruments are interest rate cash flow, credit risk, pricing risk and foreign currency risk.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department. The department has a policy and procedures manual that sets out specific guidelines to manage interest rate risk, credit risk and circumstance.

**Interest rate cash flow risk**

The company has interest bearing assets. Interest bearing assets include only cash balances and intercompany loans. The directors will revisit the appropriateness of this policy should the company change in size and nature. The company seeks to manage financial risk by ensuring that sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

**Foreign currency risk**

Despite trading with customers in different countries, the foreign currency risk to the company is very low as it invoices customers in sterling.

**Credit risk**

The company trades with only recognised, creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis with the result that the company's exposure to bad debts is not significant.

**Price risk**

The company is moderately exposed to commodity price risk as a result of its operations. The company does not actively manage this exposure as the costs of doing so exceed the potential benefits.

**Liquidity risk**

The company seeks to manage financial risk by ensuring that sufficient liquidity is available to meet foreseeable needs.

The company's funding need is primarily managed through its retained earnings.

The company has access to a shared overdraft facility which it uses very rarely to meet short-term fluctuations in cash requirements. The company's direct exposure to movements in short-term interest rates is low.

Surplus sterling cash is pooled on a daily basis with some fellow subsidiary companies of the Element Solutions Inc group within the UK.

**Research and development**

The company carries out research and development of products used primarily for the surface preparation, surface modification and post-treatment of metals and plastics. The products have a wide variety of uses in manufacturing sectors for the automotive and aircraft industries, domestic appliances, shop fittings, fasteners, jewellery and mobile phones.

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**MACDERMID PERFORMANCE SOLUTIONS UK LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**Overseas branches**

The company has no overseas branches. Its overseas subsidiaries are detailed in note 14.

**Employee involvement**

It is the policy of the company that no job application or employee, full time or part time, will receive less favourable treatment because of a disability. The company give -full and fair consideration to people with disabilities during recruitment, who are judged on whether or not they have the skills or experience to do the job in question. Particular consideration is given to the training, career development and promotion of employees with disabilities (and especially of those individuals who become disabled during employment). It is the aim of the company to comply at all times with the obligations imposed on it by the relevant laws and regulations.

Management believes that employees will work more effectively if they are kept informed of the progress of their own company and of the group as a whole. For this reason, the executive directors of Element Solutions Inc regularly brief the managing directors of the various operating companies who, in turn, are responsible for communicating relevant information to their employees on a regular and systematic basis and consult them where appropriate.

Employee involvement in the group is encouraged as achieving a common awareness on the part of all employees of the financial and economic factors affecting the company plays a major role in maintaining the company's performance.

**Strategic Report**

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of:

- particulars of any important events affecting the company which have occurred since the end of the financial year required by paragraph and
- future development of the company.

**Stakeholder engagement**

The directors' engagement and interaction with employees, shareholders and wider stakeholders is specifically covered in the Strategic report on pages 3 to 4.

**Disclosure of information to auditor**

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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**MACDERMID PERFORMANCE SOLUTIONS UK LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**Auditor**

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

*Paul Bray*

**P A Bray**  
Director

Date: 10/8/2023



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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MACDERMID PERFORMANCE SOLUTIONS UK LIMITED

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### Opinion

We have audited the financial statements of Macdermid Performance Solutions UK Limited (the 'company') for the year ended 31 December 2022, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the company's business model including effects arising from macro-economic uncertainties such as the cost of living crisis, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.



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## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MACDERMID PERFORMANCE SOLUTIONS UK LIMITED (CONTINUED)**

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In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

### **Other information**

The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's Report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.



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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MACDERMID PERFORMANCE SOLUTIONS  
UK LIMITED (CONTINUED)**

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**Matter on which we are required to report under the Companies Act 2006**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Responsibilities of directors**

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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



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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MACDERMID PERFORMANCE SOLUTIONS UK LIMITED (CONTINUED)

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### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- we obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (United Kingdom Generally Accepted Accounting Practice, the Companies Act 2006) and the relevant tax compliance regulations in the jurisdiction in which the company operates. We enquired of management, whether they were aware of any instances of noncompliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- we identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our commercial experience and through discussion with management.
- we assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management and evaluating management's incentives and opportunities for manipulation of the financial statements. We considered the risk of fraud to be higher through the potential for management override of controls.
- audit procedures performed by the engagement team included:
  - testing manual journal entries determined to be of unusual value, large value or with certain description characteristics, journals to suspense accounts or journals with unusual user postings.
  - challenging assumptions and judgements made by management in its estimates of stock provisions, bad debt provisions, investment impairments and depreciation rates.
- these audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - understanding of the financial reporting framework and the relevant tax compliance regulations specific to the entity.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MACDERMID PERFORMANCE SOLUTIONS  
UK LIMITED (CONTINUED)**

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A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditor's Report.

**Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditor's 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 and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Grant Thornton UK LLP*

Philip Sayers  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Leicester

Date: 11/8/2023



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**MACDERMID PERFORMANCE SOLUTIONS UK LIMITED**


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**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2022**


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	Note	2022 £000	2021 £000
Turnover	4	31,015	26,134
Cost of sales		(22,498)	(18,163)
<b>Gross profit</b>		<b>8,517</b>	<b>7,971</b>
Distribution costs		(2,804)	(2,746)
Administrative expenses		(6,005)	(5,541)
Other operating income	8	2,108	2,524
Exceptional item	7	-	(399)
<b>Operating profit</b>	9	<b>1,816</b>	<b>1,809</b>
Interest receivable from group undertakings	10	187	205
Other interest receivable and similar income	10	57,006	17,340
Interest payable and similar expenses	11	(14)	(14)
<b>Profit before tax</b>		<b>58,995</b>	<b>19,340</b>
Tax on profit	12	(261)	(425)
<b>Profit for the financial year</b>		<b>58,734</b>	<b>18,915</b>
<b>Other comprehensive income for the year</b>			
<b>Total comprehensive income for the year</b>		<b>58,734</b>	<b>18,915</b>

The notes on pages 17 to 36 form part of these financial statements.

**MACDERMID PERFORMANCE SOLUTIONS UK LIMITED**  
**REGISTERED NUMBER:01290882**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2022**

	Note	2022 £000	2021 £000
<b>Fixed assets</b>			
Tangible assets	13	2,492	2,760
Investments	14	451,721	451,721
		<u>454,213</u>	<u>454,481</u>
<b>Current assets</b>			
Stocks	15	4,871	4,550
Debtors	16	186,078	152,672
Cash at bank and in hand	17	119	50
		<u>191,068</u>	<u>157,272</u>
Creditors: amounts falling due within one year	18	(7,095)	(6,570)
<b>Net current assets</b>		<u>183,973</u>	<u>150,702</u>
<b>Total assets less current liabilities</b>		<u>638,186</u>	<u>605,183</u>
Creditors: amounts falling due after more than one year	19	(246)	(324)
<b>Net assets</b>		<u><u>637,940</u></u>	<u><u>604,859</u></u>
<b>Capital and reserves</b>			
Called up share capital	22	3,000	3,000
Share premium account	23	411,222	411,222
Profit and loss account	23	223,718	190,637
		<u><u>637,940</u></u>	<u><u>604,859</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

*Paul Bray*

**P A Bray**  
 Director

Date: 10/8/2023

The notes on pages 17 to 36 form part of these financial statements.

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**MACDERMID PERFORMANCE SOLUTIONS UK LIMITED**


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**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2022**


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	Share capital £000	Share premium account £000	Profit and loss account £000	Total £000
<b>At 1 January 2021</b>	<b>3,000</b>	<b>411,222</b>	<b>179,525</b>	<b>593,747</b>
<b>Year ended 31 December 2021:</b>				
Profit and total comprehensive income for the year	-	-	18,915	18,915
Dividends	-	-	(7,803)	(7,803)
<b>At 1 January 2022</b>	<b>3,000</b>	<b>411,222</b>	<b>190,637</b>	<b>604,859</b>
<b>Year ended 31 December 2022:</b>				
Profit and total comprehensive income for the year	-	-	58,734	58,734
Dividends	-	-	(25,653)	(25,653)
<b>At 31 December 2022</b>	<b>3,000</b>	<b>411,222</b>	<b>223,718</b>	<b>637,940</b>

The notes on pages 17 to 36 form part of these financial statements.

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**MACDERMID PERFORMANCE SOLUTIONS UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**1. Company information**

MacDermid Performance Solutions UK Limited is a private company limited by shares and is registered and incorporated in England and Wales, United Kingdom. The registered office is Unit 2 Genesis Business Park, Albert Drive, Sheerwater, Woking, Surrey, United Kingdom, GU21 5RW.

**2. Accounting policies****2.1 Statement of compliance**

These financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

**2.2 Accounting convention**

Accounting policies have been applied consistently. There were no new policies or amendments to any existing ones.

The financial statements are prepared in Sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £1,000, unless stated otherwise.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

**2.3 Financial Reporting Standard 102 - reduced disclosure exemptions**

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

The company has taken advantage of the exemption under section 401 of the Companies Act 2006 not to prepare consolidated financial statements. The financial statements present information about the company as an individual entity and not about its group.

The financial statements of MacDermid Performance Solutions UK Limited are consolidated in the financial statements of Element Solutions Inc which are available from Suite 1860, 500 East Broward Boulevard, Fort Lauderdale, Florida, 33394, USA and are also available from [www.elementsolutionsinc.com](http://www.elementsolutionsinc.com).

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**MACDERMID PERFORMANCE SOLUTIONS UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**2. Accounting policies (continued)****2.4 Going concern**

At the time of approving the financial statements, the directors have considered forecasts of trading and cash flows for the Company, which are subject to a group cash pooling process which are available on call to the company, and have determined that the company has, or can expect to have, sufficient working capital for its needs for at least the next 12 months from the date of approval of these financial statements. This was supported by a letter of support from the parent company. In view of this the directors consider it appropriate to prepare the accounts on the going concern basis.

**2.5 Turnover**

The company recognises turnover, including freight charged to customers, when products are shipped and the customer takes ownership and assumes risk of loss, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed or determinable. The company's shipping terms are customarily "Ex-Works" and do not include the right of inspection or acceptance provision.

Turnover is recognised at the fair value of the consideration received or receivable for goods provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

**2.6 Research and development expenditure**

Expenditure on research and development is written off against profits in the year in which it is incurred except for expenditure on tangible fixed assets. Capital expenditure on tangible fixed assets used for research and development is depreciated in line with the tangible fixed assets accounting policy.

The company recharges the cost of research and development plus a mark up to MacDermid Acumen Inc., a group undertaking which owns the intellectual property on behalf of the group.

**2.7 Tangible fixed assets**

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Cost included the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs and borrowing costs capitalised.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Leasehold improvements	- 15 years straight line
Plant and machinery	- 5 to 14 years straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

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**MACDERMID PERFORMANCE SOLUTIONS UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**2. Accounting policies (continued)****2.8 Fixed asset investments**

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for any indication of impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

**2.9 Impairment of fixed assets**

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

**2.10 Stocks**

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition. In determining the cost, a weighted average cost basis is used.

Stocks held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

**2.11 Cash and cash equivalents**

Cash and cash equivalents are basic financial instruments and include cash in hand.

**2.12 Financial instruments**

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument.

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**MACDERMID PERFORMANCE SOLUTIONS UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**2. Accounting policies (continued)****2.12 Financial instruments (continued)**

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

***Basic financial assets***

Basic financial assets, which include trade and other debtors, amounts owed by group undertakings, and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

***Impairment of financial assets***

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

***Derecognition of financial assets***

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

***Classification of financial liabilities***

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

***Basic financial liabilities***

Basic financial liabilities, including trade and other creditors and amounts owed to group undertakings are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method. Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

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**MACDERMID PERFORMANCE SOLUTIONS UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**2. Accounting policies (continued)****2.12 Financial instruments (continued)*****Derecognition of financial liabilities***

Financial liabilities are derecognised when, and only when, the company's contractual obligations are discharged, cancelled, or they expire.

**2.13 Equity instruments**

Equity instruments issued by the company are recorded at the fair value of proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

**2.14 Taxation**

The tax expense represents the sum of the current tax expense and deferred Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

**2.15 Employee benefits**

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.



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**MACDERMID PERFORMANCE SOLUTIONS UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**2. Accounting policies (continued)****2.16 Retirement benefits**

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

**2.17 Leases**

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

**2.18 Government grants**

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

**2.19 Foreign exchange**

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

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**MACDERMID PERFORMANCE SOLUTIONS UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**3. Judgments and key sources of estimation uncertainty**

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

**Key sources of estimation uncertainty**

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

***Useful economic lives of tangible assets***

The annual depreciation charge for tangible fixed assets is sensitive to changes in the estimated useful economic lives and residual value of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of assets. See note 13 for the carrying amount of the leasehold, property plant and equipment and note 2.7 (Tangible fixed assets accounting policy) for the useful economic lives for each asset class.

***Inventory provisioning***

The company manufactures and sells specialty chemicals and is subject to changing customer demands. As a result, it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. See note 15 for the net carrying amount of the inventory and associated provision.

***Impairment of debtors***

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 16 for the carrying amount of the debtors and associated impairment provision.

***Impairment of investments***

The company makes use of estimates in determining the recoverable value of fixed asset investments.

The directors use their judgement to determine the extent to which fixed asset investments have a value that will benefit the performance of the company over future periods. To assist in making this judgement, the directors undertake an assessment of the carrying value of the company's investments in subsidiaries. In performing this assessment undertaken as at 31 December 2022 value in use was derived from the rolled up valuations of each entity in the group based on the multiple earnings approach from the lowest level of the group structure. Changes to the assumptions used in this assessment could significantly alter the directors' assessment of the carrying value of its investments.

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**MACDERMID PERFORMANCE SOLUTIONS UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**4. Turnover**

Analysis of turnover by country of destination:

	<b>2022</b>	<i>2021</i>
	<b>£000</b>	<i>£000</i>
<b>Turnover analysed by geographical market</b>		
United Kingdom	<b>23,953</b>	<i>20,716</i>
Europe	<b>4,098</b>	<i>3,286</i>
Republic of South Africa	<b>664</b>	<i>459</i>
Rest of the world	<b>2,300</b>	<i>1,673</i>
	<b>31,015</b>	<i>26,134</i>

All turnover was derived from the company's principal activity, the manufacture and sale of specialised chemicals and industrial lubricants.

**5. Employees**

Staff costs, including directors' remuneration, were as follows:

	<b>2022</b>	<i>2021</i>
	<b>£000</b>	<i>£000</i>
Wages and salaries	<b>4,233</b>	<i>4,662</i>
Social security costs	<b>517</b>	<i>551</i>
Cost of defined contribution scheme	<b>353</b>	<i>328</i>
	<b>5,103</b>	<i>5,541</i>

The average monthly number of persons employed and remunerated by the company (including directors) during the year was:

	<b>2022</b>	<i>2021</i>
	<b>No.</b>	<i>No.</i>
Production	<b>23</b>	<i>20</i>
Sales and marketing	<b>31</b>	<i>32</i>
Warehousing	<b>7</b>	<i>9</i>
Administration	<b>31</b>	<i>30</i>
	<b>92</b>	<i>91</i>

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**MACDERMID PERFORMANCE SOLUTIONS UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**6. Directors' remuneration**

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
Remuneration for qualifying services	<b>352</b>	333
Company pension contributions to defined contribution schemes	<b>24</b>	25
	<u><b>376</b></u>	<u>358</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2021: 2).

Remuneration disclosed above include the following amounts paid to the highest paid director:

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
Remuneration for qualifying services	<b>165</b>	149
Company pension contributions to defined contribution schemes	<b>10</b>	10
	<u><b>175</b></u>	<u>159</u>

**7. Exceptional item**

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
HK Wentworth Acquisition related costs	<u>-</u>	<u>399</u>

Exceptional costs relate to the HK Wentworth Acquisition in the prior year.

**8. Other operating income**

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
Amounts charged to other group undertakings in respect of research and development	<u><b>2,108</b></u>	<u>2,524</u>

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**MACDERMID PERFORMANCE SOLUTIONS UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**9. Operating profit**

Operating profit for the year is stated after charging/(crediting):

	<b>2022</b>	<i>2021</i>
	<b>£000</b>	<i>£000</i>
Exchange losses	<b>106</b>	<i>30</i>
Research and development costs	<b>2,036</b>	<i>2,398</i>
Amounts charged to other group undertakings in respect of research and development	<b>(2,108)</b>	<i>(2,524)</i>
Fees payable to the company's auditors for the audit of the company's financial statements	<b>56</b>	<i>96</i>
Fees payable to the company's auditors for preparation of the financial statements	<b>2</b>	<i>-</i>
Depreciation of owned tangible fixed assets	<b>523</b>	<i>450</i>
Operating lease charges	<b>324</b>	<i>351</i>
	<b>=====</b>	<i>=====</i>

Depreciation charges are included within administration expenses on the Statement of Comprehensive Income.

**10. Interest receivable and similar income**

	<b>2022</b>	<i>2021</i>
	<b>£000</b>	<i>£000</i>
<b>Interest income</b>		
Interest receivable from group undertakings	<b>187</b>	<i>205</i>
<b>Other income from investments</b>		
Dividends received	<b>57,006</b>	<i>17,340</i>
<b>Total income</b>	<b>57,193</b>	<i>17,545</i>
	<b>=====</b>	<i>=====</i>

**11. Interest payable and similar expenses**

	<b>2022</b>	<i>2021</i>
	<b>£000</b>	<i>£000</i>
Other interest payable	<b>14</b>	<i>14</i>
	<b>=====</b>	<i>=====</i>

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**MACDERMID PERFORMANCE SOLUTIONS UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**12. Tax on profit**

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
<b>Current tax</b>		
Adjustments in respect of previous periods	<b>104</b>	90
<b>Deferred tax</b>		
Origination and reversal of timing differences	<b>157</b>	529
Changes in tax rates	-	(211)
Adjustments in respect of prior periods	-	17
<b>Total deferred tax</b>	<b>157</b>	335
<b>Total tax charge/(credit)</b>	<b>261</b>	425

**Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2021: *lower than*) the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
Profit on ordinary activities before tax	<b>58,995</b>	19,340
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	<b>11,209</b>	3,675
<b>Effects of:</b>		
Tax effect of income not taxable in determining taxable profit	<b>(10,831)</b>	(3,295)
Deferred tax rate differences	<b>(34)</b>	125
Group relief	<b>(171)</b>	(156)
Expenses not deductible for tax purposes	<b>(16)</b>	(31)
Adjustments in respect of prior periods	<b>104</b>	107
<b>Total tax charge for the year</b>	<b>261</b>	425

**Factors that may affect future tax charges**

In May 2021 the Chancellor announced that the main corporation tax rate would increase to 25% from 19% from 1 April 2023, and this was substantively enacted before the reporting date therefore has been used in the measurement of deferred tax.

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**MACDERMID PERFORMANCE SOLUTIONS UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**13. Tangible fixed assets**

	Leasehold improvements £000	Plant and equipment £000	Total £000
<b>Cost</b>			
At 1 January 2022	4,449	5,550	9,999
Additions	-	255	255
At 31 December 2022	<u>4,449</u>	<u>5,805</u>	<u>10,254</u>
<b>Depreciation</b>			
At 1 January 2022	3,207	4,032	7,239
Charge for the year on owned assets	297	226	523
At 31 December 2022	<u>3,504</u>	<u>4,258</u>	<u>7,762</u>
<b>Net book value</b>			
At 31 December 2022	<u>945</u>	<u>1,547</u>	<u>2,492</u>
At 31 December 2021	<u>1,242</u>	<u>1,518</u>	<u>2,760</u>

**14. Investments**

	2022 £000	2021 £000
Investments in subsidiaries	<u>451,721</u>	<u>451,721</u>

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**MACDERMID PERFORMANCE SOLUTIONS UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**14. Investments (continued)**

**Movement in fixed asset investments**

	<b>Shares in group undertakings £000</b>
<b>Cost or valuation</b>	
At 1 January 2022	<b>451,721</b>
At 31 December 2022	<b>451,721</b>
<b>Net book value</b>	
At 31 December 2022	<b>451,721</b>
At 31 December 2021	<b>451,721</b>

On 5 May 2021, the company acquired the entire share capital, consisting of 35,337 shares of H. K Wentworth Ltd for total consideration of £42,181,000. The UK based group is the owner of the Electrolube & AF market leading brands with technology in conformal coatings, encapsulation resins, thermal interface materials, contact lubricants and cleaning chemistry.



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**MACDERMID PERFORMANCE SOLUTIONS UK LIMITED**


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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**


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**14. Investments (continued)****Subsidiary undertakings**

The following were subsidiary undertakings of the company:

Name	Registered office	Class of shares	% Held	
			Direct	Indirect
MacDermid Holdings B. V.	a)	Ordinary	100.00	-
MacDermid Hong Kong Ltd	b)	Ordinary	-	100.00
MacDermid Panyu Specialty Co Ltd	c)	Ordinary	-	100.00
MacDermid Technology (Suzhou) Co. Ltd	d)	Ordinary	-	100.00
MacDermid Enthone Technology (Suzhou) Co. Ltd.	d)	Ordinary	-	100.00
Alpha Metals Ltd	e)	Ordinary	-	100.00
MacDermid Performance Solutions Hong Kong Ltd.	f)	Ordinary	-	100.00
Enthone OMI (Hong Kong) Co. Ltd.	f)	Ordinary	-	100.00
Shenzhen Hua-Mei Electroplating Technology Co. Ltd.	g)	Ordinary	-	100.00
Alent Enthone Chemistry (Shanghai) Co. Ltd.	h)	Ordinary	-	100.00
MacDermid Enthone Technology Trading Shanghai Co. Ltd	h)	Ordinary	-	100.00
Alpha Metals China Holdings Co. Ltd.	e)	Ordinary	-	100.00
Alpha Assembly Solutions (Shenzhen) Co. Ltd	i)	Ordinary	-	100.00
Alpha Assembly Solutions (Shanghai) Trading Co. Ltd	j)	Ordinary	-	100.00
AlentAlpha Metals (Shanghai) Co. Ltd.	k)	Ordinary	-	100.00
H K Wentworth Limited	l)	Ordinary	100.00	-
H K Wentworth Pty Limited	m)	Ordinary	-	100.00
H K Wentworth (NZ) Limited	n)	Ordinary	-	100.00
H K Wentworth America Inc	o)	Ordinary	-	100.00
H K Wentworth PVT Limited	p)	Ordinary	-	100.00
ElectrolubeSuzhou Limited	q)	Ordinary	-	100.00
Zhejiang Technology Co Limited	q)	Ordinary	-	100.00
HKW (Suzhou) New Material Co. Ltd.	r)	Ordinary	-	100.00
H.K. Wentworth EBT Trustee Limited U.K.	s)	Ordinary	-	100.00

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**MACDERMID PERFORMANCE SOLUTIONS UK LIMITED**


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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**


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**14. Investments (continued)****Subsidiary undertakings (continued)****Registered office address:**

- a) Bredasweg 184, 4872 LA Etten-Leur, Netherlands
- b) 9th Floor Block B, Tai Ping Industrial Park, Tai Po New Territories Hong Kong.
- c) Wanqingsha Tower, Panyu City, Guangdong P.R.E, 511462, China.
- d) No. 23, Long Tan Road, Suzhou Industrial park Phase 3, Suzhou, Jiangsu 215126, China.
- e) Suite 1106.8, 11/F., Tai Yau Building, No 181 Johnston Road, Wanchai, Hong Kong.
- f) 8th Floor, Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong.
- g) 4th Floor, No. 9 Factory Building, Tong Fu Yu Industrial City, Tanglang, Xili Town, Nanshan District, Shenzhen, China.
- h) No. 29 North Chuhua Road, Fengxian District, Shanghai, China.
- i) Tang Xia Chong Community, Songgang Sub-district, Bao An District, Shenzhen, China.
- j) Section A, 2nd Floor. Building 5, No 1151 Lianxi Road, Pudong New Area, Shanghai, China.
- k) Room 131. No. 38 Yinglun Road, China (Shanghai), Pilot Free Trade Zone
- l) Unit 2, Genesis Business park, Albert Drive, Woking, Surrey, GU21 5RW
- m) Unit 3/98 Old Pittwater Road, Brookvale NSW, 2100, Australia
- n) Geoff Bowker Ca, Level 3, 142 Broadway, Newmarket, Auckland, 1023, New Zealand
- o) PO BOX 361301, Columbus, Ohio, 43236 USA
- p) Office 1626, Level 16, Tower B, World Trade Tower, Sector - 16, Noida, Uttar Pradesh, India
- q) No.5 Xing Han Street, Suzhou, Jiangsu Province, 215021, China
- r) No.5 - No.8, 1F, Building A, No. 5 Xinghan Road, Suzhou Industrial park, Suzhou, Jiangsu, China
- s) Ashby Park, Coalfield Way, Ashby De La Zouch, Leicestershire, United Kingdom, LE65 1JR

**15. Stocks**

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
Raw materials and consumables	<b>2,285</b>	<b>2,097</b>
Finished goods and goods for resale	<b>2,586</b>	<b>2,453</b>
	<b>4,871</b>	<b>4,550</b>

Inventories are stated after provisions for impairment of £337,000 (2021: £295,000).

There is no significant difference between the replacement cost of finished goods in comparison to their carrying amounts.

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**MACDERMID PERFORMANCE SOLUTIONS UK LIMITED**


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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**


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**16. Debtors**

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
<b>Amounts falling due within one year:</b>		
Trade debtors	4,941	4,369
Amounts owed by group companies	180,107	147,666
Prepayments and accrued income	372	307
Other debtors	483	-
	<u>185,903</u>	<u>152,342</u>
Deferred tax asset (note 21)	175	333
	<u>186,078</u>	<u>152,675</u>

Trade debtors are stated after provisions for bad debts of £62,000 (2021: £38,000).

Included within amounts owed by group undertakings are cash pooling balances of £177,918,000 (2021: £145,714,000) due from a fellow group entity. Interest is received at 1% USD SONIA plus 350 basis points for US Dollar balances, and 250 basis points plus 3 month EUR SONIA with a 1% floor for Euro balances.

All other amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

**17. Cash and cash equivalents**

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
Cash at bank and in hand	<u>119</u>	<u>50</u>

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**MACDERMID PERFORMANCE SOLUTIONS UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**18. Creditors: Amounts falling due within one year**

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
Trade creditors	3,009	2,249
Amounts owed to group undertakings	2,876	2,574
Accruals and deferred income	1,210	1,747
	<u>7,095</u>	<u>6,570</u>

Included within amounts owed to group undertakings are cash pooling balances of £412,000 (2021: £149,000) due to a fellow group entity. Interest is paid at 25 basis points for US dollar balances and 15 basis points for Euro balances.

All other amounts owed to group undertakings are repayable on demand, and are unsecured.

**19. Creditors: Amounts falling due after more than one year**

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
Accruals and deferred income	<u>246</u>	<u>324</u>

Creditors falling due after more than one year relate to property lease related costs.

**20. Deferred taxation**

	<b>2022</b>
	<b>£000</b>
<b>Movements in the year</b>	
Asset at 1 January 2022	333
Charge to profit or loss	(160)
Credit to profit and loss	3
<b>Asset at 31 December 2022</b>	<u>176</u>

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**MACDERMID PERFORMANCE SOLUTIONS UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**20. Deferred taxation (continued)**

The major deferred tax liabilities and assets recognised by the company are:

	<b>Assets 2022 £000</b>	<b>Assets 2021 £000</b>
<b>Balances:</b>		
Accelerated capital allowances	<b>(207)</b>	<b>(308)</b>
Other timing differences	<b>382</b>	<b>641</b>
	<u><b>175</b></u>	<u><b>333</b></u>

In the above deferred tax asset, £382,000 (2021: £205,000) is expected to reverse within one year.

The only reversal calculated in the next period' is in relation to the utilisation of historic tax losses which can be utilised against profits arising from the Enthone trade transferred into MPS UK. A calculation is done each year of the relevant profits for the tax return. For purposes the amount reversing is estimated based on prior year history, using an average of recent claims.

In respect of the losses, the Enthone tax losses total gross carry forward amount is £1.5m (2021: £2.6m). These are being steadily used each year and recognised for deferred tax purposes.

**21. Post-employment benefits**

	<b>2022 £000</b>	<b>2021 £000</b>
<b>Defined contribution schemes</b>		
Charge to profit or loss in respect of defined contribution schemes	<u><b>353</b></u>	<u><b>328</b></u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

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**MACDERMID PERFORMANCE SOLUTIONS UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**22. Called up share capital**

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
<b>Ordinary share capital</b>		
<b>Issued and fully paid</b>		
3,000,002 (2021: 3,000,002) Ordinary shares of £1 each	<b>3,000</b>	<b>3,000</b>

The company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the company.

There are no restrictions on the distribution of dividends and the repayment of capital.

**23. Reserves**

**Share premium account**

The share premium account represents consideration received for shares issued above their nominal value net of transaction costs.

**Profit and loss account**

The profit and loss account represents cumulative profit and loss net of distribution to owners.

**24. Dividends**

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
Final dividend paid @ £8.551 (2021: £2.601) per share	<b>25,653</b>	<b>7,803</b>

**25. Commitments under operating leases**

**Lessee**

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
Within one year	<b>483</b>	<b>504</b>
Between one and five years	<b>1,704</b>	<b>1,727</b>
In over five years	<b>2,779</b>	<b>3,239</b>
	<b>4,966</b>	<b>5,470</b>

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**MACDERMID PERFORMANCE SOLUTIONS UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**26. Related party transactions**

The company has taken advantage of the exemption under FRS 102 section 33. 1A not to disclose details of intra-group transactions where those transactions take place between companies which are wholly owned under a common parent entity. There are no other related party transactions requiring disclosure.

**27. Controlling party**

The immediate parent company is MacDermid Continental Investments Limited, a company registered in England & Wales. MacDermid Continental Investments Limited has its registered office at: Unit 2 Genesis Business Park, Albeit Drive, Woking, Surrey, GU21 5RW.

The ultimate controlling entity is Element Solutions Inc, a company incorporated in the United States of America. Element Solutions Inc has its registered office at: Suite 1860, 500 East Broward Boulevard, Fort Lauderdale, Florida, 33394, USA.

The largest and smallest group in which the results of the company are consolidated is headed by Element Solutions Inc, a company incorporated in the United States of America. The consolidated financial statements of the group are available to the public and may be obtained from the following address: Suite 1860, 500 East Broward Boulevard, Fort Lauderdale, Florida, 33394, USA and are also available from [www.elementsolutionsinc.com](http://www.elementsolutionsinc.com).

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2022

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 001-36272



**Element Solutions Inc**

(Exact name of Registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

500 East Broward Boulevard, Suite 1860

Fort Lauderdale, Florida

(Address of principal executive offices)

37-1744899

(I.R.S. Employer Identification No.)

33394

(Zip Code)

Registrant's telephone number, including area code: (561) 207-9600

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	ESI	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒

Accelerated filer ☐

Non-Accelerated filer ☐

Smaller reporting company ☐

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1 (b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes ☐ No ☒

The number of shares of common stock outstanding as of February 17, 2023 was 241,359,446. The aggregate market value of the common stock held by non-affiliates as of June 30, 2022 was approximately \$4.05 billion, based upon the last reported sales price for such date on the New York Stock Exchange. All (i) executive officers and directors of the registrant and (ii) all persons who hold 10% or more of the registrant's outstanding common stock have been deemed, solely for the purpose of the foregoing calculation, to be "affiliates" of the registrant.

**Documents Incorporated By Reference**

Portions of the Company's definitive 2023 Proxy Statement are incorporated by reference into Part III of this 2022 Annual Report.



**Element Solutions Inc**  
**ANNUAL REPORT ON FORM 10-K**  
For the year ended December 31, 2022

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## GLOSSARY OF DEFINED TERMS

Terms	Definitions
<b>Element Solutions; We; Us; Our; the Company</b>	Element Solutions Inc, a Delaware corporation, and where the context requires, its subsidiaries or operating businesses.
<b>Add-on Term Loans</b>	Element Solutions' \$400 million aggregate principal amount of incremental term loans B borrowed under the Credit Agreement on September 1, 2021. All references to "term loans" in this Annual Report include the Add-on Term Loans.
<b>Coventya</b>	Coventya Holding SAS and its subsidiaries.
<b>Coventya Acquisition</b>	Acquisition of Coventya on September 1, 2021.
<b>Credit Agreement</b>	Credit Agreement, dated as of January 31, 2019, as amended from time to time, among, inter alia, Element Solutions and MacDermid, Incorporated, as borrowers, certain subsidiaries of Element Solutions and the lenders from time to time parties thereto.
<b>EBITDA</b>	Earnings before interest, taxes, depreciation and amortization.
<b>E.U.</b>	European Union.
<b>Exchange Act</b>	Securities Exchange Act of 1934, as amended.
<b>GAAP</b>	U.S. Generally Accepted Accounting Principles.
<b>HKW</b>	H.K. Wentworth Limited and its subsidiaries.
<b>HKW Acquisition</b>	Acquisition of HKW on May 5, 2021.
<b>HSO</b>	HSO Herbert Schmidt GmbH & Co. KG, Dipl.-Ing. W. Schmidt GmbH and HSO Hong Kong Holding Limited and its subsidiary.
<b>HSO Acquisition</b>	Acquisition of HSO on January 26, 2022.
<b>OEM</b>	Original equipment manufacturer.
<b>RSUs</b>	Restricted stock units issued by Element Solutions from time to time under the 2013 Plan.
<b>SEC</b>	Securities and Exchange Commission.
<b>Securities Act</b>	Securities Act of 1933, as amended.
<b>WACC</b>	Weighted average cost of capital.
<b>2013 Plan</b>	Element Solutions Inc Amended and Restated 2013 Incentive Compensation Plan.
<b>2022 Annual Report</b>	This annual report on Form 10-K for the fiscal year ended December 31, 2022.
<b>2023 Proxy Statement</b>	Element Solutions' definitive proxy statement for its 2023 annual meeting of stockholders expected to be filed no later than 120 days after the Company's fiscal year end of December 31, 2022.
<b>3.875% USD Notes due 2028</b>	Element Solutions' \$800 million aggregate principal amount of 3.875% senior notes due 2028, denominated in U.S. dollars, issued on August 18, 2020.

## Forward-Looking Statements

This 2022 Annual Report contains forward-looking statements that can be identified by words such as "expect," "anticipate," "project," "will," "should," "believe," "intend," "plan," "assume," "estimate," "predict," "seek," "continue," "outlook," "may," "might," "aim," "can have," "likely," "potential," "target," "hope," "goal," "priority" or "confident" and variations of such words and similar expressions. Many of the forward-looking statements include, but are not limited to, statements, beliefs, projections and expectations regarding the expected benefits of the Coventya Acquisition; the continuing economic impact of the coronavirus (COVID-19) and its variants on the global economy, our business, financial results, customers, suppliers, vendors and/or stock price, including the impact of related governmental responses; the efficacy of vaccines and treatments targeting COVID-19 and its variants; secular trends and expected growth of our businesses; the ongoing conflict between Russia and Ukraine and actions in response thereto; capital requirements and need for and availability of financing; probability of achievement of the performance target related to certain performance-based RSUs; the impact of new accounting standards and accounting changes; share repurchases; our dividend policy and dividend declarations; our hedging activities; timing and outcome of environmental and legal matters; tax planning strategies and assessments; the impact of tax law changes; impairments, including those on goodwill and other intangible assets; price volatility and cost environment; inflation and fluctuations in foreign exchange rates; our liquidity, cash flows and capital allocation; funding sources; capital expenditures; debt and debt leverage ratio; pension plan contributions; contractual obligations; general views about future operating results; sustainability goals; expected returns to stockholders; risk management programs; future prospects; and other events or developments that we expect or anticipate will occur in the future.

Although we believe these forward-looking statements are based upon reasonable assumptions regarding our business and expectations about future events, financial performance and trends, there can be no assurance that our actual results will not differ materially from any results expressed or implied in these forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in Part I, Item 1A, Risk Factors, of this 2022 Annual Report. In addition, as we operate in a very competitive and rapidly changing environment, new risks may emerge from time to time. Any forward-looking statement included in this 2022 Annual Report is based only on information currently available and speaks only as of the date on which it is made. We undertake no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. Please consult any further disclosures on related subjects in our SEC filings.

The invasion of Ukraine by Russia in early 2022 and the sanctions and other measures being imposed in response to this conflict have increased the level of economic and political uncertainty. While none of Russia, Ukraine or Belarus constitutes a material portion of our business and we do not have physical assets in these countries, a significant escalation or expansion of economic disruption or the conflict's current scope could disrupt the global supply chain and increase our costs as well as amplify certain risks discussed in Part I, Item 1A, *Risk Factors*, of this 2022 Annual Report.

In addition, while progress has been made to contain the COVID-19 pandemic, it remains a global challenge. The long-term impact of the pandemic will depend on numerous and evolving factors that remain highly uncertain, vary by market and cannot be quantified at this time, such as the scope, severity and duration of the pandemic.

## Non-GAAP Financial Measures

This 2022 Annual Report contains non-GAAP financial measures, such as Adjusted EBITDA and operating results on a constant currency and organic basis. Non-GAAP financial measures should not be considered in isolation from, a substitute for, or superior to, performance measures calculated in accordance with GAAP. For additional information on these non-GAAP financial measures, including definitions, limitations and reconciliations to their most comparable applicable GAAP measures, see "Non-GAAP Financial Measures" in Part II, Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, and Note 22, *Segment Information*, to the Consolidated Financial Statements, both included in this 2022 Annual Report.

## **Part I**

### **Item 1. Business**

*Unless the context otherwise indicates or requires, all product names, trade names, trademarks, service marks or logos used in this 2022 Annual Report are part of our intellectual property, although the "®" and "TM" trademark designations may have been omitted. For financial and other information about our segments and the geographic areas in which we do business, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7, "Financial Statements and Supplementary Data" in Part II, Item 8, as well as Note 1, "Background and Basis of Presentation" and Note 22, "Segment Information" to our audited Consolidated Financial Statements, all included in this 2022 Annual Report.*

#### **Business Overview**

Element Solutions, incorporated in Delaware in January 2014, is a leading global specialty chemicals company whose businesses supply a broad range of solutions that enhance the performance of products people use every day. Developed in multi-step technological processes, these innovative solutions enable customers' manufacturing processes in several key industries, including consumer electronics, power electronics, semiconductor fabrication, communications and data storage infrastructure, automotive systems, industrial surface finishing, consumer packaging and offshore energy. Our product innovation and product extensions are expected to continue to drive sales growth in both new and existing markets while expanding margins through a consistent focus on increasing customer value propositions.

We believe the majority of our businesses hold strong positions in the high-growth markets we serve. Our extensive global teams of specially trained scientists and engineers develop our products, and our expert sales and service organizations ensure our customers' needs are met every day. Our continuous focus on customer-centric innovation serves as a catalyst to drive changes to existing formulations and opportunities in adjacent markets within our industry. We believe that our customers place significant value on the consistency and quality of our brands, on which we capitalize through significant market share, customer loyalty and supply chain access. In addition, operational risks and switching costs make it difficult for our customers to change suppliers which allows us to retain customers and maintain our market positions.

Our customers use our innovation as a competitive advantage, relying on us to help them navigate through fast-paced, high-growth markets. To that end, we draw upon our broad and longstanding intellectual property portfolio and technical expertise, while working closely with both customers and OEMs on an ongoing basis to develop proprietary solutions tailored to their manufacturing needs. We leverage these close relationships to win qualifications and specifications into their supply-chains as well as to identify opportunities for new products; all of which provide potential additional revenue streams.

Our strategy is based on a balance of operational excellence and prudent capital allocation. Our operating teams focus on the strong execution of customer-led product development, superior technical sales support and continuous supply chain optimization. Our senior leadership aims to foster an environment of accountability and success for our operating teams while also evaluating and executing on high-return capital allocation opportunities that can drive improvements in long-term shareholder value.

#### **Acquisitions**

We may pursue targeted and opportunistic acquisitions in our existing and adjacent end-markets that seek to strengthen our current businesses, expand and diversify our product offering, and enhance our growth and strategic position.

On January 26, 2022, we completed the HSO Acquisition for approximately \$23 million, net of cash. HSO is a multi-national developer of technology and chemistry for decorative and functional surface finishing with a focus on environmentally sustainable products, especially in the field of plating on plastics. HSO is included in our Industrial Solutions business line within our Industrial & Specialty segment.

## Business Segments

Our operations are organized into two reportable segments: Electronics and Industrial & Specialty. In 2022, we achieved sales of \$2.55 billion, to which our Electronics and Industrial & Specialty segments contributed approximately 63% and 37%, respectively. In the second quarter of 2022, our Films business was transferred from our Industrial Solutions business within Industrial & Specialty to our Circuitry Solutions business in Electronics. We made this change in response to the increasing commercial activity and opportunities we anticipate in printed and in-mold electronics. Historical information has been reclassified to include the Films business in Electronics for all periods presented in this 2022 Annual Report.

Our segments share a common focus on attractive niche markets, which we believe will grow faster than the diverse end-markets they each serve. Both segments provide products that, in substantially all cases, are consumed by customers as part of their production process, providing us with reliable and recurring revenue as products are replenished in order to continue production. We provide highly-technical service and support to customers and OEMs in order to optimize their manufacturing processes. While they typically represent only a small portion of our customers' costs, our products, along with our high-value added technical support, are seen as integral to customer product performance.

Neither of our segments is subject to significant seasonality.

### Electronics

Our Electronics segment researches, formulates and sells specialty chemicals and material process technologies for all types of electronics hardware, from complex printed circuit board designs to advanced semiconductor packaging. In mobile communications, computers, automobiles and aerospace equipment, its products are an integral part of the electronics manufacturing process and the functionality of end-products. The segment's "wet chemistries" for metallization, surface treatments and solderable finishes form the physical circuitry pathways and its "assembly materials," such as solders, pastes, fluxes and adhesives, join those pathways together.

Electronics provides solutions through the following businesses:

**Assembly Solutions - representing approximately 52% of the segment's 2022 net sales.** As a global supplier of solder technologies, fluxes, cleaners and other attachment materials for the electronics assembly industry, we develop innovative materials that join electronic circuits in high volume device manufacturing. Our high-performing interconnect materials are used to assemble consumer electronics from circuit boards, discrete electronic components, connectors and integrated circuit substrates. We believe our growth in this business will be driven by the increasing use of electronics in consumer, automotive, telecommunications, memory, medical, aerospace and other markets. Of our total net sales for Assembly Solutions, approximately 50% is metal content whose price fluctuations are generally passed through to our customers.

**Circuitry Solutions - representing approximately 31% of the segment's 2022 net sales.** As a global supplier of chemical formulations to the electronics industry, we design and manufacture proprietary liquid chemical processes and materials used by our customers to manufacture printed circuit boards and memory storage devices. Our product portfolio is focused on specialized consumable chemical processes and materials, such as surface treatments, circuit formation, primary metallization, electroplate, surface finishes and flexible/formable films. We believe our growth in this business will be driven by demand in wireless mobile devices, internet infrastructure computers, and the increasing use of electronics in automobiles.

**Semiconductor Solutions - representing approximately 17% of the segment's 2022 net sales.** As a global supplier to the semiconductor industry, we provide advanced copper interconnects, die attachment, wafer bump processes and photomask technologies to our customers for integrated circuit fabrication and semiconductor packaging. We believe our growth in this business will be driven by advanced electronics packaging, necessary to meet the growing needs of high performance computing, the internet of things, 5G communications and the increasing content and complexity of electronics in automotive applications.

## Products

A selection of Electronics' product offerings is presented below:

<b>Assembly Solutions</b>	
<i>Electronic Assembly Materials</i>	Chemicals and materials used in circuit board and electronic device assembly. Our product offering is primarily focused on solder technologies, including solder alloys, wires, pastes and preforms. The portfolio also includes fluxes, adhesives, encapsulants, cleaners and stencils, all of which facilitate wave solder and surface mount assembly activities. Our <i>Argomax</i> line of advanced sinter technology is used in power semiconductor and solid state lighting markets to improve reliability and device performance. Other key brands include <i>Alpha</i> , <i>Innolot</i> , <i>AccuFlux</i> , <i>Powerbond</i> , <i>Kester</i> , <i>TrueHeight</i> and <i>Alpha HiTech</i> .
<b>Circuitry Solutions</b>	
<i>Circuit Board Metallization</i>	Plating products are used to plate holes drilled through printed circuit boards to connect opposite sides of the board and multi-layered printed circuit boards. Products include <i>Shadow</i> , <i>Blackhole</i> , <i>MacuSpec</i> , <i>M-System</i> and <i>Systek</i> .
<i>Circuit Formation Products</i>	Circuit formation products represent an assortment of products for defining circuit patterns and bonding conductors to insulating materials.
<i>Electronic Materials</i>	Specialty products developed for evolving electronic applications including photovoltaics, memory disk and molded interconnect devices manufacturing as well as lead frame and dielectric plating solutions.
<i>Surface Finishes</i>	A portfolio of metallic and organic surface finishes that promote wire bondability, provide contact functionality and preserve solderability of the circuit board prior to component assembly. Key brands include <i>Sterling</i> , <i>Entek</i> , <i>Affinity</i> and <i>Ormecon</i> .
<i>Film and Smart Surface Solutions</i>	Films and Smart Surfaces include 3D formable films, 2D films, texturing Lacquers and circuitry & component attach materials used in the creation of in-mold electronic (IME) structures for human-machine interfaces (HMI). Key brands include <i>Xtraform</i> , <i>Autotex</i> and <i>Autoflex</i> .
<b>Semiconductor Solutions</b>	
<i>Semiconductor Materials &amp; Packaging Applications</i>	Advanced plating chemistries and assembly materials used for semiconductor chip fabrication and packaging. Our plating portfolio consists of copper, nickel and precious metals used in wafer-level packaging applications as well as damascene metallization used for transistor interconnection. Our semiconductor assembly materials portfolio includes die attach pastes and films, thermal interface materials, adhesives, getters, solder flux and solder pastes. Key brands include <i>ALPHA</i> , <i>ViaForm</i> , <i>MICROFAB</i> , <i>ATROX</i> , <i>Kester</i> , <i>Electrolube</i> and <i>Compugraphics</i> .

## Industrial & Specialty

Our Industrial & Specialty segment researches, formulates and sells specialty chemicals and process technologies that enhance surfaces or improve industrial processes in diverse industrial sectors from automotive trim to transcontinental infrastructure and from high-speed printing to high-design faucets. Its products include chemical systems that protect and decorate metal and plastic surfaces; consumable chemicals that enable printing image transfer on flexible packaging materials; and chemistries used in water-based hydraulic control fluids in offshore energy production. These fully consumable products are used in the aerospace, automotive, construction, consumer electronics, consumer packaged goods and oil and gas production end-markets.

Industrial & Specialty provides solutions through the following businesses:

**Industrial Solutions** - representing approximately 77% of the segment's 2022 net sales. As a global supplier of industrial metal and plastic finishing chemistries, we primarily design and manufacture chemical systems that protect and decorate surfaces. Our high-performance functional coatings improve resistance to wear and tear, such as hard chrome plating of shock absorbers for cars, or provide corrosion resistance for appliance parts. Our decorative performance coatings apply finishes for parts in various end-markets, such as automotive interiors or jewelry surfaces. As part of our broader sustainable solutions platform, we also provide both chemistry and equipment for turnkey wastewater treatment and recycle and reuse solutions. Our industrial customer base is highly diverse and includes customers in the following end-markets: appliances and electronics equipment; automotive parts; industrial parts; plumbing goods; construction equipment and transportation equipment. We believe our growth in this industry will be primarily driven by increased worldwide automobile production with elevated fashion elements and higher content per vehicle as well as general economic growth.

**Graphics Solutions** - representing approximately 16% of the segment's 2022 net sales. As a supplier of consumable materials used to transfer images on to consumer packaging materials, our products are used to improve print quality and printing productivity. We produce and market photopolymers through an extensive line of flexographic plates that are used in the consumer packaging and printing industries. Photopolymers are molecules that change properties upon exposure to light. Flexography is a printing process that utilizes flexible printing plates made of rubber or other flexible plastics. We believe growth in this business will be driven by consumer demand and market shifts favoring the use of package imaging technologies that, like ours, offer a lower total cost of ownership to customers.

**Energy Solutions** - representing approximately 7% of the segment's 2022 net sales. As a global supplier of specialized fluids to the offshore energy industry, we produce water-based hydraulic control fluids for major oil and gas companies and drilling contractors to be used in offshore deep-water production and drilling applications. We believe our growth in this business will be driven by continued capital expenditures in energy exploration and production.

## Products

A selection of Industrial & Specialty's product offerings is presented below:

Industrial Solutions	
<i>Electroless Nickel</i>	Electroless nickel is applied to a variety of metal and plastic surfaces to enhance corrosion resistance, wear resistance, solderability and to repair worn or over-machined surfaces in a variety of applications.
<i>Plating Products</i>	The <i>CuMac</i> range of products for applications such as plating on aluminum wheels, plastic substrates and zinc-based die castings, and the <i>evolve</i> plating process used for chromium-free plating on plastics.
<i>Pre-treatment and Cleaning Solutions</i>	Pre-treatment and cleaning solutions are applied to prepare the surfaces of a wide variety of industrial products for subsequent treatment. This product family includes a complete line of aqueous and semi-aqueous pre-treatment and cleaning products.
<i>Functional Conversion Coatings</i>	Functional conversion coatings are applied to metals to enhance corrosion resistance and paint adhesion in a wide spectrum of industrial applications where heavy-duty usage and exposure to unfavorable environments are anticipated.
<i>Wastewater Solutions</i>	Wastewater treatment and recycling systems that allow for less waste discharge and a more sustainable use of resources including water, metals and other production inputs.
<i>Water Treatment</i>	<i>Fernox</i> is our water treatment product line used for the filtration, corrosion inhibition, and conditioning of water in residential and commercial boiler systems.

## Graphics Solutions

<i>Solid Sheet Printing Elements</i>	Solid sheet printing elements are digital and analog printing sheets, used in the flexographic printing and platemaking processes. Our extensive line of <i>Lux</i> flexographic plates are used in the commercial packaging letterpress newspaper and publication industries.
<i>Liquid Imaging Products</i>	Liquid products are liquid photopolymers used to produce printing plates for transferring images onto commercial packaging. Our key products are <i>LTL photopolymer</i> , <i>M Clear photopolymer</i> and <i>M Stamp 40 photopolymer</i> . We also offer products that are used in the production of liquid photopolymer plates such as substrate, coverfilms and detergents.

Energy Solutions	
<i>Offshore Fluids</i>	Production fluids are used to operate valves for the deep-water oil extraction and transportation process, and drilling fluids are used to operate valves for drilling rigs on the ocean floor. Production and drilling fluids are water-based hydraulic fluids used in subsea control systems.

## Competitive Strengths

We believe the following competitive strengths differentiate our businesses from competitors and contribute to our ongoing success:

- **Industry Leading Positions.** We strategically focus on acquiring and maintaining leading positions in niche sectors of high-growth markets by offering innovative products and high value-added services to our customers. We believe our scale and global reach in product development, marketing and formulation provide us with advantages over many competitors, allowing us to maintain strong market share positions and drive profitable growth. Our strong market presence contributes to our ability to attract new customers and successfully enter new end-markets.

- **Customer Driven Innovation.** We work closely with our customers, OEMs and other industry participants to develop new products and identify new market opportunities. We participate in a variety of dynamic end-markets where new unmet needs are always materializing. Our sales and technical service teams provide continuous insights that help ensure our research and development efforts are appropriately focused. Customer requirements can lead to improved or uniquely tailored formulations of existing product offerings or to the development of completely new products to satisfy previously unmet needs. Tailoring products for specific OEMs leads to long-term relationships and significant customer switching costs.
- **Comprehensive Offering of Critical Products.** We provide our customers with a comprehensive offering of products that meet many of their specialty chemical needs. In many cases, we offer a full suite of products with complementary capabilities that provide a complete functional solution to our customers. We believe the ability to provide an “end-to-end” product offering is a significant competitive advantage over many of our smaller competitors. Additionally, we believe our breadth of touchpoints from circuit formation through circuit assembly is unique in the market and allows for a broader dialogue with customers in electronics end-markets. We also believe that our existing product offerings provide many opportunities for growth in adjacent end-markets.
- **Stable Cash Flow and Low Capital Requirements.** Our businesses typically generate high margins and require low capital expenditures which translate into high cash flow margins and returns on capital. Instead of large investments in physical assets to sustain business or grow, we focus our investments on our technological innovation or sales and services areas. Our business involves the formulation of a broad range of specialty chemicals created by blending raw materials and incorporating them into multi-step technological processes. This model allows us to conservatively manage our fixed asset investments. We believe our existing fixed asset base is well-maintained and, accordingly, requires low ongoing capital expenditures.
- **Performance-Driven Culture, Experienced Management and Board with Proven Track Record.** We place a premium on maintaining an expert and qualified employee base to provide innovative products and specialized technical service to our customers. We believe we have outstanding people who can deliver superior performance under the guidance and oversight of proven, experienced leadership. Our culture is performance-driven and decentralized. We empower our business teams and hold them accountable for their outcomes and business judgment. We measure our performance against industry benchmarks relating to efficiency growth and profitability, and drive operational excellence through continuous improvement. Our experienced management team is complemented by our experienced Board of Directors, which includes individuals with proven track records of successfully managing and growing businesses. In addition, both our business segments are led by executives who have extensive experience in their respective fields.

## Business Strategies

We are building a best-in-class global specialty chemical solutions provider. Our primary long-term measures of success are the value we create for our customers, the growth opportunities we provide for our people and the growth in the intrinsic value of our shares, which is a byproduct of value to customers, a strong meritocratic culture and prudent capital allocation. We regularly develop new products and processes and leverage our existing technologies and global footprint to profitably enter new markets. Our efforts are directed by the following key business strategies:

- **Commercial Excellence.** We understand that reliably meeting our customers' needs through a focus on high-quality and reliable service leads to success for all parties. From product development and applications excellence through quality manufacturing and on-time delivery, we demand a customer-focus from all levels of the organization. We believe that we can capitalize on our existing technical capabilities, sophisticated process know-how, and strong industry relationships to enable customer success.
- **Market Leading Innovation.** Our customers participate in dynamic markets driven by innovation, which means that we too must place a strong emphasis on innovation. We work alongside our customers and OEMs to develop leading edge products based on our significant intellectual property portfolio, process experience and technical expertise. Building on our core competencies in product innovation, applications development and technical service should help drive organic growth. Innovation helps develop new high-growth markets and technologies and expand upon our existing portfolio with new products for current and adjacent markets.
- **Enabling Sustainability.** It is both socially responsible and commercially compelling to develop sustainable solutions that exceed the increasingly stringent environmental standards of our customers and regulators. As part of our innovation and product development process, we actively partner with governments, industry groups and universities to develop commercially viable, environmentally friendly solutions for our customers' use around the world. Enabling our customers to improve their environmental footprint will allow us to do well by doing good.



- **Decisiveness and Action Orientation.** A customer-oriented, customer-service driven organization requires decentralized decision making. We encourage our employees to make decisions and empower them to act swiftly to meet the ever-changing local needs of our customers. Clear communication, strong strategic alignment and a culture that rewards good judgement allow us to ensure the right decisions are being made by our trusted global workforce.
- **Recruitment and Talent Development.** Our success is a by-product of the efforts and capabilities of our people from our R&D laboratories to our customers' manufacturing floors. Our technical expertise and innovation track records are the result of a specialized, highly-skilled workforce. Our ability to drive profitable growth through technical process know-how, strong customer relationships and industry knowledge relies on our ability to attract, grow and retain a highly-skilled and motivated team at all levels of our organization.
- **Disciplined and Prudent Capital Allocation.** Our capital efficient business model translates to stable, substantial free cash flow. Our ability to grow the intrinsic value of our shares relies on deploying that capital prudently. We intend to be opportunistic with the allocation of our free cash flow and may pursue organic investments in priority markets, bolt-on and strategic acquisitions, as well as stockholder-friendly capital returns, such as share repurchases or dividends. Our investment decisions will be driven by comparing relative and absolute risk adjusted returns expectations.

## Customers

Our businesses have diverse customer bases and sell products either directly to end-user customers or through intermediaries. We also have collaborative relationships with many OEMs and industry partners, who specify our chemistries and technologies for use in their products or grant us development rights to their intellectual property.

We believe that we are able to attract new customers successfully through our international reach, coupled with our local knowledge and on-the-ground presence, which enable us to meet the needs of our customers. We operate a relatively large number of small and medium-sized facilities located close to our customers throughout the world's major economic regions. This close proximity to our global customers' local sites enables access to key growth markets and, along with our efficient formulation process, allows for "just in time" supply chain management.

We believe that our businesses are not materially dependent upon any single customer with no customer representing 10% or more of our consolidated net sales in 2022, 2021 or 2020.

Due to the relatively short cycle times in the majority of our businesses, our order backlog levels are minimal.

## Selling & Marketing

We employ a customer-centric and highly-technical sales and marketing force worldwide. These professionals have robust technical expertise and local market knowledge and cultivate strong customer relationships. Our local sales and marketing teams closely monitor market trends and maintain active dialogue with our customers to assess and understand their constantly evolving challenges. We use this information from our local sales teams to anticipate future needs and respond rapidly to changing market conditions or technologies in order to swiftly deliver customized, value-added solutions to our customers. This feedback loop is an important source of new product ideas and helps guide our capital allocation decisions and research and development initiatives.

Our methods for selling and marketing our proprietary products vary slightly by geographic region. We generate business through the efforts of regional sales, technical and service personnel as well as distributors. In addition to regional sales and service staff, we maintain a group of global personnel focused on coordinating sales projects and obtaining design specifications for complex projects involving multiple customers within the manufacturing supply chain.

## Human Capital Management

We strive to embody the five elements of our culture, our "5 Cs": Challenge, Commit, Collaborate, Choose and Care. These core values are the foundation of our organization. We believe they reinforce our strategic objectives and empower our employees when serving and engaging with our customers globally.

At December 31, 2022, we employed over 5,300 full-time employees, of which approximately 40% are research and development chemists and experienced technical service and technical sales personnel. Our full-time employees are based throughout the world, with approximately 80% employed outside of the U.S. In certain countries where we operate, our employees are also members of unions or are represented by works councils. We believe our relationships with our employees and collective bargaining unions are satisfactory.

**Occupational Health and Safety.** As a specialty chemical company, the success of our business is fundamentally connected to the safety of our employees. To promote worker safety, we use comprehensive management tools, including policies, training requirements, best practices and processes, and product quality and safety standards. We host an annual Global Safety Day during which our leaders emphasize the importance of safety through videos, discussions and targeted training. As part of our safety program, we track injury and illness rates locally and maintain emergency and disaster recovery plans. We also care for our employees' health and offer benefits and programs designed to support their physical, mental and financial well-being. In the context of the COVID-19 pandemic, we proactively developed Company-wide return-to-office and employee safety protocols.

**Diversity, Equity and Inclusion.** We are committed to becoming a more inclusive and diverse organization. We believe diversity, equity and inclusion drive innovation, which in turn allows us to compete effectively. Throughout 2022, we continued to strengthen our targeted hiring initiatives with a focus on candidates historically underrepresented in our industry, including multiethnic backgrounds. Our talent program is based on policies designed to ensure fair hiring practices and prevent discrimination and harassment. We also provide diversity training on a targeted basis. In 2022, all U.S. managers were required to complete a training program designed to hone their skills on unconscious bias, non-discrimination and anti-harassment and embrace conscious inclusion as a key leadership quality.

**Talent Retention and Development.** With our focus on innovation and service, key elements of our human capital strategy are the attraction, acquisition and engagement of highly-skilled employees. Accordingly, we are committed to the continued development of our people and track internal KPIs related to career development and internal promotion. We conduct regular global employee culture surveys to gauge their perception of the Company as a place to work as well as their views of leadership, understanding of our culture, and sense of inclusion. These surveys are part of our continuous improvement mindset around building a robust culture that is both engaging and aligned with our core value of "Care." We also offer many training opportunities to cultivate talent, improve targeted skills and facilitate internal mobility to create a high-performing and diverse workforce. In addition, we regularly review talent development and succession plans for each of our functions and segments to identify and develop a pipeline of talent to maintain business operations.

**Social and Community Impact.** We believe that building connections among our employees, their families and our communities creates a more meaningful, fulfilling and enjoyable workplace. We understand that the best workforce comes from thriving communities, so we invest in our communities to support them. Through our engagement programs, our employees can connect to volunteering and giving opportunities. The ESI Foundation further brings our purpose to life by matching employee donations to qualified charitable organizations in the communities where our employees live and work. It also focuses on causes important to the environmental and social well-being of these communities, such as The Canopy Project, which in 2022 helped us celebrate Earth Day with the planting of trees around the world. In 2022, global donations through our ESI Cares program benefited over 500 charitable organizations, including charities who focus on human rights and humanitarian initiatives, such as Equality Now and Doctors Without Borders.

In early 2022, we announced our initial sustainability goals, which include improving occupational health and safety performance and increasing diversity, equity and inclusion. These goals further articulate our commitment to Environmental, Social and Governance (ESG) principles and their integration into our business strategy and day-to-day operations. For more information, including with respect to workforce prosperity and our social and community impact, see the Sustainability section of our website.

## Research and Development

Innovation is a key element of our culture and critical to our success. Continued investment in research and development ensures that we remain ahead of emerging trends and continue to strengthen our strong positions in our market niches. Our research and development activities are also focused on developing products and improving formulations and processes, not only to respond to or anticipate customers' changing needs, but also to drive growth or otherwise add value to our core business operations and those of our customers. We accelerate market introductions and increase the impact of our local product offerings through collaboration with partners in the academic and commercial sectors (customers and value-chain partners) and by working with customers and OEMs on tailored application development around the world through our technical service teams. We plan to continue making meaningful investments in a broad range of research and development efforts.

Our commitment to technological innovation and extensive intellectual property portfolio enables us to develop differentiated products at the forefront of technological advances. Research resulting in new, proprietary formulations is performed principally in the United States, United Kingdom, Germany and India. During 2022, our research and development expenses totaled \$48.8 million. Substantially all research and development activity was performed internally.

### **Competitive Environment**

Our markets are competitive and subject to rapid changes in technology. Our businesses compete in markets for specialty chemicals for electronic applications, general metal and plastic finishing, offshore oil and gas exploration and production, and consumer packaging.

Our businesses compete primarily on the basis of quality, technology, performance, reliability, brand, reputation, service, range of products and services and support. We maintain extensive technical support and testing services for our customers and are continuously developing new products to meet their needs. Further consolidation within our industry or other changes in the competitive environment could result in larger competitors that compete with us across several business areas. In addition, some of our competitors may have greater financial, technical and marketing resources than we do and may be able to devote greater resources to promoting and selling certain products. We believe, however, that our ability to manufacture, sell, service and develop new products and applications enable us to compete successfully. Some large competitors operate globally, as we do, but most operate only locally or regionally. We also face competition from many smaller companies that specialize in particular segments of the markets in which we compete.

The specific competitive environment of each of our segments is described below:

#### *Electronics*

Our Electronics segment provides a broad line of proprietary chemical compounds and supporting services, and broadly competes within the specialty chemicals industry. Although competition varies by end-market and geography, our most significant competitors are MKS Instruments, DuPont de Nemours, Inc., Henkel Corporation, Senju Metal Industry Co. and Uyemura International.

#### *Industrial & Specialty*

Our Industrial & Specialty segment provides a broad line of proprietary chemical compounds and supporting services, and broadly competes within the specialty chemicals industry. Although competition varies by end-market and geography, our most significant competitors are MKS Instruments, DuPont de Nemours, Inc., BP p.l.c., Miracron Corp. and XSYS Global.

### **Sources and Availability of Raw Materials**

Our businesses formulate a broad range of specialty chemicals, which we create by blending raw materials and incorporating them into multi-step technological processes. Our global operations depend upon obtaining adequate supplies of raw materials on a timely basis. We typically purchase our major raw materials as-needed from outside sources and we work closely with these suppliers to help ensure continuity of supply while maintaining high quality and reliability. As part of our sustainability efforts, we recycle certain raw materials, primarily tin, in our own smelting and refining facility in the U.S. for further use in our manufacturing process. We seek to use local sources where possible, but the majority of the raw materials we use are obtainable from multiple conformant sources worldwide.

### **Patents, Trademarks and Proprietary Products**

We maintain an extensive intellectual property portfolio, which we developed or acquired over a number of years. This portfolio includes a combination of patents, copyrights, trade secrets, trade names, trademarks and other forms of intellectual property rights in major markets and other commercially-relevant jurisdictions worldwide. Although we believe the ownership of such intellectual property rights is an important factor in our businesses, we also rely on the innovative skills, technical competence and selling abilities of our personnel.

We regularly file patent applications to protect innovations arising from our research and development. At December 31, 2022, we owned, had applications pending, or licensed the rights to, approximately 2,600 domestic and foreign patents, which have remaining lives of varying duration. Although certain of these patents are important to our business, no specific group or groups of intellectual property rights are material, and we have many proprietary products which are not covered by patents.

We also rely on confidentiality agreements and patent, trade secret, trademark and copyright law as well as judicial enforcement to protect our technologies, processes, product composition, formulations and other intellectual property rights. In addition, we implement confidentiality procedures, contractual exclusivity and other rights necessary to protect our proprietary intellectual property, formulations, processes and other product-related rights. We also enter into invention or patent assignment agreements, when applicable, with our employees, consultants, contractors and other third-parties who may be engaged in discovery or development of intellectual property and other proprietary rights. Finally, we seek to include provisions in our material transfer agreements, license and development agreements and other agreements that provide for the transfer of intellectual property rights back to us to the greatest extent possible under the circumstances of any specific transaction and development project.

#### **Government Regulations**

As a global manufacturer and distributor of specialty chemicals, our operations are, or may in the future be, subject to extensive domestic and foreign laws, regulations, rules and ordinances relating to safety, health and environmental matters (or SH&E requirements), including product safety, worker health and safety and environmental protection matters, such as discharges of pollutants, the management, handling, generation, emission, release, discharge, treatment, storage and disposal of hazardous substances and wastes and the cleanup of contaminated properties.

Compliance with SH&E requirements has not had, and in the future is currently not expected to have, a material effect on our capital expenditures, results of operations and competitive position as compared to prior periods. However, current governmental, regulatory and societal demands for increasing levels of product safety, such as chemical composition, packaging and labeling, and environmental protection, such as the management, movement and disposal of hazardous substances, are resulting in increased pressure for more stringent regulatory control with respect to the chemical industry. As a result, in the future we may incur significant costs, including cleanup costs for contaminated sites and related fines or penalties, and face third-party claims for property or natural resource damage or personal injuries relating to past or future violations or liabilities.

In addition, as climate change and other ESG-related treaties, initiatives and programs are adopted and implemented throughout the world, we expect that this trend of increased regulation will continue in the future and there can be no assurance that future material capital expenditures or incremental operating expenses will not be required in order to ensure compliance. However, climate-related regulations, including those limiting or taxing greenhouse gas (GHG) emissions, may also provide new opportunities for us. We continue to develop technologies to help our facilities and our customers lower energy consumption, improve efficiency and lower emissions. We also serve a variety of clean technology customers and as such, may benefit from the upcoming transition to a lower carbon economy.

We believe we are in material compliance with environmental laws and regulations applicable to our operations, and consider the liabilities recorded at December 31, 2022 for our various environmental matters to be appropriate.

#### **Available Information**

Our internet website address is [www.elementsolutionsinc.com](http://www.elementsolutionsinc.com). We make available free of charge, through our website, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, all amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, and proxy statements for our annual meetings of stockholders as soon as reasonably practicable after these are electronically filed with or furnished to the SEC. The SEC also maintains an internet website available at [www.sec.gov](http://www.sec.gov) that contains reports, proxy and information statements and other information filed by issuers, such as Element Solutions.

The information on or linked to our website is not incorporated by reference into, and does not form a part of, this 2022 Annual Report or any of our other SEC filings.

#### **Corporate Information**

Our principal executive offices are located at 500 East Broward Boulevard, Suite 1860, Fort Lauderdale, Florida 33394 and our telephone number is (561) 207-9600.

## Item 1A. Risk Factors

*The following discussion of "risk factors" identifies the material factors that may adversely affect our business, financial condition or results of operations. Potential investors should carefully consider these risks and the other information in this 2022 Annual Report when evaluating our business. This discussion is not all inclusive and additional risks that are currently unknown to us or that we currently consider to be immaterial may also impair our business operations and cause our future results to differ from our expectations.*

### BUSINESS & OPERATIONAL RISKS

*We may be unable to compete successfully in the competitive markets in which we operate and, as a result, we may experience pricing pressure, fewer customer orders, reduced margins and the loss of market share.*

We may be unable to compete successfully in the competitive markets in which we operate. In these markets, we encounter competition from numerous and varied competitors in all areas of our businesses. Some of our competitors have longer operating histories, greater resources and greater brand recognition, and a larger base of customers than we do. As a result, we may lose business, customers and market shares if we are unable to devote greater resources to the research and development, manufacturing, formulation, promotion, sale or support of our products, withstand adverse changes in economic conditions or prices of raw materials, and/or maintain competitive pricing. In addition, our competitors could enter into exclusive arrangements with our existing or potential customers or suppliers which could limit our ability to generate sales, acquire necessary raw materials and/or significantly increase costs.

In addition, the markets in which we operate are driven by consumer preferences that are rapidly changing as well as frequent new product introductions and improvements. As a result, we must develop new products and services that offer distinct value to our customers in order to compete successfully. We seek to provide products tailored to the often-unique and evolving needs of our customers which require an ongoing level of innovation. Our inability to anticipate customers' changing needs or adapt to emerging technological and business trends accurately, control research and development costs or execute our innovation strategy could adversely affect our ability to sustain our market positions and/or penetrate new markets.

Consolidation of our competitors could also place us at a competitive disadvantage and reduce our profitability. We operate in industries which are fragmented on a global scale, but in which there has been a trend toward consolidation in recent years. Consolidations of our competitors may jeopardize the strength of our positions in one or more of our markets which could adversely affect our business, financial condition or results of operations as well as our growth potential.

*If we don't successfully execute our go-to-market strategy, our business and financial performance may suffer.*

Our go-to-market strategy is focused on leveraging our existing portfolio of products and services as well as introducing new products and services to meet the demands of our customers in a continually changing technological landscape. To successfully execute this strategy, we must emphasize the aspects of our core business where demand remains strong, identify and capitalize on organic growth, and innovate by developing new products and services that will enable us to expand beyond our existing technology categories. Any failure to successfully execute this strategy, including any failure to invest sufficiently in strategic growth areas and support our research and development activities, could adversely affect our business, financial condition or results of operations.

In addition, the process of developing new high-technology products or enhancing existing products is complex, costly and uncertain. After we develop a product, we must be able to manufacture appropriate volumes quickly while also managing costs and maintaining the high quality level that our customers expect. Any delay in the development, forecast, production and/or marketing of a new product could result in us not being among the first to market which could further harm our competitive position.

Meeting customer demand depends in part on our ability to obtain timely deliveries from our suppliers and contract manufacturers. Considering the recent supply chain-related challenges, we have increased our procurement efforts to help ensure continuity of supply to our customers. These increases in materials inventory and purchase commitments to shorten lead times could result in excess and obsolete inventory charges if the demand for our products is ultimately less than our expectations.

***Our substantial international operations subject us to risks of doing business in foreign countries which could affect our business, financial condition or results of operations.***

Our products are manufactured, formulated, distributed and sold globally. In 2022, approximately 75% of our net sales were generated from non-U.S. operations. As a result, we face certain risks inherent in international trade which may reduce our sales and harm our business, including:

- political uncertainties and general instability, war, terrorism and other instability risks and their impact on the global economy, market conditions and supply chain operations, including risks caused by the COVID-19 pandemic, the ongoing conflict between Russia and Ukraine and the related sanctions imposed by the U.S. and other countries, and the relationship between China and the U.S.;
- changes in global or local economic conditions, including inflation, hyperinflation, fluctuations in interest rates and other increasing price levels in certain sectors, such as energy, impacting availability and cost of goods and services;
- fluctuations in currency values and currency exchange rates for countries in, or with which, we conduct business;
- adverse tax consequences, including as a result of transfer pricing practices involving our foreign operations, and additional withholding taxes or other taxes on foreign income;
- foreign exchange controls or other currency restrictions and limitation on the movement of funds, potentially leading to the inability to readily repatriate earnings from foreign operations effectively;
- establishing and maintaining relationships with local distributors and OEMs;
- governmental regulations affecting the import and export of products, including global trade barriers, additional taxes, tariff increases, cash repatriation restrictions, retaliations and potential boycotts;
- import and export control and licensing requirements;
- business cultures accepting of various levels of corruption;
- risk of non-compliance with the Foreign Corrupt Practices Act of 1977, SEC rules regarding conflict minerals sourcing and other similar laws or regulations in other jurisdictions;
- compliance with a variety of foreign laws and regulations, including unexpected changes in taxation and regulatory requirements;
- uncertainties regarding the terms of applicable trade treaties between the United Kingdom and other countries following its withdrawal from the E.U.;
- greater difficulty in safeguarding intellectual property than in the U.S.;
- difficulty in staffing and managing geographically diverse operations and attempting to ensure compliance with our policies and procedures; and
- challenges in maintaining an effective internal control environment, including language and cultural differences, varying levels of GAAP expertise and internal control over financial reporting.

Any of these risks could impact our ability to manufacture, source, sell or export our products or repatriate profits. We could also experience a loss of sales and profitability from our international operations, and/or a substantial impairment or loss of assets, any of which could have a material adverse impact on our business, financial condition or results of operations.

***Failure to attract and retain key personnel, including our executive officers, or effectively manage succession could have an adverse impact on our business, financial condition or results of operations.***

Our business involves complex operations. As a result, our success depends to a significant degree on the skills, experience and efforts of our executive management and other key personnel as well as their ability to provide uninterrupted leadership and direction. In addition, due to the specialized and technical nature of our business, our future performance depends upon our ability to attract, develop and retain skilled employees, such as specialized research and development and sales and service personnel, in order to maintain our efficient production processes, drive innovation in our product offerings and maintain our deep customer relationships. The failure to attract and retain key personnel, or effectively manage succession, could have an adverse material impact on our business, financial condition or results of operations.

In addition, we are highly dependent on the experience and track records of Sir Martin E. Franklin, our other Board members and our executive leadership team. If one or more of our executive officers or Board members were to cease to be employed by us or to serve as directors, or if we were unable to replace them in a timely manner, our business, financial condition, results of operations and/or stock price could be adversely affected.

***Our reliance on certain key customers, contract manufacturers and suppliers could adversely affect our overall sales and profitability.***

Although we believe our business is not materially dependent upon any single customer, the loss of one or more key customers may impair our results of operations for the affected earnings periods. In addition, there is limited available manufacturing capacity that meets our quality standards and regulatory requirements. If we are unable to arrange for sufficient production capacity among our suppliers or contract manufacturers, or if our suppliers or contract manufacturers encounter production, quality, financial or other difficulties (including due to the COVID-19 pandemic or labor or geopolitical disturbances), we may be unable to meet our customers' demands. Finally, we rely on independent distributors to distribute our products and to assist us with the marketing and sale of certain of our products. There can be no assurance that our distributors will focus adequate resources on selling our products to end users, or will be successful in selling our products, which could materially adversely affect our business and results of operations.

***We may not realize the anticipated benefits of acquisitions or divestitures which may adversely affect our existing businesses, reputation and financial condition.***

We have completed several acquisitions and divestitures and may in the future pursue additional opportunistic strategic transactions. Our ability to achieve the anticipated benefits of acquisitions or divestitures depends on many factors, including our ability to negotiate favorable terms, close such transactions in a timely and cost-effective manner and successfully integrate any businesses we acquire.

With respect to acquisitions, we may be exposed to successor liability relating to actions taken before the acquisition date. The due diligence we conduct in connection with an acquisition, the controls and policies we implement and any contractual guarantees or indemnities that we receive from the sellers of acquired companies or assets may not be sufficient to protect us from, or compensate us for, actual liabilities. Acquisitions also involve compliance and reputational risks as well as risks relating to differing levels of management and internal control effectiveness, systems integration, impairment charges relating to recorded goodwill and intangible assets, significant accounting charges, completion fees and integration expenses. Sizable acquisitions may also require a material increase in funding to address capital expenditures, working capital requirements and employee retention.

In addition to unanticipated delays, costs and other issues, divestitures may also expose us to liabilities or claims for indemnification for retained liabilities or indemnification obligations associated with the assets or businesses that we sell. The magnitude of any such liability or obligation may be difficult to quantify at the time of the transaction, as it was the case for certain liabilities retained in connection with the sale of our Agricultural Solutions business in 2019. We cannot predict the ultimate resolution of these matters, and there can be no assurance that any such resolution, which may take several years, will not adversely impact our financial position or results of operations.

## **INDUSTRY RISKS**

***Industry and consumer trends may cause significant fluctuations in our results of operations and have a material adverse effect on our financial condition.***

The specialty chemical industry is subject to constant and rapid technological change, product obsolescence, price erosion, evolving standards, finite product lifecycles, raw material price fluctuations, and changes in product supply and demand. For example, the mobile device market, particularly smartphones and tablets, is characterized by rapidly changing market conditions, frequent product introductions and intense competition based on features and price; all of which could impact our sale volumes and margins. In the automotive industry, demand for our products and services may be affected by technological advances, changing automotive OEM specifications and other factors beyond our control that impact production levels of our customers, such as interest rates, fuel prices, shifts in vehicle mix, consumer confidence, regulatory and legislative oversight requirements and trade agreements. In addition, technological changes in our customers' products or processes may make certain of our specialty chemicals unnecessary or obsolete. Customers also have found, and may continue to find, alternative materials or processes, which no longer require our products. All these factors, consumer trends and industry characteristics may impact the demand for our products which may cause significant fluctuations in our results of operations and adversely affect our financial condition and cash flow.

***Fluctuations in the supply and prices of raw materials and in other costs may negatively impact our business, financial condition or results of operations.***

The unavailability or increased prices of raw materials could have a material adverse impact on our business, financial

condition or results of operations. We use a variety of specialty and commodity chemicals in our formulation processes, and such formulation operations depend upon obtaining adequate supplies of raw materials on a timely basis from numerous suppliers in various countries. We typically purchase our major raw materials under existing supply agreements or on an as-needed basis from outside sources. The availability and prices of raw materials may be subject to curtailment or change due to, among other things, the financial stability of our suppliers, new laws or regulations, protectionist nationalistic trade policies and practices, changes in exchange rates and worldwide price levels. In some cases, we are limited in our ability to purchase certain raw materials from other suppliers due to minimum purchase requirements contained in certain of our supply agreements. Our responsible sourcing practices could also affect the sourcing, pricing, and availability of certain conflict minerals we use in our products. If only a limited pool of our suppliers can demonstrate that they are compliant with the applicable rules, we may not be able to obtain the conflict minerals we need in sufficient quantities or at competitive prices. Further, if we are unable to price our products competitively to timely reflect volatility in prices of raw materials or if we do not accurately estimate the amount of raw materials needed for a specific geographic region, our margins could be adversely affected.

In addition, if the costs of energy, shipping or transportation increase and we are unable to pass along those costs to our customers, our profit margins and working capital would be adversely impacted. Higher commodity and energy prices could result from volatility caused by market fluctuations, supply and demand, currency fluctuations, production and transportation disruptions, climate change and weather conditions and other world events. Passing along these costs to our customers by increasing our prices could result in long-term sales declines or loss of market share if our customers were to find alternative suppliers or choose to reformulate their consumer products to use fewer ingredients, which could in turn have an adverse long-term impact on our business, financial condition or results of operations.

## LEGAL & REGULATORY RISKS

### *Intellectual Property*

*If we are unable to protect our intellectual property rights, our business, financial condition or results of operations could be adversely affected.*

Protection of our proprietary processes, methods, formulations and other technology is important to our business. To protect our intellectual property rights, we generally rely on patent, trade secret, trademark and copyright laws of the U.S. and certain other countries in which our products are manufactured or sold as well as nondisclosure and confidentiality agreements. The laws of other countries may not protect our intellectual property rights to the same extent as the laws of the U.S. Failure to protect our existing intellectual property rights, domestically or internationally, may result in the loss of valuable technologies and our competitors offering similar products, potentially resulting in the loss of one or more competitive advances and decreased sales and/or market shares. Additionally, we rely in some cases upon unpatented proprietary manufacturing expertise, continuing technological innovation and other trade secrets to develop and maintain our competitive position. While we generally enter into confidentiality agreements with our employees and third-parties to protect our intellectual property, our confidentiality agreements could be breached and may not provide meaningful protection for, or adequate remedies to protect, our trade secrets or proprietary manufacturing expertise in the event of unauthorized use or disclosure of information.

Further, protecting against the unauthorized use of our products, technology and other proprietary rights is difficult, time-consuming and expensive, and we cannot be certain that the steps we are taking will prevent or minimize the risks of such unauthorized use. Litigation may be necessary to enforce our intellectual property rights or to determine the validity and scope of the proprietary rights of others. Litigation of this type could also result in substantial costs and diversion of resources, which could significantly harm our results of operations and reputation.

Additionally, we could face infringement claims from our competitors or others alleging our processes or products infringe on their rights. Any settlement or adverse judgment resulting from litigation could result in the payment of material damages and/or require us to change our processes, redesign a certain product partially or completely, stop producing it entirely, obtain a license to continue our use, or potentially be restricted in our use of certain aspects. Further, there is a risk that licensing opportunities may not be available to us on acceptable terms, if at all. Regardless of their merit, infringement claims can be time-consuming, divert the time and attention of our management and technical personnel, and result in material litigation costs.

Finally, our exposure to risks associated with the use of intellectual property may increase as a result of acquisitions, as we would have an unavoidable lower level of visibility into the development process of any newly acquired technologies and the steps taken to safeguard against the risks of infringing the rights of third parties.



## ***Global Regulations***

### ***Changes in our effective tax rate, tax cost and tax liabilities could adversely affect our financial condition, results of operations and liquidity.***

In 2022, approximately 75% of our net sales were generated outside of the U.S. Given the global nature of our business, a number of factors may increase our effective rate and tax cost, including:

- the geographic mix of jurisdictions in which profits are earned and taxed;
- the statutory tax rates and tax laws in the jurisdictions in which we conduct business;
- the resolution of tax issues arising from tax examinations by various tax authorities; and
- the valuation of our deferred tax assets and liabilities.

Additionally, tax laws, regulations, and administrative practices in various jurisdictions may be subject to significant change, with or without notice, due to economic, political, and other conditions, and significant judgment is required in evaluating and estimating our provision and accruals for these taxes. Moreover, we are regularly examined by various tax authorities throughout the world, and the final resolution of tax audits and any related litigation may differ from our historical provisions and accruals resulting in additional tax liabilities, which may have an adverse impact on our tax provision, net income and cash flow. Adverse developments in an audit or litigation could also materially and adversely affect us. Although we believe our tax estimates and accruals are reasonable, there can be no assurance that any final determination won't be materially different than the treatment reflected in our historical income tax provisions, accruals and unrecognized tax benefits. Any such difference in treatment could materially and adversely affect our business, financial condition, results of operations and cash flows.

### ***Chemical manufacturing is inherently hazardous and may result in accidents, which may disrupt our operations or expose us to significant losses or liabilities.***

The hazards associated with chemical manufacturing and the related storage and transportation of raw materials, products and wastes are inherent in our operations as our research and development, manufacturing, formulating and packaging activities involve the use of hazardous materials and the generation of hazardous waste. We cannot eliminate the risk of accidental contamination, discharge or injury resulting from those materials. Also, our suppliers or contract manufacturers may use and/or generate hazardous materials in connection with producing our products. We may be required to indemnify our suppliers, contract manufacturers or waste disposal contractors against damages and other liabilities arising out of the production, handling or storage of our products or raw materials or the disposal of related wastes. Potential risks include explosions and fires, chemical spills and other discharges or releases of toxic or hazardous substances or gases, or pipeline and storage tank leaks and ruptures. Those hazards may result in personal injury and loss of life, damage to property and contamination of the environment, all or any of which may result in a suspension of operations and the imposition of civil or criminal fines, penalties and other sanctions, cleanup costs, and claims by governmental entities or third-parties. As we are dependent on the continued operation of our production facilities (including third-party manufacturing on a tolling basis), the loss or shutdown of operations over an extended period could have a material adverse effect on our financial condition or results of operations.

Because our operations currently use and generate, and have historically used and generated, hazardous materials and waste, we are subject to regulatory oversight and investigation, remediation, and monitoring obligations at our current and former Superfund sites, as well as third-party disposal sites, under federal laws and their state and local analogues, including the Resource Conservation and Recovery Act (RCRA), the Clean Water Act, the Clean Air Act, and the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) and analogous foreign laws. We are also subject to ongoing obligations at active sites in the U.S. and are conducting closure activities pursuant to the RCRA and CERCLA at several of our sites in the U.S. The costs and liabilities associated with these obligations and activities may be substantial and, to the extent not covered by insurance, may materially impact our financial condition.

### ***Our products are subject to numerous, complex government regulations, and compliance with these regulations could require us to incur additional costs or to reformulate or discontinue certain of our products.***

Our products are subject to numerous, complex federal, state, local and foreign customs regulations, imports and international trade laws, export control, antitrust laws, environmental and chemicals manufacturing, global climate change, health and safety requirements and zoning and occupancy laws that regulate manufacturers generally or, more particularly, govern the importation, promotion and sale of our products, the operation of our production and warehouse facilities and our relationship with our customers, suppliers, employees and competitors.

Our products and manufacturing processes are also subject to numerous regulations and ongoing reviews by certain governmental authorities. Current governmental, regulatory and societal demands for increasing levels of product safety, such as chemical composition, packaging and labeling, and environmental protection, such as the management, movement and disposal of hazardous substances, are resulting in increased pressure for more stringent regulatory control with respect to the chemical industry. Recent regulations include the European Union's REACH (Registration, Evaluation, Authorization, and Restriction of Chemicals), which has been a continuing source of compliance obligations and restrictions on certain chemicals, REACH-like regimes, which have now been adopted in several other countries, and the U.S. Toxic Substances Control Act (TSCA), as amended in June 2016, with the U.S. Environmental Protection Agency (EPA) currently evaluating additional chemicals for regulation under that amended law. Among the more significant changes were mandatory safety reviews of existing "high priority" chemicals and regulatory actions to control any "unreasonable risks" identified as a result of such reviews. The EPA also must find no "unreasonable risk" associated with any new chemical before it can be fully commercialized. These new mandates create uncertainty about whether existing chemicals of importance to our business may be designated for restriction and whether any new chemical approval process may become more difficult and costly. U.S. regulations related to the use in our products of certain conflict minerals, and similar laws in other jurisdictions, such as the E.U. Conflict Minerals Regulation, also apply to us. All of these regulations and these types of changes in our regulatory environment, particularly in, but not limited to, the U.S., the E.U. and China, may require us to re-design our products or supply chain to ensure compliance with the applicable standards. For example, compliance with these regulations could require us to use different types or sources of materials, which could have an adverse impact on the efficiency of our manufacturing process, the performance of our products, add greater testing lead-times for product introductions or other similar effects, which in turn could materially alter our market share and reputation, or otherwise have a material adverse effect on our business, financial condition and results of operations.

In addition, we have incurred, are incurring and will incur in the future, costs and capital expenditures to comply with environmental, health and safety laws and regulations. For example, we have several product lines that rely on lead-based solder and many others that historically did so. Legal claims have been brought alleging harmful exposures or contamination as a result of lead-based solder, and it is possible that we may face additional claims in the future. We are also currently involved in various environmental investigations due to historic operations. Liability under some environmental laws relating to contaminated sites can be joint and several and imposed retroactively, regardless of fault or the legality of the activities that gave rise to the contamination. Some of our formulating and manufacturing facilities have an extended history of chemical formulating and manufacturing operations or other industrial activities, and contaminants have been detected at some of our sites and offsite disposal locations. Ultimate environmental costs and liabilities are difficult to predict and may significantly vary from current estimates. To the extent available, we maintain what we believe to be adequate insurance coverage. However, there can be no assurance that we won't incur losses beyond the limits or outside the terms of such coverage, or that we will be able to maintain adequate insurance at rates we consider reasonable. In addition, the discovery of additional contaminants, the inability or failure of other liable parties to satisfy their obligations, the imposition of additional cleanup obligations, or the commencement of related third-party claims could result in additional material costs and negatively impact our financial condition or results of operations.

***Our offshore oil industry products are subject to the hazards inherent in the offshore oil production and drilling industry, and we may incur substantial liabilities or losses as a result of these hazards.***

In the offshore oil industry, we are subject to the hazards inherent in the offshore oil production and drilling industry. Our offshore business produces water-based hydraulic control fluids for major oil companies and drilling contractors to be used for potentially hazardous offshore deepwater production and drilling applications. Offshore deepwater oil production and drilling are subject to hazards that include blowouts, explosions, fires, collisions, capsizing, sinking and damage or loss to pipeline, subsea or other facilities from severe weather conditions. Those hazards could result in personal injury and loss of life, severe damage to, or destruction of, property and equipment, pollution or environmental damage and suspension of operations. A catastrophic occurrence at a location where our products are used may expose us to substantial liability for personal injury, wrongful death, product liability or commercial claims. To the extent available, we maintain insurance coverage that we believe is customary in our industry. Such insurance does not, however, provide coverage for all liabilities, and there can be no assurance that our insurance coverage will be adequate to cover claims that may arise, or that we will be able to maintain adequate insurance at rates we consider reasonable. The occurrence of a significant offshore deepwater oil production or drilling event that results in liability to us that is not fully insured could have a material adverse effect on our financial condition or results of operations.

***Certain of our products may be subject to various export control regulations and exports may require a license from the U.S. Department of State or the U.S. Department of Commerce.***

As a global company, we are subject to various laws and regulations relating to the export of products, services and technology. In the U.S., these laws include, among others, the U.S. Export Administration Regulations (EAR), administered by the U.S. Department of Commerce's Bureau of Industry and Security, and the International Traffic in Arms Regulations (ITAR), administered by the U.S. Department of State's Directorate of Defense Trade Controls. Some of our products or technology may have military or strategic applications governed by the ITAR or represent so-called "dual use" items governed by the EAR. Although the majority of our relevant products are currently subject to automatic approval and do not require government licenses to be exported to certain jurisdictions or persons, this may change in the future if these laws and regulations are amended or if new laws or regulations are adopted. Any failure to comply with these laws and regulations could result in civil or criminal penalties, fines, investigations, adverse publicity and restrictions on our ability to export our products, any of which could result in a material adverse effect on our business, financial condition or results of operations.

***Failure to comply with anti-corruption laws could subject us to penalties and damage our reputation.***

Our international operations are subject to the U.S. Foreign Corrupt Practices Act of 1977, the United Kingdom Bribery Act 2010 and similar anti-bribery laws in other jurisdictions, which generally prohibit companies and their intermediaries from making improper payments for the purpose of obtaining or retaining business. Under these laws, companies may also be held liable for actions taken by third-parties acting on their behalf, such as strategic or local partners or representatives. Our policies mandate compliance with these anti-bribery laws, including the requirements to maintain accurate information and internal controls. However, in certain of the jurisdictions where we conduct business, we face a heightened risk for corruption, extortion, bribery, pay-offs, theft and other improper practices. There can be no assurance that our internal control policies and procedures will protect us from acts committed by our employees or agents. Failure by us or our intermediaries to comply with applicable anti-corruption laws may result in civil and/or criminal penalties or other sanctions, including disgorgement of profits and contract suspensions or cancellations, any of which could damage our reputation and have a material adverse effect on our business, financial condition or results of operations.

***Failure to comply with international trade restrictions and economic sanctions laws and regulations could adversely affect our business, financial condition or results of operations.***

We have operations, assets and/or generate sales in countries all over the world, including countries that are or may become the target of trade and economic restrictions from the U.S. and/or other countries, which we refer to collectively as "Economic Sanctions Laws." Economic Sanctions Laws are complex and change with time as international relationships and confrontations between and among nations evolve. For example, the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) and the U.S. State Department administer certain laws and regulations that impose penalties upon U.S. persons and entities and, in some instances, non-U.S. entities, for conducting activities or transacting business with certain countries, governments, entities, or individuals subject to Economic Sanctions Laws. We have established policies and procedures to assist with our compliance with Economic Sanctions Laws, and we believe we do not unlawfully conduct business in any sanctioned countries. However, given the breadth of our international operations and the scope of our sales globally, including via third-party distributors over whom we may have limited or no control, coupled with the complexity and ever-changing nature of Economic Sanctions Laws driven by geopolitical events, there can be no assurance that our controls and procedures have prevented in the past or will prevent at all times in the future a violation of these laws. Failure to comply with Economic Sanctions Laws, or allegations of such failure, could lead to investigations and/or actions being taken against us which could materially and adversely affect our reputation and have a material adverse effect on our business, financial condition or results of operations.

***Changes in data privacy and data protection laws and regulations, or any failure to comply with such laws and regulations, could adversely impact our business.***

Our global business is subject to a wide variety of domestic and foreign laws and regulations designed to protect the privacy of customers, employees and other third parties, including, without limitation, the General Data Protection Regulation (GDPR) in the E.U. and the California Consumer Protection Act (CCPA) in the U.S. Additional states, as well as foreign jurisdictions, have enacted or are proposing similar data protection regimes, resulting in a rapidly evolving and uncertain governing landscape. Complying with these various laws and regulations is difficult and could require us to incur substantial costs or change our business practices in a manner adverse to our business. In addition, there can be no assurance that our controls and procedures enable us to be fully compliant. Any failure, or perceived failure, by us to comply with the GDPR, the CCPA or any other applicable regulatory requirements or orders, within the E.U., the U.S. or elsewhere, could result in proceedings or actions against us by governmental entities or individuals; subject us to significant fines, penalties, and/or judgments; require us

to change our business practices; limit the offering of our products and services in certain countries; or otherwise adversely affect our business, as we would be at risk to lose both customers and sales, and incur substantial costs.

## **FINANCIAL RISKS**

***Our net sales and gross profit have varied depending on our product, customer and geographic mix for any given period which makes it difficult to forecast future operating results.***

Our net sales and gross profit vary among our products, customers and markets, and therefore may be different in future periods from historic or current periods. Overall gross profit margins in any given period are dependent in large part on the product, customer and geographic mix reflected in that period's net sales. Market trends, competitive pressures, commoditization of products, increased component or shipping costs, regulatory conditions and other factors may also result in reductions in revenue or pressure on the gross profit margins in a given period. The varying nature of our product, customer and geographic mix between periods has historically materially impacted our net sales and gross profit between periods during certain recessionary times and may lead to difficulties in measuring the potential impact of market conditions, regulatory changes and/or other factors on our business. As a result, we may be challenged in our ability to forecast our future operating results.

***Unfavorable currency exchange rate fluctuations could adversely affect our results of operations.***

The reporting currency for our financial statements is the U.S. dollar. However, in 2022, approximately 75% of our net sales are currently generated from non-U.S. operations, which means that we have net sales, substantial assets, liabilities and costs denominated in currencies other than the U.S. dollar. To prepare our Consolidated Financial Statements, we must translate those sales, assets, liabilities and expenses into U.S. dollars at then-applicable exchange rates. Consequently, increases and decreases in the value of the U.S. dollar versus other currencies will affect the amount of these items in our Consolidated Financial Statements, even if their value has not changed in their original currency. These translations could result in significant changes to our results of operations from period to period. Additionally, volatility in currency exchange rates may adversely impact our financial condition, cash flows and liquidity. There can be no assurance that the techniques we employ to mitigate the impact of exchange rate fluctuations, including foreign currency hedging activities, will be effective risk management strategies, and our financial condition or results of operations could be adversely impacted.

***Our Credit Agreement and other debt agreements contain restrictions that limit our flexibility in operating our business.***

Our Credit Agreement, the indenture governing our 3.875% USD Notes due 2028 and other debt agreements governing our outstanding debt contain restrictive clauses, which may limit our activities and operational and financial flexibility, including, among other things, our ability to grant liens, pay cash dividends, enter new lines of business, repurchase our shares of common stock, make certain investments and engage in certain merger, consolidation or asset sale transactions. In addition, our Credit Agreement contains customary remedies, including the right of the lenders to take action with respect to the collateral securing outstanding loans, that would apply should we default or otherwise be unable to satisfy our debt obligations. These covenants may restrict our flexibility in operating our business. We may also not be able to borrow under the Credit Agreement if an event of default under the terms of this agreement occurs. As a result, we may be unable to pursue certain business initiatives or certain transactions that might otherwise be advantageous, meet extraordinary capital needs, finance future operations, plan for or react to market conditions, or otherwise take actions that we believe are in the best interest of our businesses which, in turn, may adversely impact our business prospects, financial condition or results of operations.

In addition, our Credit Agreement requires that we meet certain financial ratios, including a first lien net leverage ratio based on net debt to EBITDA. EBITDA is a non-GAAP measure of liquidity defined in the Credit Agreement. Our ability to meet these financial covenants depends upon the future successful operating performance of our businesses. If we fail to comply with the Credit Agreement covenants, we would be in default under our term loan and revolving credit facilities and, unless we were to obtain waivers from our lenders, the maturity of our outstanding debt could be accelerated, which could adversely impact our results of operations, financial position and cash flows.

***We and our subsidiaries may incur significant additional indebtedness in the future, which would result in additional restrictions upon our business and impact our financial condition.***

Our Credit Agreement provides for senior secured credit facilities in an initial aggregate principal amount of \$1.53 billion, consisting of term loans B of \$1.15 billion maturing in 2026 and a revolving facility of \$375 million maturing in 2027. At December 31, 2022, we had \$1.11 billion outstanding under the term loans and full availability of our unused borrowing capacity of \$369 million, net of letters of credit, under the revolving facility. We and our subsidiaries may incur significant additional indebtedness in the future. Although our Credit Agreement and the indenture governing our 3.875% USD Notes due

2028 contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and indebtedness incurred in compliance with these restrictions could be substantial. In addition, subject to specified conditions, without the consent of the then-existing lenders, we may add certain incremental term loans or revolving credit facilities, or increase commitments under our revolving credit facility, by up to the sum of (x) the greater of (i) \$460 million and (ii) 100% of our consolidated EBITDA, less certain amounts of indebtedness, and (y) an unlimited amount of secured or unsecured incremental debt if, on a pro forma basis, our total first lien net leverage ratio does not exceed certain levels (as described in the Credit Agreement).

Any significant indebtedness incurred by us or our subsidiaries could have the following material consequences:

- require us to dedicate a substantial portion of our cash flows from operations to payments on our indebtedness, thereby reducing the availability of our cash flows to fund acquisitions, working capital, capital expenditures, dividends, research and development efforts and other general corporate purposes;
- expose us to the risk of increased interest rates as certain of our borrowings include instruments with variable rates of interest;
- increase our cost of borrowing;
- increase our vulnerability to general adverse economic and industry conditions;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; and
- place us at a competitive disadvantage compared to less-leveraged competitors or competitors with comparable debt governed by more favorable terms.

We may also enter into additional debt transactions or credit facilities, including equipment loans, working capital lines of credit, senior notes and other long-term debt, which may increase our indebtedness and result in additional restrictions upon our businesses. In addition, major debt rating agencies regularly evaluate our debt based on a number of factors, including our degree of leverage. There can be no assurance that we will be able to maintain our existing debt ratings, and failure to do so could adversely affect our cost of funds, liquidity and access to capital markets.

*Changes in interest rates and exchange rates would increase the cost of servicing our debt and impact our results of operations and financial condition.*

In order to mitigate our exposure to interest rate and foreign currency risks, we entered into swaps covering 100% of our term loans, consisting of interest rate and cross-currency swaps, which effectively converted our term loans, as U.S. dollar obligations, into fixed-rate euro debt. The swaps relating to our \$400 million Add-on Term Loans expire in January 2025 while those relating to our initial \$750 million term loans expire in January 2024. If we are unable to renew or elect not to replace these swaps, the cost of servicing our term loans may increase due to fluctuations in interest rates, currency values and/or currency exchange rates, which could reduce our profitability and cash flows and have a material adverse effect on our financial condition.

*Any future impairment of our tangible or intangible long-lived assets may materially affect our results of operations.*

As a result of our historical acquisitions, as of December 31, 2022, we had approximately \$3.22 billion of intangible assets and goodwill. Under GAAP, we review our intangible assets and long-lived assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Additionally, goodwill is subject to an impairment test at least annually. Indicators such as under-performance relative to historical or projected future operating results, changes in our strategy for our overall business or use of acquired assets, unexpected negative industry or economic trends, decreased market capitalization relative to net book values, prolonged decline in the value of our stock price, unanticipated competitive activities, change in consumer demand, loss of key personnel and acts by governments and courts may signal that an asset has become impaired. To the extent any of our acquired assets do not perform as anticipated, whether due to internal or external factors, the value of such assets may be negatively affected and we may be required to record impairment charges. Our results of operations and financial position in future periods could be negatively impacted should future impairments of our long-lived assets, including intangible assets or goodwill, occur.

## GENERAL RISKS

*Corporate responsibility, specifically related to ESG matters, may impose additional costs and expose us to new risks.*

Increasing focus on ESG matters requires that we devote significant time and resources on ESG tracking and reporting, including the continuous monitoring of various and evolving standards and progress toward our published sustainability goals.

Certain organizations, which provide corporate governance and other risk information to stockholders, have developed, and others may in the future develop, scores and ratings to evaluate companies based upon their ESG metrics and disclosures. Certain investors, particularly institutional investors, use these scores to benchmark companies and make investment and/or voting decisions. In addition, in 2022 the SEC adopted new pay versus performance disclosure requirements and proposed expansive new disclosures related to certain climate-related matters, including greenhouse gas emission data with third-party attestation and climate-related financial statement metrics. In this rapidly evolving ESG disclosure context, we may face reputational risk in the event we don't successfully execute our ESG strategy and/or if our ESG disclosures do not meet the expected standards or requirements set by our constituencies. Further, as climate change and other global environmental concerns increase, changes in environmental and climate laws or regulations, in the U.S. and throughout the world, could lead to new or additional investment in product designs, incremental operating expenses and increased environmental expenditures in order to ensure compliance. We expect these ESG disclosure and regulatory trends to continue, and the ultimate cost related to reporting and, where required, compliance could be material.

*The extent of the impact of the COVID-19 pandemic on our results of operations and overall financial performance remains uncertain and subject to change.*

The COVID-19 pandemic continues to have widespread, rapidly evolving, and unpredictable impacts on global society, economies, financial markets, and business practices. Even as efforts to contain the pandemic have made progress and some restrictions have relaxed, new variants of the virus are causing additional outbreaks. The extent to which this pandemic will continue to impact our business or our future results of operations, financial condition, expected cash flows and/or stock price is currently unknown and will depend on many factors outside of our control, including, without limitation, the duration and scope of the pandemic; the efficacy, availability of effective treatments and vaccines; the imposition of public safety measures; and the impact of COVID-19 on economic activity and the global economy in general, including financial market instability, uncertainty and supply chain disruptions. These factors may adversely impact our business as well as our suppliers, vendors and consumers, who might defer decision making, delay orders or seek to renegotiate or terminate existing agreements. To the extent COVID-19 adversely affects our business, financial condition and results of operations, it may also have the effect of exacerbating the other risks discussed in this "Risk Factors" section.

*We have numerous equity instruments outstanding that could require the future issuance of additional shares of common stock, which issuance could result in significant dilution of ownership interests and have an adverse effect on our stock price.*

In connection with the adoption of our 2013 Plan, which provides for the grant of equity-based awards, including RSUs and options, 15,500,000 shares of common stock were initially reserved and made available for issuance to our officers, other employees and directors. We have granted, and continue to grant, under the 2013 Plan equity instruments that could require us to issue additional shares of our common stock, which issuance could result in a stockholder's percentage ownership being diluted. Specifically, at December 31, 2022, the following instruments were outstanding:

- 3,901,630 RSUs with each RSU representing a contingent right to receive one share of our common stock or, for performance-based RSUs, multiple shares depending upon the underlying performance metrics and our performance during the applicable performance period; and
- 387,790 options which, once vested, are exercisable to purchase shares of our common stock, on a one-for-one basis, at any time at the option of the holder.

We may also issue additional shares of our common stock or other securities that are convertible into or exercisable for our common stock in connection with future acquisitions, future issuances of our securities for capital raising purposes or for other business purposes, which issuance could also result in significant dilution of ownership interest.

*Volatility of our stock price could adversely affect us and our stockholders.*

Our stock price may experience substantial price volatility as a result of many factors, including, without limitation, coverage or sentiment in the media or the investment community; speculation; announcement of acquisitions or divestitures; quarterly financial results and comparisons to estimates by the investment community or financial outlook provided by us; issuance of additional debt or equity; changes in key personnel or business strategy; material litigation or governmental investigations; and expectations regarding capital allocation, including any future shares repurchases and/or any future dividend payments, or any determination to cease repurchasing stock or paying dividends. General or industry specific market conditions, stock market performance or macroeconomic and geopolitical factors unrelated to our performance may also affect the price of our stock. Further, in the past, market fluctuations and price declines in a company's stock have led to securities class action litigation, which could have a substantial cost and divert management time and resources regardless of their outcome.

***Future issuances or sales of our common stock may depress the price of our common stock.***

We cannot predict the size of future issuances of our shares of common stock or the effect, if any, that future issuances or sales of our shares will have on the market price of our common stock. Sales of substantial amounts of our shares, including sales by our executive officers, directors or significant stockholders, and shares issued in connection with any acquisition, or the perception that such sales or issuance could occur, may adversely affect prevailing market prices for our common stock. Decline in the stock price of our common stock may also make it more difficult for us to finance acquisitions with shares of common stock and/or sell additional equity or equity-related securities in future offerings at a time and price we deem necessary or appropriate.

***We may issue preferred stock in the future, and the terms of the preferred stock may reduce the value of our common stock.***

Our Board of Directors is authorized to create and issue one or more series of preferred stock, and to determine the number of shares constituting the series as well as the designations, powers, preferences, rights, qualifications, limitations and restrictions of each series, including dividend rights, conversion or exchange rights, voting rights, redemption rights and terms and liquidation preferences, without stockholder approval. The creation and issuance of one or more series of preferred stock could affect the rights of our common stockholders or reduce the value of our common stock they hold. For example, our Board could, without stockholder approval, issue preferred stock with voting and other rights that could adversely affect the voting power of our common stockholders or have certain anti-takeover effects.

***There can be no assurance that we will continue to declare dividends.***

Future dividends are subject to declaration by our Board of Directors in its sole discretion. To the extent the Board determines to pay dividends on our common stock in the future, we will pay dividends at the times and in the amounts as the Board determines appropriate. The Board may, however, reduce or discontinue entirely the payment of such dividends at any time. Paying dividends will depend upon many factors, including our financial condition and results of operations, our available cash and current and anticipated cash needs, capital requirements and access to capital markets, covenants associated with our Credit Agreement, the indenture governing our 3.875% USD Notes due 2028 and/or other debt obligations, contractual, legal, tax and regulatory restrictions and other factors that the Board may deem relevant. Therefore, there can be no assurance that we will have the ability and/or sufficient funds to pay dividends or as to the amounts of these dividends, if any.

***If we experience a significant disruption in our information technology systems, including security breaches, or if we fail to implement new systems and software successfully, our business operations and financial condition could be adversely affected.***

We depend on information technology systems throughout the Company to, among other functions, control our manufacturing processes, process orders and bill, collect and make payments, interact with customers and suppliers, manage inventory and otherwise conduct business. We also depend on these systems to respond to customer inquiries, implement our overall internal control processes, maintain records of our property, plant and equipment and record and pay amounts due to vendors and other creditors. The failure of our information technology systems to perform as we anticipate, including as a result of significant network or power outages, could disrupt our business and result in transaction errors, processing inefficiencies and the loss of sales and customers. As we upgrade or change systems, we may also experience interruptions in service, loss of data or reduced functionality and other unforeseen material issues, which could adversely impact our ability to provide quotes, receive and fulfill customer orders and otherwise run our business in a timely manner. In addition, if our new systems fail to provide accurate and increased visibility into pricing and cost structures, it may be difficult to improve or maximize our profit margins. As a result, our results of operations could be adversely affected.

In addition, information technology security threats, including security breaches, computer malware, cyber-attacks and other unauthorized access attempts are increasing, in both frequency and sophistication. Any such disruption, if successful, could result in data leaks or otherwise compromise confidential, proprietary and/or business critical information, cause a disruption in our operations or harm our reputation. As previously announced, we have in the past experienced a cyber intrusion and may in the future be subject to additional intrusion events. There can be no assurance that the controls and procedures that we put in place will be sufficient or adequate to protect us. Further, as cyber threats are continually evolving, we may be required to devote additional resources to modify or enhance our systems in the future. Any breaches or compromises of data, and/or misappropriation of information resulting from such disruptions could result in violation of privacy and other laws, litigation, fines, negative publicity, loss of investor confidence, lost sales, business delays, indemnity obligations and/or material costs not covered by insurance, any of which could have a material adverse effect on our business, financial condition or results of operations.

***If we fail to establish and maintain adequate internal controls over financial reporting, we may not be able to report our financial results in a timely and reliable manner, which could harm our business and adversely impact our stock price.***

We are required by the SEC to establish and maintain adequate internal control over financial reporting that provides reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements in accordance with GAAP. We are likewise required, on a quarterly basis, to evaluate the effectiveness of our internal controls and to disclose any material changes and material weaknesses in those internal controls. We have in the past experienced, and in the future may experience again, material weaknesses and potential problems in implementing and maintaining adequate internal controls as required by the SEC. If we fail to achieve and maintain the adequacy of our internal controls, we may not be able to conclude that we have effective internal control over financial reporting. If we cannot provide financial reports in a timely and reliable manner, or prevent fraud, our business and operating results could be harmed, investors could lose confidence in our reported financial information, and our stock price could drop significantly.

***We are dependent on cash flows from our operating subsidiaries to fund our debt obligations, capital expenditures and ongoing operations.***

We do not have any material assets or operations other than ownership of equity interests of our operating subsidiaries. Our operations are conducted almost entirely through our subsidiaries, and our ability to generate cash to meet our obligations or to pay dividends, if any, is highly dependent on the earnings of, and receipt of funds from, our subsidiaries through dividends or intercompany loans, in particular from MacDermid, Incorporated. As a result, we are dependent on the income generated by our subsidiaries, and to some degree on our ability to repatriate earnings from our foreign operations effectively, to meet our debt service obligations, expenses and operating cash requirements or to pay dividends or repurchase shares of our common stock. For example, the amount of dividends, if any, which may be paid to us by our subsidiaries depends on many factors, including our subsidiaries' results of operations and financial condition, limits on dividends or otherwise under applicable law and their constitutional documents, documents governing their indebtedness, and other factors which may be outside our control. If our subsidiaries are unable to generate sufficient cash flows or if we are unable to repatriate earnings effectively, or if we are unable to do so without incurring substantial costs, we may be unable to service our debt obligations, pay our expenses and/or meet our operating cash requirements or to make future dividend payments or shares repurchases, if any.

***Supply Chain and business disruptions, including those related to climate change, could have a material impact on our future sales and financial condition, and may not be covered by insurance.***

We believe our customers rely on our ability to timely deliver products of constant quality which are integral to their manufacturing processes and overall product performance. Our ability to meet these expectations relies on continuous access to multiple sources of raw materials and working closely with our suppliers and contract manufacturers to help ensure continuity of supply while maintaining high quality. Natural or human-induced disasters including, but not limited to, earthquakes; tsunamis; floods; hurricanes, cyclones or typhoons; fires; other extreme weather conditions; power or water shortages; telecommunications failures; materials scarcity and price volatility; terrorist acts, civil unrest, conflicts or wars; and epidemics, pandemics or other health crises could seriously harm our operations as well as the operations of our customers and suppliers. The occurrence of one or more of these unexpected events, in the U.S. or in other countries in which we operate, could limit our ability to access the quantity and quality of raw materials we need and/or increase the price of these materials as worldwide supply and demand may be seriously impacted. In addition, extreme weather, natural disasters or other unexpected events could result in physical damage to, and closure of, one or more of our manufacturing or sale facilities, temporary or long-term disruption in our supply chain and/or disruption of our ability to deliver products and services to our customers and/or increase the risk of chemical spills, other discharges or releases of toxic or hazardous substances or pipeline ruptures, all of which could in turn adversely affect our operations, financial condition, reputation and/or stock price. Current or future insurance arrangements may not provide protection for costs that may arise from such events, particularly if such events are catastrophic in nature or occur in combination. In addition, as climate change, low carbon and other ESG-related treaties, initiatives and programs are adopted and implemented throughout the world, there can be no assurance that future material capital expenditures or incremental operating expenses will not be required in order to ensure compliance.

We believe climate change serves as a risk multiplier increasing both the frequency and severity of natural disasters that may affect our worldwide business operations. Further, the long-term effects of climate change on general economic conditions are unclear, and changes in the supply or demand of our products, or available sources of the raw materials we use in our manufacturing processes, may affect the availability or cost of our products. Any long-term disruption in our ability to deliver our products and services to our customers could have a material adverse effect on our business, results of operations and financial condition.



***We are governed by Delaware law, which has anti-takeover implications.***

We are governed by Delaware law, the application of which may have the effect of deterring hostile takeover attempts or a change in control. In particular, Section 203 of the Delaware General Corporation Law imposes certain restrictions on merger, business combinations and other transactions between us and holders of 15% or more of our common stock. A Delaware corporation may opt out of that provision either with an express provision in its original certificate of incorporation or in an amendment to its certificate of incorporation or by-laws approved by its stockholders. We have not opted out of this provision. Section 203 could prohibit or delay mergers or other takeover or change in control attempts and, accordingly, may discourage attempts to acquire us, which may negatively affect our stock price.

**Item 1B. Unresolved Staff Comments**

None.

**Item 2. Properties**

At December 31, 2022, our physical presence included 54 manufacturing sites, of which 13 included research facilities, and 9 stand-alone research centers. Of our manufacturing facilities, 10 were located in the U.S. with the remaining international facilities located primarily in Asia and Europe. We owned 27 of our manufacturing facilities, of which 7 included research facilities, and 4 stand-alone research centers. In addition to the remaining manufacturing and research facilities, we leased the majority of our office, warehouse and other physical locations. Among our two business segments, Electronics and Industrial & Specialty utilize 21 and 19 of our manufacturing facilities, respectively, with the remaining 14 manufacturing facilities being shared between the two segments.

We believe that all of our significant facilities and equipment are in good condition, well-maintained, adequate for our present operations and utilized for their intended purposes. See Note 6, *Property, Plant and Equipment, Net*, to the Consolidated Financial Statements included in this 2022 Annual Report for amounts invested in land, buildings, machinery, and equipment, and Note 16, *Leases*, to the Consolidated Financial Statements included in this 2022 Annual Report for information about our operating lease commitments.

**Item 3. Legal Proceedings**

In the ordinary course of business, we are involved in various legal disputes, investigations and claims and other legal proceedings, including, but not limited to, product liability claims, contractual disputes, premises claims, tax examinations as well as employment, environmental and health and safety matters. Where appropriate, we may establish loss contingencies for such proceedings based on an assessment of whether the risk of loss is remote, reasonably possible or probable. We also maintain insurance to mitigate certain of such risks. Although we cannot predict with certainty the ultimate resolution of the various legal proceedings, investigations and/or claims asserted against us, we believe that the resolution of these claims will not, individually or in the aggregate, have a material adverse effect on our business, financial condition or results of operations. Due to their inherent uncertainty, however, there can be no assurance as to the ultimate outcome of current or future litigation, proceedings, investigations or claims and it is possible that a resolution of one or more such proceedings could result in fines and penalties that could adversely affect our business, financial condition or results of operations.

In addition, we are involved in various claims relating to environmental matters at current and former plant sites and waste management sites. We engage or participate in remedial and other environmental compliance activities at certain of these sites. At other sites, we have been named as a potential responsible party pursuant to the federal Superfund Act and/or state Superfund laws comparable to the federal law for site remediation. Based on currently available information, we do not anticipate any material losses in excess of the liabilities recorded. However, it is possible that, as additional information becomes available, the impact of an adverse determination could have a different effect. For additional information regarding environmental matters and liabilities, see Note 17, *Contingencies, Environmental and Legal Matters*, to the Consolidated Financial Statements included in this 2022 Annual Report.

**Item 4. Mine Safety Disclosure**

Not applicable.

Part II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market for our Common Stock

Our common stock is traded on the New York Stock Exchange under the symbol “ESI.” On February 17, 2023, there were approximately 185 registered holders of record of our common stock, par value \$0.01 per share, and the closing price of our common stock was \$20.13.

Dividends

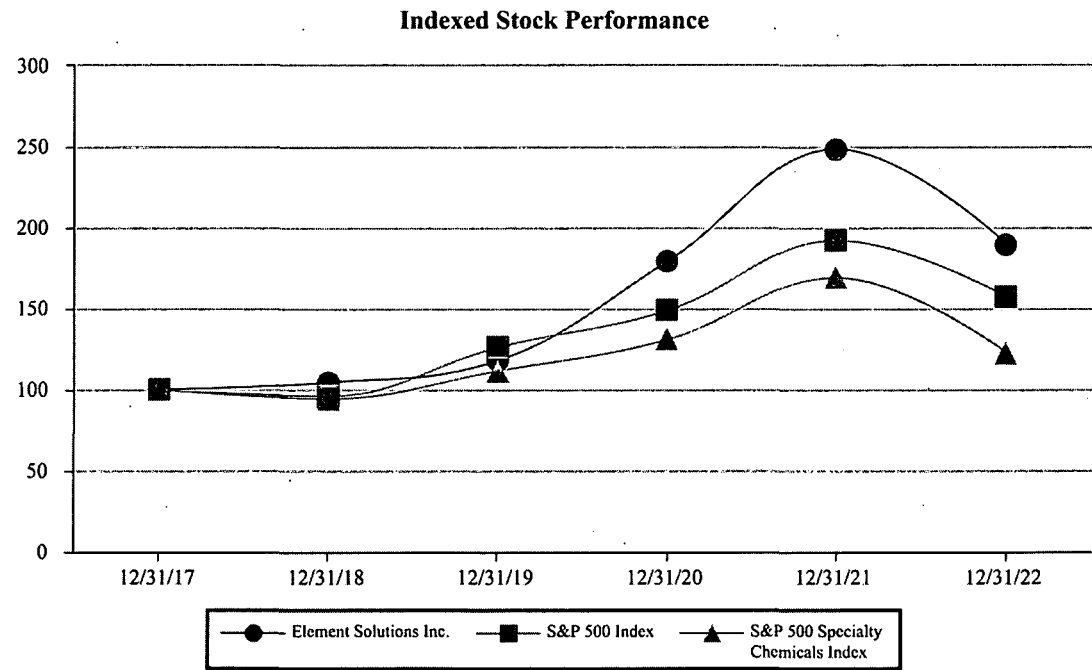
We declared and paid cash dividends on our common stock of \$78.4 million, \$61.9 million and \$12.4 million during the years ended December 31, 2022, 2021 and 2020, respectively.

On February 13, 2023, our Board declared a cash dividend of \$0.08 per outstanding share of our common stock. The dividend is expected to be paid on March 15, 2023 to stockholders of record at the close of business on March 1, 2023.

We currently expect to continue to pay a cash dividend on a quarterly basis; however, the actual declaration of any cash dividends, as well as their amounts and timing, will be subject to the final determination of our Board of Directors based on factors including our future earnings and cash flow generation.

Performance Graph

The following graph shows a comparison of cumulative total stockholder returns for our common stock, the Standard and Poor's 500 Index and the S&P 500 Specialty Chemicals Index from December 31, 2017 through December 31, 2022, assuming a \$100 investment in our common stock on December 31, 2017 and the reinvestment of all dividends thereafter.



The stock performance shown on this graph is based on historical data and is not indicative of, or intended to forecast, possible future performance of our common stock. This performance graph and related information is not deemed to be "soliciting material" or "filed" with the SEC and should not be deemed incorporated by reference into any of our prior or future filings under the Securities Act or the Exchange Act.

#### Equity Compensation Plan Information

The information regarding our equity compensation plans will be included in the 2023 Proxy Statement under the heading "Executive Compensation Tables - Equity Compensation Plan Information," and is incorporated by reference into this 2022 Annual Report.

#### Recent Sales of Unregistered Securities

None.

#### Issuer Purchases of Equity Securities

During the three months ended December 31, 2022, we repurchased the following shares of our common stock:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of a Publicly Announced Repurchase Program	Approximate Dollar Value of Shares that May Yet be Purchased Under the Repurchase Program <sup>(1)</sup> (in millions)
October 1 - October 31	1,799,924	\$ 16.93	1,799,924	\$ 585
November 1 - November 30	202,433	\$ 17.27	202,433	\$ 582
December 1 - December 31	28,285	\$ 17.92	28,285	\$ 581
<b>Total</b>	<b>2,030,642</b>	<b>\$ 16.97</b>	<b>2,030,642</b>	

<sup>(1)</sup> In November 2021, our Board increased the authorization under our stock repurchase program to \$750 million. Our program does not require the repurchase of any specific number of shares and share repurchases are made opportunistically at the discretion of the Company. The program does not have an expiration date but may be suspended or terminated by the Board at any time.

Shares withheld by the Company to satisfy tax withholding requirements related to the vesting of RSUs are not considered share repurchases under our stock repurchase program and, therefore, are excluded from the table above.

#### Item 6. [Reserved]

**Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations**

*This Management's Discussion and Analysis of Financial Condition and Results of Operations section should be read in conjunction with "Financial Statements and Supplementary Data" included in Part II, Item 8 of this 2022 Annual Report and our audited Consolidated Financial Statements and notes thereto included elsewhere in this 2022 Annual Report. "Overview" and "2022 Highlights" briefly present our business and certain significant events addressed in this section or elsewhere in this 2022 Annual Report. This 2022 Annual Report should be read in its entirety for a complete description of our business and discussion of these events.*

**Overview**

Element Solutions, incorporated in Delaware in January 2014, is a leading global specialty chemicals company whose businesses supply a broad range of solutions that enhance the performance of products people use every day. Developed in multi-step technological processes, these innovative solutions enable customers' manufacturing processes in several key industries, including consumer electronics, power electronics, semiconductor fabrication, communications and data storage infrastructure, automotive systems, industrial surface finishing, consumer packaging and offshore energy. Our product innovation and product extensions are expected to continue to drive sales growth in both new and existing markets while expanding margins through a consistent focus on increasing customer value propositions.

Our operations are organized into two segments: Electronics and Industrial & Specialty. In 2022, we achieved net sales of \$2.55 billion, to which our Electronics and Industrial & Specialty segments contributed approximately 63% and 37%, respectively.

Each of our segments is described below:

**Electronics** – The Electronics segment researches, formulates and sells specialty chemicals and material process technologies for all types of electronics hardware, from complex printed circuit board designs to advanced semiconductor packaging. In mobile communications, computers, automobiles and aerospace equipment, its products are an integral part of the electronics manufacturing process and the functionality of end-products. The segment's "wet chemistries" for metallization, surface treatments and solderable finishes form the physical circuitry pathways and its "assembly materials," such as solders, pastes, fluxes and adhesives, join those pathways together. The segment provides specialty chemical solutions through the following businesses: Assembly Solutions, Circuitry Solutions and Semiconductor Solutions.

**Industrial & Specialty** – The Industrial & Specialty segment researches, formulates and sells specialty chemicals and material process technologies that enhance surfaces or improve industrial processes in diverse industrial sectors from automotive trim to transcontinental infrastructure and from high-speed printing to high-design faucets. Its products include chemical systems that protect and decorate metal and plastic surfaces; consumable chemicals that enable printing image transfer on flexible packaging materials; and chemistries used in water-based hydraulic control fluids in offshore energy production. These fully consumable products are used in the aerospace, automotive, construction, consumer electronics, consumer packaged goods and oil and gas production end-markets. The segment provides specialty chemical solutions through the following businesses: Industrial Solutions, Graphics Solutions and Energy Solutions.

**2022 Highlights**

- **Resilient Financial Performance in a Challenging Market** – During the year, the business grew its reported and organic sales by 6% and 5%, respectively, despite declines in volume in its key end-markets, including mobile phones and consumer electronics. This resilience was driven by strong commercial execution with new customers in existing and new markets and significant pricing actions. In spite of volumes in our end-market declining and meaningful inflation in our supply chains increasing our costs, we modestly grew our Adjusted EBITDA.
- **HSO Acquisition** - On January 26, 2022, we completed the HSO Acquisition for approximately \$23 million, net of cash. HSO is a multi-national developer of technology and chemistry for decorative and functional surface finishing with a focus on environmentally sustainable products, especially in the field of plating on plastics. HSO is included in our Industrial Solutions business line within our Industrial & Specialty segment.
- **Repurchases of Common Stock** - During the year ended December 31, 2022, we repurchased 8.0 million shares of our common stock for \$151 million. The remaining authorization under our stock repurchase program was approximately \$581 million at December 31, 2022.

- **Cash Dividends** - During the year ended December 31, 2022, approximately \$78.4 million was returned to our shareholders in the form of cash dividends.

#### Acquisitions

We may pursue acquisitions in our existing or adjacent end-markets with product offerings that complement our portfolio or geographic footprint. We expect to achieve commercial and distribution efficiencies by expanding into related categories that can be marketed through our existing distribution channels or provide us with new distribution channels for our existing products. To the extent we pursue future acquisitions, we expect that acquisition candidates would demonstrate a combination of attractive margins, strong cash flow characteristics, niche leading positions and consumable products that generate recurring revenue. We believe the diversity of the niche end-markets we serve will enable us to continue our growth and maintain strong cash flow generation throughout economic cycles and mitigate the impact of a downturn in any single market. We will only pursue a candidate when it is deemed to be fiscally prudent and meets our acquisition criteria. We anticipate that any future acquisitions would be financed through a combination of cash on hand, availability under our Credit Agreement and/or new debt or equity offerings.

#### Foreign Currency Exposure

In 2022, approximately 75% of our net sales originated outside of the U.S. and were denominated in numerous currencies, including the euro, Chinese yuan, British pound, and Taiwan dollar. Therefore, fluctuations in foreign exchange rates in any given reporting period may positively or negatively impact our financial performance. Foreign exchange translation negatively impacted our 2022 net sales performance by approximately 7%.

In addition, our foreign subsidiaries are subject to foreign currency risk relating to receipts from customers, payments to suppliers and intercompany transactions that are not in their functional currency, which is typically their local currency. As a result, our foreign subsidiaries may enter, and have entered, into foreign exchange hedges designed to protect against transaction exposures. We actively assess our hedging programs in order to mitigate foreign exchange risk exposures. This includes programs to hedge our foreign currency denominated balance sheet exposures as well as foreign currency anticipated cash flows.

#### Critical Accounting Estimates

The preparation of financial statements in conformity with GAAP requires us to make estimates that may significantly impact our reported financial results and accompanying disclosures. We base our estimates, assumptions and judgments on historical experience, current conditions as well as other factors that we consider reasonable. Estimates relate to matters that are inherently uncertain and actual results may differ from these estimates and such differences could be material to our financial statements.

We consider the accounting estimates discussed below to be critical to the understanding of our financial statements and involve difficult, subjective or complex judgments that could potentially affect our reported results. See Note 2, *Summary of Significant Accounting Policies*, to the Consolidated Financial Statements included in this 2022 Annual Report for a detailed discussion of the application of these and other accounting policies.

#### Revenue Recognition

We recognize revenue when a customer obtains control of the products it purchased, which occurs upon shipment or delivery, when title or the risks and rewards of ownership have been passed on to the customer, our performance obligations have been fulfilled and collectability is probable. Estimates for sales rebates, incentives and discounts as well as sales returns and allowances are accounted for as reductions of revenue when the earnings process is complete. Differences between estimated expense and actual costs are typically immaterial and are recognized in earnings in the period such differences are determined.

Most performance obligations relate to contracts with a duration of less than one year, in which we have the right to invoice the customer at the time the performance obligation is satisfied for the amount of revenue recognized at that time. Accordingly, we have elected the practical expedient available under ASC Topic 606, *Revenue from Contracts with Customers*, not to disclose remaining performance obligations under our contracts. We have also elected the practical expedient to expense incremental costs for obtaining contracts with terms of less than one year.

## Goodwill

Goodwill is tested for impairment at the reporting unit level annually in the fourth quarter, or when events or changes in circumstances indicate that goodwill might be impaired. Our reporting units are determined based upon our organizational structure in place at the date of the goodwill impairment test. The fair value of a reporting unit is based equally on market multiples and the present value of discounted future cash flows. The discounted cash flows are prepared based upon cash flows at the reporting unit level and involve significant judgments related to future growth rates, gross profit, operating expenses and discount rates, among other considerations, from the vantage point of a market participant.

If the fair value of a reporting unit exceeds the carrying value of the net assets assigned to that reporting unit, goodwill is not impaired and no further testing is required. If the carrying value of the net assets assigned to the reporting unit exceeds the fair value of the reporting unit, the goodwill impairment loss is calculated as the difference between these amounts, limited to the amount of goodwill allocated to the reporting unit.

As part of our goodwill impairment test in the fourth quarter of 2022, we determined that the excess of the fair values of the Graphics Solutions and Energy Solutions reporting units within our Industrial & Specialty segment exceeded their carrying values by approximately 20%. Goodwill assigned to the Graphics Solutions and Energy Solutions reporting units was approximately \$212 million and \$233 million, respectively, as of the assessment date. The estimated fair values of these reporting units are highly sensitive to changes in these estimates and assumptions; therefore, in some instances, changes in these assumptions may impact whether the fair value of a reporting unit is greater than its carrying value. We performed a sensitivity analysis around these assumptions in order to assess the reasonableness of the assumptions and the resulting estimated fair values. Based on the sensitivity analysis performed for the Graphics Solutions and Energy Solutions reporting units, a 50 basis point increase in the WACC or 50 basis point decrease in the terminal growth rate, without any other changes to the valuations, would not result in the carrying value of either reporting unit being greater than the fair value. Future impairments of these reporting units may occur if the businesses do not achieve their expected cash flows or macroeconomic conditions result in an increase in the WACC used to estimate fair value. See Note 7, *Goodwill and Intangible Assets*, to the Consolidated Financial Statements included in this 2022 Annual Report for additional information.

## Income Taxes

We recognize deferred tax assets and liabilities based on the differences between the financial statement basis and the tax basis of assets, liabilities, net operating losses and tax carryforwards. A valuation allowance is required to be recognized to reduce the recorded deferred tax asset to the amount that will more likely than not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income by jurisdiction during the periods in which those temporary differences become deductible or when carryforwards can be utilized. We consider the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in this assessment. If these estimates and related assumptions change in the future, we may be required to record additional valuation allowances against our deferred tax assets resulting in additional income tax expense. We evaluate our valuation allowance conclusions on a quarterly basis based on available evidence and realization of deferred tax assets ultimately depends on the existence of sufficient taxable income in the applicable carryback or carryforward periods. Changes in our estimates of and reliance on such evidence may affect the estimate of the realization of the benefits of tax attribute carryforwards.

Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences and carryforwards are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date of such change.

Tax benefits are recognized for an uncertain tax position when we consider it is more likely than not that the position will be sustained upon examination by a taxing authority or upon completion of the litigation process. For a tax position that meets the more-likely-than-not recognition threshold, the tax benefit is measured as the largest amount that is judged to have a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority. The liability associated with unrecognized tax benefits is adjusted periodically due to changing circumstances and when new information becomes available. Such adjustments are recognized in the period in which they are identified.

## Recent Accounting Pronouncements

A summary of recent accounting pronouncements is included in Note 3, *Recent Accounting Pronouncements*, to the Consolidated Financial Statements included in this 2022 Annual Report.

## Non-GAAP Financial Measures

To supplement our financial results presented in accordance with GAAP in this Management's Discussion and Analysis of Financial Condition and Results of Operations section, we present certain non-GAAP financial measures, such as operating results on a constant currency and organic basis and Adjusted EBITDA. Management internally reviews these non-GAAP measures to evaluate performance on a comparative period-to-period basis in terms of absolute performance, trends and expected future performance with respect to our business. We believe these non-GAAP financial measures, which are each further described below, provide investors with an additional perspective on trends and underlying operating results on a period-to-period comparable basis. We also believe that investors find this information helpful in understanding the ongoing performance of our operations separate from items that may have a disproportionate positive or negative impact on our financial results in any particular period or are considered to be associated with our capital structure.

These non-GAAP financial measures, however, have limitations as analytical tools and should not be considered in isolation from, a substitute for, or superior to, the related financial information that we report in accordance with GAAP. The principal limitation of these non-GAAP financial measures is that they exclude significant expenses and income that are required by GAAP to be recorded in our financial statements and may not be completely comparable to similarly titled measures of other companies due to potential differences in calculation methods. In addition, these measures are subject to inherent limitations as they reflect the exercise of judgment by management about which items are excluded or included in determining these non-GAAP financial measures. Investors are encouraged to review the definitions and reconciliations of these non-GAAP financial measures to their most comparable GAAP financial measures included in this 2022 Annual Report and not to rely on any single financial measure to evaluate our business.

### *Constant Currency*

We disclose operating results, from net sales through operating profit and Adjusted EBITDA, on a constant currency basis by adjusting results to exclude the impact of changes due to the translation of foreign currencies of our international locations into U.S. dollars. Management believes this non-GAAP financial information facilitates period-to-period comparison in the analysis of trends in business performance, thereby providing valuable supplemental information regarding our results of operations, consistent with how we internally evaluate our financial results.

The impact of foreign currency translation is calculated by converting our current-period local currency financial results into U.S. dollars using the prior period's exchange rates and comparing these adjusted amounts to our prior period reported results. The difference between actual growth rates and constant currency growth rates represents the estimated impact of foreign currency translation.

### *Organic Net Sales Growth*

Organic net sales growth is defined as net sales excluding the impact of foreign currency translation, changes due to the pass-through pricing of certain metals and acquisitions and/or divestitures, as applicable. Management believes this non-GAAP financial measure provides investors with a more complete understanding of the underlying net sales trends by providing comparable net sales over differing periods on a consistent basis.

For a reconciliation of GAAP net sales growth to organic net sales growth, see "Net Sales" within the "Results of Operations" section below.

### *Adjusted EBITDA*

We define Adjusted EBITDA as EBITDA, excluding the impact of additional items included in GAAP earnings which we believe are not representative or indicative of our ongoing business, including unrealized gains/losses on metals derivative contracts, or are considered to be associated with our capital structure. Management believes Adjusted EBITDA provides investors with a more complete understanding of the long-term profitability trends of our business and facilitates comparisons of our profitability to prior and future periods.

For a reconciliation of "Net income attributable to common stockholders" to Adjusted EBITDA and more information about the adjustments made, see Note 22, *Segment Information*, to the Consolidated Financial Statements included in this 2022 Annual Report.

## Results of Operations

(dollars in millions)	Change - 2022 vs 2021						Change - 2021 vs 2020		
	2022	2021	Reported	Constant Currency	Organic	2020	Reported	Constant Currency	Organic
Net sales	\$ 2,549.4	\$ 2,399.8	6%	13%	5%	\$ 1,853.7	29%	26%	13%
Cost of sales	1,596.7	1,439.0	11%	19%		1,067.7	35%	32%	
Gross profit	952.7	960.8	(1)%	5%		786.0	22%	19%	
Gross margin	37.4 %	40.0 %	(260) bps	(300) bps		42.4 %	(240) bps	(250) bps	
Operating expenses	627.4	660.9	(5)%	(1)%		553.3	19%	17%	
Operating profit	325.3	299.9	8%	17%		232.7	29%	23%	
Operating margin	12.8 %	12.5 %	30 bps	40 bps		12.6 %	(10) bps	(40) bps	
Other expense, net	(53.3)	(48.2)	11%			(151.6)	(nm)		
Income tax expense	(85.8)	(48.3)	78%			(4.3)	(nm)		
Net income from continuing operations	186.2	203.4	(8)%			76.8	(nm)		
Income (loss) from discontinued operations, net	1.8	0.3	(nm)			(1.1)	(nm)		
Net income	\$ 188.0	\$ 203.7	(8)%			\$ 75.7	169%		
Adjusted EBITDA	\$ 526.6	\$ 524.8	0%	8%		\$ 423.3	24%	20%	
Adjusted EBITDA margin	20.7 %	21.9 %	(120) bps	(110) bps		22.8 %	(90) bps	(120) bps	

(nm) Calculation not meaningful.



## Year Ended December 31, 2022 Compared to Year Ended December 31, 2021

### Net Sales

Net sales for 2022 increased 6% on a reported basis, 13% on a constant currency basis and 5% on an organic basis. Electronics' consolidated results were positively impacted by \$9.7 million of pass-through metals pricing and \$13.5 million of acquisitions and Industrial & Specialty's consolidated results were positively impacted by \$176 million of acquisitions.

The following table reconciles GAAP net sales growth to constant currency and organic net sales growth:

(dollars in millions)	Year ended December 31,		% Change					
	2022	2021	Reported Net Sales Growth	Impact of Currency	Constant Currency	Pass-Through Metals Pricing	Acquisitions	Organic Net Sales Growth
<b>Electronics:</b>								
Assembly Solutions	\$ 839.4	\$ 824.2	2%	6%	8%	(1)%	—%	7%
Circuitry Solutions	496.5	503.7	(1)%	5%	4%	—%	—%	4%
Semiconductor Solutions	268.2	254.6	5%	3%	9%	—%	(5)%	3%
Total	\$ 1,604.1	\$ 1,582.5	1%	5%	7%	(1)%	(1)%	5%
<b>Industrial &amp; Specialty:</b>								
Industrial Solutions	\$ 728.3	\$ 599.7	21%	13%	35%	—%	(29)%	5%
Graphics Solutions	150.1	155.5	(3)%	4%	0%	—%	—%	0%
Energy Solutions	66.9	62.1	8%	5%	12%	—%	—%	12%
Total	\$ 945.3	\$ 817.3	16%	11%	26%	—%	(22)%	5%
<b>Total</b>	<b>\$ 2,549.4</b>	<b>\$ 2,399.8</b>	<b>6%</b>	<b>7%</b>	<b>13%</b>	<b>0%</b>	<b>(8)%</b>	<b>5%</b>

NOTE: Totals may not sum due to rounding.

Electronics' net sales for 2022 increased 1% on a reported basis, 7% on a constant currency basis and 5% on an organic basis.

- Assembly Solutions:** net sales increased 2% on a reported basis and 7% on an organic basis. Pass-through metals pricing had a positive impact of 1% on reported net sales. Foreign exchange had a negative impact of 6% on reported net sales. The increase in organic net sales was primarily due to strong demand from power electronics customers and continued growth across most core assembly end-markets.
- Circuitry Solutions:** net sales decreased 1% on a reported basis and increased 4% on an organic basis. Foreign exchange had a negative impact of 5% on reported net sales. The increase in organic net sales was primarily due to growth in the memory disk business in the first half of 2022, new customer wins and pricing actions.
- Semiconductor Solutions:** net sales increased 5% on a reported basis and 3% on an organic basis. The HKW Acquisition had a positive impact of 5% on reported net sales. Foreign exchange had a negative impact of 3% on reported net sales. The increase in organic net sales was primarily due to strong end-market demand in the first half of 2022 and new customer wins in advanced packaging chemistries for high-end electronics end-markets.

Industrial & Specialty's net sales for 2022 increased 16% on a reported basis, 26% on a constant currency basis and 5% on an organic basis.

- Industrial Solutions:** net sales increased 21% on a reported basis and 5% on an organic basis. The Coventya and HSO Acquisitions had a positive impact of 29% on reported net sales. Foreign exchange had a negative impact of 13% on reported net sales. The increase in organic net sales was primarily due to growth in automotive, construction and industrial manufacturing markets, partially offset by reduced activity in Asia in the second half of 2022.
- Graphics Solutions:** net sales decreased 3% on a reported basis and was approximately flat on an organic basis. Foreign exchange had a negative impact of 4% on reported net sales. Organic net sales reflect new customer wins partially offset by softening demand, which resulted in our customers extending the replacement cycle for flexographic plates.

- **Energy Solutions:** net sales increased 8% on a reported basis and 12% on an organic basis. Foreign exchange had a negative impact of 5% on reported net sales. The increase in organic net sales was primarily due to increased global production and drilling activity and cost inflation driven pricing actions which accelerated in the second half of 2022.

### Gross Profit

(dollars in millions)	Year Ended December 31,		Change	
	2022	2021	Reported	Constant Currency
<b>Gross profit:</b>				
Electronics	\$ 594.1	\$ 617.5	(4)%	0%
Industrial & Specialty	358.6	343.3	4%	14%
<b>Total</b>	<b>\$ 952.7</b>	<b>\$ 960.8</b>	<b>(1)%</b>	<b>5%</b>
<b>Gross profit margin:</b>				
Electronics	37.0 %	39.0 %	(200) bps	(240) bps
Industrial & Specialty	37.9 %	42.0 %	(410) bps	(430) bps
<b>Total</b>	<b>37.4 %</b>	<b>40.0 %</b>	<b>(260) bps</b>	<b>(300) bps</b>

Electronics' gross profit for 2022 decreased 4% on a reported basis and remained approximately flat on a constant currency basis. The constant currency gross profit reflects increased net sales in most business lines, partially offset by higher raw material and logistics costs. The decrease in gross margin was primarily due to increased net sales of products containing pass-through metals in our Assembly business, higher raw material prices and logistics costs.

Industrial & Specialty's gross profit for 2022 increased 4% on a reported basis and 14% on a constant currency basis. The constant currency increase in gross profit was primarily driven by the contribution of \$59.0 million from the Coventya Acquisition. The decrease in gross margin was primarily due to higher raw material prices, particularly attributable to our Graphics business, and logistics costs, as well as unfavorable product mix.

### Operating Expenses

(dollars in millions)	Year ended December 31,		Change	
	2022	2021	Reported	Constant Currency
Selling, technical, general and administrative (STG&A)	\$ 578.6	\$ 611.2	(5)%	(1)%
Research and development (R&D)	48.8	49.7	(2)%	0%
<b>Total</b>	<b>\$ 627.4</b>	<b>\$ 660.9</b>	<b>(5)%</b>	<b>(1)%</b>
<b>Operating Expenses as % of Net Sales</b>				
STG&A	22.7 %	25.5 %	(280) bps	(320) bps
R&D	1.9 %	2.1 %	(20) bps	(30) bps
<b>Total</b>	<b>24.6 %</b>	<b>27.5 %</b>	<b>(290) bps</b>	<b>(340) bps</b>

Operating expenses for 2022 decreased 5% on a reported basis and 1% on a constant currency basis. The constant currency decrease was primarily driven by \$30.3 million of lower incentive compensation costs (a combination of a lower 2022 accrual reflecting actual business performance and 2021 reflecting above target performance), \$22.6 million of lower stock compensation expense for performance-based RSUs as compared to the 2021 period when the vesting of certain significant awards became probable and synergies, primarily as a result of the Coventya Acquisition. These decreases were partially offset by \$52.0 million of incremental operating expenses related to the Coventya and HSO Acquisitions (which include the impact of purchase accounting and restructuring costs of \$18.2 million).

### Other (Expense) Income, net

(dollars in millions)	Year Ended December 31,	
	2022	2021
Interest expense, net	\$ (51.2)	\$ (54.2)
Foreign exchange (loss) gain	(5.0)	15.8
Other income (expense), net	2.9	(9.8)
<b>Total</b>	<b>\$ (53.3)</b>	<b>\$ (48.2)</b>

### Interest expense, net

Interest expense, net reflects increased interest costs associated with the \$400 million Add-on Term Loan, which was borrowed on September 1, 2021, offset by the impact of the weakening of the euro, as compared to the U.S. dollar, as our interest rate and cross-currency swaps have effectively converted our U.S. dollar denominated Term Loans into fixed-rate euro-denominated debt and increased interest income of \$1.6 million. See Note 12, *Financial Instruments*, for further discussion of these derivative instruments.

### Foreign exchange (loss) gain

Foreign exchange loss increased \$20.8 million, primarily due to the remeasurement of euro-denominated intercompany balances.

### Other income (expense), net

Other income, net for 2022 included \$0.3 million of net gains associated with metals derivative contracts (\$1.6 million of realized gains and \$1.3 million of unrealized losses). Other expense, net for 2021 included \$11.9 million of net losses associated with metals derivative contracts (\$12.0 million of realized losses and \$0.1 million of unrealized gains). These metal derivative contracts primarily represented hedges on our inventory associated with pass-through metals pricing in our Assembly business. See Note 12, *Financial Instruments*, for further discussion of these derivative instruments.

### Income Tax

The income tax expense for 2022 totaled \$85.8 million, as compared to \$48.3 million in 2021. For additional information see Note 10, *Income Taxes*, to the Consolidated Financial Statements included in this 2022 Annual Report.

### Segment Adjusted EBITDA Performance

(dollars in millions)	Year Ended December 31,		Change	
	2022	2021	Reported	Constant Currency
<b>Adjusted EBITDA:</b>				
Electronics	\$ 362.1	\$ 372.0	(3)%	3%
Industrial & Specialty	164.5	152.8	8%	21%
<b>Total</b>	<b>\$ 526.6</b>	<b>\$ 524.8</b>	<b>0%</b>	<b>8%</b>
<b>Adjusted EBITDA margin:</b>				
Electronics	22.6 %	23.5 %	(90) bps	(90) bps
Industrial & Specialty	17.4 %	18.7 %	(130) bps	(90) bps
<b>Total</b>	<b>20.7 %</b>	<b>21.9 %</b>	<b>(120) bps</b>	<b>(110) bps</b>

Electronics' Adjusted EBITDA for 2022 decreased 3% on a reported basis and increased 3% on a constant currency basis. The constant currency increase was primarily driven by lower operating expenses.

Industrial & Specialty's Adjusted EBITDA for 2022 increased 8% on a reported basis and 21% on a constant currency basis. The Coventya Acquisition had a positive impact on Industrial & Specialty's Adjusted EBITDA including synergies, which was partially offset by higher logistics costs and raw material prices and unfavorable product mix.

## Comparison of Fiscal Years 2021 and 2020

For the comparison of fiscal years 2021 and 2020, see "Year Ended December 31, 2021 Compared to the Year Ended December 31, 2020" in Part II, Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, included in our 2021 Annual Report on Form 10-K and incorporated by reference into this 2022 Annual Report.

## Liquidity and Capital Resources

Our primary sources of liquidity during 2022 were available cash generated from operations and cash on hand. Our primary uses of cash and cash equivalents were to repurchase shares of our common stock under our stock repurchase program, pay cash dividends, capital expenditures, fund operations including working capital, purchase shares of our common stock withheld by us to satisfy the tax withholding requirements related to the vesting of RSUs and to fund the HSO Acquisition as well as debt service obligations. Our interest rate swaps and cross-currency swaps associated with the initial \$750 million term loans expire on January 2024. Expiration of these hedges could result in a material increase to interest expense. Our first significant debt principal payment of approximately \$1.08 billion, related to the maturity of our outstanding term loans under the Credit Agreement, is not due until 2026. In the fourth quarter of 2022, we paid a cash dividend of 8 cents per share. We currently expect to continue to pay a cash dividend on a quarterly basis; however, the actual declaration of any cash dividends, as well as their amounts and timing, will be subject to the final determination of our Board of Directors based on factors including our future earnings and cash flow generation.

We believe that our cash and cash equivalents and cash generated from operations, supplemented by our availability under our lines of credit, including our revolving credit facility under the Credit Agreement, will be sufficient to meet our working capital needs, interest payments, capital expenditures, potential dividend payments and other business requirements for at least the next twelve months. However, working capital cycles and/or future repurchases of our common stock and/or acquisitions may require additional funding, which may include future debt and/or equity offerings. Our long-term liquidity may be influenced by our ability to borrow additional funds, manage interest rates, renegotiate existing debt and/or raise new equity or debt under terms that are favorable to us.

We may from time to time seek to repurchase our equity and/or to retire or repurchase our outstanding debt through cash purchases and/or exchanges for equity, in open market purchases, privately negotiated transactions or otherwise. Such repurchases or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions, applicable restrictions under our various financing arrangements, and other factors.

During 2022, approximately 75% of our net sales were generated from non-U.S. operations, and we expect a large portion of our net sales to continue to be generated outside of the U.S. As a result, our foreign subsidiaries will likely continue to generate a substantial portion of our cash. We expect to manage our worldwide cash requirements based on available funds among the many subsidiaries through which we conduct business and the cost effectiveness with which those funds can be accessed. We may transfer cash from certain international subsidiaries to the U.S. and/or other international subsidiaries when we believe it is cost effective to do so. Of our \$266 million of cash and cash equivalents at December 31, 2022, \$174 million was held by our foreign subsidiaries.

The following is a summary of our cash flows provided by (used in) operating, investing and financing activities during the periods indicated:

(dollars in millions)	Year Ended December 31,		
	2022	2021	2020
Cash provided by operating activities	\$ 295.9	\$ 326.0	\$ 276.0
Cash used in investing activities	\$ (75.2)	\$ (568.9)	\$ (39.9)
Cash (used in) provided by financing activities	\$ (275.6)	\$ 290.0	\$ (123.6)

## Year Ended December 31, 2022 compared to Year Ended December 31, 2021

### Operating Activities

The decrease in net cash flows provided by operating activities of \$30.1 million was primarily driven by higher annual incentive compensation payments, primarily in the first quarter of 2022, that were associated with our 2021 performance, partially offset by improved management of working capital and higher cash operating profits (net income adjusted for non-cash items).

### ***Investing Activities***

During 2022, we paid approximately \$23 million in connection with the HSO Acquisition. During 2021, we paid \$486 million in connection with the Coventya Acquisition, \$50.9 million in connection with the HKW Acquisition and received \$19.0 million for the sale of a dormant facility in New Jersey.

### ***Financing Activities***

During 2022, we paid \$151 million in aggregate for the repurchase of shares of our common stock under our stock repurchase program, \$78.4 million of cash dividends on shares of our common stock and \$24.0 million for shares of our common stock withheld by the Company to satisfy the tax withholding requirements related to the vesting of RSUs included in "Other, net." During 2021, we borrowed \$400 million of Add-on Term Loans to finance the Coventya Acquisition and received net proceeds of \$393 million after considering discounts and fees, and paid \$61.9 million of cash dividends on shares of our common stock and \$19.6 million in aggregate for the repurchase of shares of our common stock under our stock repurchase program.

### ***Pension Plans***

We maintain "Domestic Pension Plans," which consist of a non-contributory domestic defined benefit pension plan and Supplemental Executive Retirement Plans (SERPs). These plans are closed to new participants and plan benefits associated with all current participants have been frozen. We also maintain "Foreign Pension Plans" in countries such as Germany and Taiwan, which include a mixture of retirement, death benefit and longevity plans, among others, all of which are deemed immaterial, individually and in the aggregate.

The expected long-term rate of return on assets assumption is developed with reference to historical returns, forward-looking return expectations, the Domestic and Foreign Pension Plans' investment allocations, and peer comparisons. We used a long-term rate of return on plan assets of 4.8% and 3.1% for our Domestic and Foreign Pension Plans, respectively, to determine our net periodic pension expense for 2022. The discount rate used to value the pension obligation was developed with reference to a number of factors, including the current interest rate environment, benchmark fixed-income yields and expected future pension benefit payments. Discount rates of 5.2% and 3.5% were established for the Domestic Pension Plan and Foreign Pension Plans, respectively, at December 31, 2022, compared to rates of 2.8% and 1.2% established for those respective plans at December 31, 2021. We evaluate the Pension Plans' actuarial assumptions on an annual basis, including the expected long-term rate of return on assets and discount rates. A one percent increase in the discount rate would increase the pension plan expense by approximately \$0.9 million and decrease the pension benefit obligation by approximately \$16.5 million, whereas a one percent decrease in the discount rate would decrease the pension plan expense by approximately \$1.9 million and increase the pension benefit obligation by approximately \$19.2 million.

Our Domestic Pension Plans' investment policies incorporate an asset allocation strategy that emphasizes long-term growth of capital and acceptable asset volatility as long as such volatility remains consistent with the volatility of the indexes of relevant markets. Our investment policies attempt to achieve a mix of approximately 92% of plan investments for liability-matching, 6% for long-term growth, and 2% for near-term benefit payments. The weighted average asset allocation of the Domestic Pension Plan was 92% fixed income holdings, 6% equity securities and derivatives and 2% cash at December 31, 2022.

The Domestic Pension Plans were underfunded by \$16.5 million at December 31, 2022 compared to \$8.1 million at December 31, 2021. The decrease in the funding position was primarily driven by a \$49.1 million loss on plan assets and \$6.3 million of interest costs partially offset by \$46.6 million of actuarial gains due to changes in plan assumptions and experience.

The Foreign Pension Plans were underfunded by \$14.5 million at December 31, 2022 compared to \$21.0 million at December 31, 2021.

We are not required to make any material plan contributions in 2023. While we do not currently anticipate any, additional future material contributions may be required in order to maintain appropriate funding levels within our plans.

### ***Financial Borrowings***

#### ***Credit Facilities and Senior Notes***

At December 31, 2022, we had \$1.90 billion of indebtedness, net of unamortized discounts and debt issuance costs of \$18.7 million, which primarily included:

- \$1.11 billion of term debt arrangements outstanding under our term loans; and
- \$800 million of 3.875% USD Notes due 2028.

Availability under our revolving credit facility and various lines of credit and overdraft facilities totaled \$391 million at December 31, 2022 (net of \$6.0 million of stand-by letters of credit, which reduce our borrowing capacity).

#### **Covenants**

At December 31, 2022, we were in compliance with the debt covenants contained in the Credit Agreement and the indenture governing our 3.875% USD Notes due 2028.

### **Item 7A. Quantitative and Qualitative Disclosures about Market Risk**

#### **Interest Rate Risk**

We are exposed to interest rate risk associated with our long-term debt and other financing commitments. At December 31, 2022, we had total debt of \$1.90 billion, net of unamortized discounts and debt issuance costs of \$18.7 million, including approximately \$1.11 billion of variable interest rate debt based on the one-month Secured Overnight Financing Rate (SOFR).

We use interest rate swaps and cross-currency swaps designed to reduce our exposure to interest rate risk and foreign currency risk. We designate the interest rate swaps as cash flow hedges and the cross-currency swaps as net investment hedges. These swaps effectively convert all of our term loans under the Credit Agreement, which are U.S. dollar denominated debt obligations, into fixed-rate euro-denominated debt through the expiration of the swaps. The net result of these hedges, which expire in January 2024 and 2025, respectively, was an interest rate of approximately 1.6% at December 31, 2022, which could vary in the future due to changes in the euro and the U.S. dollar exchange rate. See Note 12, Financial Instruments, to the Consolidated Financial Statements included in this 2022 Annual Report for additional information.

#### **Counterparty Risk**

Outstanding financial derivative instruments expose us to credit loss in the event of non-performance by our counterparties. The credit exposure related to these financial instruments is considered in the fair values of such contracts. We review the credit ratings of our counterparties and adjust our exposure as deemed appropriate on a periodic basis. At December 31, 2022, we believe that our exposure to counterparty risk was immaterial.

#### **Foreign Currency Risk**

We conduct a significant portion of our business in currencies other than the U.S. dollar, our financial reporting currency. In 2022, approximately 75% of our net sales were generated outside of the U.S. Generally, our foreign subsidiaries use their local currency as their functional currency; the currency in which they incur operating expenses and collect accounts receivable. Our business is exposed to foreign currency risk from changes in the exchange rate primarily between the U.S. dollar and the following currencies: euro, Chinese yuan, British pound, and Taiwan dollar. As a result, our operating results could be affected by foreign currency exchange rate volatility relative to the U.S. dollar. We are not able to project, in any meaningful way, the possible effect of these foreign currency fluctuations on translated amounts or future earnings.

We actively assess our foreign exchange risk exposure and may enter into foreign exchange hedges designed to mitigate such risk and protect ourselves against transaction exposures. Our hedging programs include strategies to mitigate our foreign currency denominated balance sheet exposures as well as foreign currency anticipated cash flows. At December 31, 2022, the aggregate U.S. dollar notional amount of foreign currency forward contracts totaled \$105 million. None of these foreign currency forward contracts were designated as hedges for accounting purposes. Their fair value at December 31, 2022 was a \$0.3 million net current liability, and net realized and unrealized losses on such contracts for 2022 totaled \$2.3 million.

Our policies prohibit us from speculating in financial instruments for profit on exchange rate price fluctuations, from trading in currencies for which there are no underlying exposures and from entering into trades for any currency to intentionally increase the underlying exposure.

## Commodity Price Risk

Some raw materials and supplies are subject to price and supply fluctuations caused by market dynamics. Our strategic sourcing initiatives are focused on mitigating the impact of commodity price risk. Although some of our commercial agreements allow us to pass on certain unusual increases in component and raw material costs to our customers in limited situations, we may not be fully compensated for such increased costs. To a lesser extent, we are also exposed to fluctuations in the prices of certain utilities and services, such as electricity, natural gas and freight.

Periodically, we employ forward metals contracts or other financial instruments to hedge commodity price or other price risks. Such contracts are generally designated as normal purchases and accounted for similar to other inventory purchases. We continue to review a full range of business options focused on strategic risk management for all raw material commodities. Any failure by our suppliers to provide acceptable raw materials or supplies could adversely affect our production schedules and contract profitability. We assess qualification of suppliers and continually monitor them to control risk associated with such supply base reliance. At December 31, 2022, the aggregate U.S. dollar notional amount of metals futures contracts, none of which were designated as hedges for accounting purposes, totaled \$45.7 million. The fair value of the metals forward contracts at December 31, 2022 was a \$2.5 million net current liability and net realized and unrealized gains on such contracts for 2022 totaled \$0.3 million.

## Item 8. Financial Statements and Supplementary Data

See "Index to Consolidated Financial Statements" in this 2022 Annual Report.

## Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

## Item 9A. Controls and Procedures

### Evaluation of Disclosure Controls and Procedures

Management, with the participation of our CEO and CFO, carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on this evaluation, our CEO and CFO have concluded that our disclosure controls and procedures were effective at December 31, 2022.

### Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Our internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of our financial statements in accordance with GAAP, and that receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

However, all internal control systems have inherent limitations and may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate over time due to changes in conditions or the degree of compliance with our policies or procedures may deteriorate.

Management assessed the effectiveness of our internal control over financial reporting at December 31, 2022, using the criteria set forth in the *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management believes that at December 31, 2022 our internal control over financial reporting was effective.

The effectiveness of our internal control over financial reporting at December 31, 2022 has been audited by PricewaterhouseCoopers LLP, as stated in their report, which appears in this 2022 Annual Report.

**Changes to Internal Control Over Financial Reporting**

Based on management's evaluation (with the participation of our CEO and CFO), as required by Rule 13a-15(d) under the Exchange Act, there have been no changes in our internal control over financial reporting during the fourth quarter of the year ended December 31, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Item 9B. Other Information**

None.

**Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections**

None.



### **Part III**

#### **Item 10. Directors, Executive Officers and Corporate Governance**

The information required by this item regarding the Company's executive officers, directors and Audit Committee of the Board will be included in the 2023 Proxy Statement under the headings "Executive Officers of the Company," "Proposal 1 - Election of Directors" and "Corporate Governance," and is incorporated by reference into this 2022 Annual Report.

The Company has adopted a Business Conduct and Ethics Policy applicable to all directors and employees of Element Solutions, including our CEO, CFO and Chief Accounting Officer. The Company has also adopted a Code of Ethics for Senior Financial Officers applicable, more specifically, to our CEO, CFO and Chief Accounting Officer. The Policy and the Code of Ethics are posted on the Company's website at [www.elementsolutionsinc.com](http://www.elementsolutionsinc.com) under "Investors – Corporate Governance – Governance Documents." We intend to provide disclosure of any amendment to or waiver of the Policy and/or Code of Ethics on our website within four business days following the date of such amendment or waiver.

#### **Item 11. Executive Compensation**

The information required by this item will be included in the 2023 Proxy Statement under the headings "Director Compensation," "Compensation Discussion and Analysis," "Report of the Compensation Committee," "Executive Compensation Tables" and "Corporate Governance - Compensation Committee interlocks and Insider Participation," and is incorporated by reference into this 2022 Annual Report.

#### **Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

The information required by this item will be included in the 2023 Proxy Statement under the headings "Security Ownership" and "Executive Compensation Tables - Equity Compensation Plan Information," and is incorporated by reference into this 2022 Annual Report.

#### **Item 13. Certain Relationships and Related Transactions, and Director Independence**

The information required by this item will be included in the 2023 Proxy Statement under the headings "Corporate Governance - Certain Relationships and Related Transactions" and "Corporate Governance - Director Independence," and is incorporated by reference into this 2022 Annual Report.

#### **Item 14. Principal Accounting Fees and Services**

The information required by this item will be included in the 2023 Proxy Statement under the headings "Report of the Audit Committee" and "Proposal 4 - Ratification of Independent Registered Public Accounting Firm for 2023," and is incorporated by reference into this 2022 Annual Report.

Part IV

Item 15. Exhibits, Financial Statement Schedules

(A) Exhibits

Exhibit Nb.	Exhibit Description	Incorporated by Reference			Included in this 2022 Annual Report
		Form	File Nb.	Exhibit Nb.	Filing Date
3.1(a)	<u>Certificate of Incorporation, dated January 22, 2014</u>	S-4 POS	333-192778	3.1	1/24/2014
3.1(b)	<u>Certificate of Amendment of Certificate of Incorporation, dated June 12, 2014</u>	8-K	001-36272	3.1	6/13/2014
3.1(c)	<u>Certificate of Amendment of Certificate of Incorporation, dated January 31, 2019</u>	8-K	001-36272	3.1	2/5/2019
3.2	<u>Amended and Restated By-laws</u>	8-K	001-36272	3.2	2/5/2019
4.1	<u>Specimen Common Stock certificate</u>	8-K	001-36272	4.1	2/5/2019
4.2	<u>Description of Common Stock</u>	10-K	001-36272	4.2	2/23/2022
4.3	<u>Indenture, dated as of August 18, 2020, among the Company, the guarantors named therein and the Trustee</u>	8-K	001-36272	4.1	8/18/2020
4.4	<u>Form of 3.875% senior notes due 2028 (Exhibit A)</u>	8-K	001-36272	A to 4.01	8/18/2020
10.1**	<u>Credit Agreement, dated as of January 31, 2019, by and among, inter alios, the Company, MacDermid, Incorporated, the subsidiaries of the Company from time to time parties thereto, the lenders from time to time parties thereto, and Barclays Bank PLC, as administrative agent</u>	8-K	001-36272	10.1	2/5/2019
10.2**	<u>Amendment No. 1 to Credit Agreement, dated November 26, 2019, among, inter alios, the Company, MacDermid, Incorporated, the subsidiaries of the Company from time to time parties thereto, the lenders from time to time parties thereto, and Barclays Bank PLC, as administrative agent</u>	8-K	001-36272	10.1	12/3/2019
10.3**	<u>Amendment No. 3 to Credit Agreement, dated September 1, 2021, among, inter alios, the Company, MacDermid, Incorporated, the subsidiaries of the Company from time to time parties thereto, the lenders from time to time parties thereto, and Barclays Bank PLC, as administrative and collateral agent</u>	8-K	001-36272	10.1	9/1/2021
10.4**	<u>Amendment No. 4 to Credit Agreement, dated December 17, 2021, among, inter alios, the Company, MacDermid, Incorporated, the subsidiaries of the Company from time to time parties thereto, the lenders from time to time parties thereto, and Barclays Bank PLC, as administrative and collateral agent</u>	10-K	001-36272	10.4	2/22/2023

Exhibit Nb.	Exhibit Description	Incorporated by Reference				Included in this 2022 Annual Report
		Form	File Nb.	Exhibit Nb.	Filing Date	
10.5**	<u>Amendment No.6 and Joinder to Credit Agreement, dated November 15, 2022</u> , among, inter alios, the Company, MacDermid, Incorporated, the subsidiaries of the Company from time to time parties thereto, the lenders from time to time parties thereto, and Citibank, N.A., as administrative and collateral agent	8-K	001-36272	10.1	11/15/2022	
10.6**	<u>Pledge and Security Agreement, dated as of January 31, 2019</u> , among the Company, MacDermid Incorporated, and the subsidiaries of the Company from time to time parties thereto in favor of Barclays Bank PLC, as collateral agent	8-K	001-36272	10.2	2/5/2019	
10.7†	<u>Element Solutions Inc Amended and Restated 2013 Incentive Compensation Plan</u>	10-Q	001-36272	10.2	8/2/2019	
10.8†	<u>Element Solutions Inc 2014 Employee Stock Purchase Plan</u>	10-Q	001-36272	10.3	8/2/2019	
10.9†	<u>Form of Restricted Stock Unit Agreement (2021) – Element Solutions Inc Amended and Restated 2013 Incentive Compensation Plan</u>	10-K	001-36272	10.7	2/25/2021	
10.10†	<u>Form of Performance-Based Restricted Stock Unit Award Agreement (2021) – Element Solutions Inc Amended and Restated 2013 Incentive Compensation Plan</u>	10-K	001-36272	10.9	2/25/2021	
10.11†	<u>Form of Non-Qualified Stock Option Agreement – Element Solutions Inc Amended and Restated 2013 Incentive Compensation Plan</u>	8-K	001-36272	10.3	3/25/2016	
10.12†	<u>Form of Incentive Stock Option Agreement – Element Solutions Inc Amended and Restated 2013 Incentive Compensation Plan</u>	10-K	001-36272	10.23	2/28/2019	
10.13†	<u>Form of Director and Officer Indemnification Agreement</u>	S-4/A	333-192778	10.12	1/2/2014	
10.14†	<u>Form of Change in Control Agreement</u>	10-K	001-36272	10.2	2/23/2022	
10.15	<u>Advisory Services Agreement, dated October 31, 2013</u> , by and between Element Solutions Inc (f/k/a Platform Specialty Products Corporation) and Mariposa Capital, LLC	S-4/A	333-192778	10.15	1/2/2014	
14.1	<u>Code of Ethics for Senior Financial Officers</u>	10-K	001-36272	14.1	2/28/2019	
21.1	<u>List of Subsidiaries</u>					X
23.1	<u>Consent of PricewaterhouseCoopers LLP</u>					X
24.1	<u>Power of Attorney</u>					X
31.1	<u>Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>					X
31.2	<u>Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>					X
32.1*	<u>Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>					X

Exhibit Nb.	Exhibit Description	Incorporated by Reference				Included in this 2022 Annual Report
		Form	File Nb.	Exhibit Nb.	Filing Date	
101.SCH*	Inline XBRL Taxonomy Extension Schema Document					X
101.CAL*	Inline XBRL Extension Calculation Linkbase Document					X
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document					X
101.INS*	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL documents					X
104*	Cover Page Interactive Data File (formatted as Inline XBRL and included in Exhibit 101)					X

\* Furnished herewith.

\*\* Certain schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. A copy of any omitted schedule or exhibit will be furnished supplementally to the SEC upon request.

† Management contract or compensatory plan or arrangement.

#### (B) Financial Statement Schedule

Schedule II — Valuation and Qualifying Accounts and Reserves

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

### ELEMENT SOLUTIONS INC

By: /s/ Michael Russnok  
Michael Russnok  
Chief Accounting Officer  
Date: February 22, 2023

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Benjamin Gliklich</u> Benjamin Gliklich	Director, President and Chief Executive Officer (Principal Executive Officer)	February 22, 2023
<u>/s/ Carey J. Dorman</u> Carey J. Dorman	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	February 22, 2023
<u>/s/ Michael Russnok</u> Michael Russnok	Chief Accounting Officer (Principal Accounting Officer)	February 22, 2023
<u>/s/ Sir Martin E. Franklin</u> Sir Martin E. Franklin	Executive Chairman of the Board	February 22, 2023
<u>/s/ Ian G.H. Ashken</u> Ian G.H. Ashken	Director	February 22, 2023
<u>/s/ Elyse Napoli Filon</u> Elyse Napoli Filon	Director	February 22, 2023
<u>/s/ Christopher T. Fraser</u> Christopher T. Fraser	Director	February 22, 2023
<u>/s/ Michael F. Goss</u> Michael F. Goss	Director	February 22, 2023
<u>/s/ Nichelle Maynard-Elliott</u> Nichelle Maynard-Elliott	Director	February 22, 2023
<u>/s/ E. Stanley O'Neal</u> E. Stanley O'Neal	Director	February 22, 2023

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## **Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Stockholders of Element Solutions Inc

### ***Opinions on the Financial Statements and Internal Control over Financial Reporting***

We have audited the accompanying consolidated balance sheets of Element Solutions Inc and its subsidiaries (the "Company") as of December 31, 2022 and 2021, and the related consolidated statements of operations, of comprehensive income, of changes in stockholders' equity and of cash flows for each of the three years in the period ended December 31, 2022, including the related notes and financial statement schedule listed in the accompanying index (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

### ***Basis for Opinions***

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

### ***Definition and Limitations of Internal Control over Financial Reporting***

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**Critical Audit Matters**

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

**Goodwill Impairment Assessment– Graphics Solutions and Energy Solutions Reporting Units**

As described in Notes 2 and 7 to the consolidated financial statements, the Company’s consolidated goodwill balance was \$2.41 billion as of December 31, 2022 and goodwill associated with the Graphics Solutions and Energy Solutions reporting units was approximately \$217 and \$241 million, respectively. Goodwill is tested for impairment by management at the reporting unit level annually in the fourth quarter, or when events or changes in circumstances indicate that goodwill might be impaired using either a qualitative or quantitative approach. For the quantitative test, management tests for impairment by comparing the fair value of a reporting unit to its carrying value. The fair value of a reporting unit is based equally on market multiples and the present value of discounted future cash flows. The cash flow model utilized by management in the goodwill impairment test involves significant judgments related to future growth rates, gross profit, operating expenses and discount rates, among other considerations, from the vantage point of a market participant.

The principal considerations for our determination that performing procedures relating to the goodwill impairment assessment of the Graphics Solutions and Energy Solutions reporting units is a critical audit matter are (i) the significant judgment by management when developing the fair value estimates of the reporting units; (ii) a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating management’s significant assumptions related to future growth rates, gross profit, operating expenses and the discount rate; and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management’s goodwill impairment assessment, including controls over the valuation of the Graphics Solutions and Energy Solutions reporting units. These procedures also included, among others, (i) testing management’s process for developing the fair value estimates; (ii) evaluating the appropriateness of the valuation methods; (iii) testing the completeness and accuracy of underlying data used in the methods; and (iv) evaluating the significant assumptions used by management related to future growth rates, gross profit, operating expenses and the discount rate. Evaluating management’s assumptions related to future growth rates, gross profit and operating expenses involved evaluating whether the assumptions used by management were reasonable considering (i) the current and past performance of the reporting unit; (ii) the consistency with external market and industry data; and (iii) whether these assumptions were consistent with evidence obtained in other areas of the audit. Professionals with specialized skill and knowledge were used to assist in evaluating (i) the appropriateness of the Company’s valuation methods and (ii) the reasonableness of the discount rate assumption.

/s/ PricewaterhouseCoopers LLP  
Stamford, Connecticut  
February 22, 2023

We have served as the Company’s auditor since 2013.



**ELEMENT SOLUTIONS INC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(dollars in millions, except per share amounts)

	Year Ended December 31,		
	2022	2021	2020
<b>Net sales</b>	\$ 2,549.4	\$ 2,399.8	\$ 1,853.7
Cost of sales	1,596.7	1,439.0	1,067.7
<b>Gross profit</b>	952.7	960.8	786.0
Operating expenses:			
Selling, technical, general and administrative	578.6	611.2	504.7
Research and development	48.8	49.7	48.6
Total operating expenses	627.4	660.9	553.3
<b>Operating profit</b>	325.3	299.9	232.7
Other (expense) income:			
Interest expense, net	(51.2)	(54.2)	(63.4)
Foreign exchange (loss) gain	(5.0)	15.8	(36.5)
Other income (expense), net	2.9	(9.8)	(51.7)
Total other expense	(53.3)	(48.2)	(151.6)
<b>Income before income taxes and non-controlling interests</b>	272.0	251.7	81.1
Income tax expense	(85.8)	(48.3)	(4.3)
<b>Net income from continuing operations</b>	186.2	203.4	76.8
Income (loss) from discontinued operations, net of tax	1.8	0.3	(1.1)
<b>Net income</b>	188.0	203.7	75.7
Net income attributable to the non-controlling interests	(0.8)	(0.4)	—
<b>Net income attributable to common stockholders</b>	\$ 187.2	\$ 203.3	\$ 75.7
<b>Earnings (loss) per share</b>			
Basic from continuing operations	\$ 0.75	\$ 0.82	\$ 0.31
Basic from discontinued operations	0.01	—	(0.01)
Basic attributable to common stockholders	\$ 0.76	\$ 0.82	\$ 0.30
Diluted from continuing operations	\$ 0.75	\$ 0.82	\$ 0.31
Diluted from discontinued operations	0.01	—	(0.01)
Diluted attributable to common stockholders	\$ 0.76	\$ 0.82	\$ 0.30
<b>Weighted average common shares outstanding</b>			
Basic	245.1	247.4	248.8
Diluted	245.8	247.9	249.9

*See accompanying notes to consolidated financial statements.*

**ELEMENT SOLUTIONS INC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(dollars in millions)

	Year Ended December 31,		
	2022	2021	2020
<b>Net income</b>	<b>\$ 188.0</b>	<b>\$ 203.7</b>	<b>\$ 75.7</b>
<b>Other comprehensive (loss) income</b>			
<b>Foreign currency translation:</b>			
Other comprehensive (loss) income before reclassifications, net of tax (benefit) expense of \$(6.1), \$6.0 and \$(15.7) for 2022, 2021 and 2020, respectively	(148.5)	(43.2)	107.4
<b>Total foreign currency translation adjustments</b>	<b>(148.5)</b>	<b>(43.2)</b>	<b>107.4</b>
<b>Pension and post-retirement plans:</b>			
Other comprehensive (loss) income before reclassifications, net of tax (benefit) expense of \$(1.8), \$0.4 and \$1.1 for 2022, 2021 and 2020, respectively	(5.2)	2.9	4.4
<b>Total pension and post-retirement plans</b>	<b>(5.2)</b>	<b>2.9</b>	<b>4.4</b>
<b>Unrealized gain on available-for-sale debt securities:</b>			
Other comprehensive gain before reclassifications, net of tax benefit of \$0.0 for 2022	1.1	—	—
<b>Total unrealized gain on available-for-sale debt securities</b>	<b>1.1</b>	<b>—</b>	<b>—</b>
<b>Derivative financial instruments:</b>			
Other comprehensive income (loss) before reclassifications, net of tax expense of \$15.8, \$7.8 and \$1.6 for 2022, 2021 and 2020, respectively	48.2	6.2	(40.2)
Reclassifications, net of tax expense of \$0.0 for 2022, 2021 and 2020, respectively	1.5	18.9	14.1
<b>Total unrealized gain (loss) arising on qualified hedging derivatives</b>	<b>49.7</b>	<b>25.1</b>	<b>(26.1)</b>
<b>Other comprehensive (loss) income</b>	<b>(102.9)</b>	<b>(15.2)</b>	<b>85.7</b>
<b>Comprehensive income</b>	<b>85.1</b>	<b>188.5</b>	<b>161.4</b>
Comprehensive loss attributable to the non-controlling interests	1.4	12.2	—
<b>Comprehensive income attributable to stockholders</b>	<b>\$ 86.5</b>	<b>\$ 200.7</b>	<b>\$ 161.4</b>

*See accompanying notes to consolidated financial statements.*

**ELEMENT SOLUTIONS INC AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(dollars in millions)

	December 31,	
	2022	2021
<b>Assets</b>		
Cash & cash equivalents	\$ 265.6	\$ 330.1
Accounts receivable, net of allowance for doubtful accounts of \$14.4 and \$12.2 at December 31, 2022 and 2021, respectively	455.8	492.2
Inventories	290.7	274.4
Prepaid expenses	38.5	29.4
Other current assets	138.1	88.4
<b>Total current assets</b>	<b>1,188.7</b>	<b>1,214.5</b>
Property, plant and equipment, net	277.2	278.1
Goodwill	2,412.8	2,526.3
Intangible assets, net	805.5	956.7
Deferred income tax assets	51.5	81.5
Other assets	168.0	81.3
<b>Total assets</b>	<b>\$ 4,903.7</b>	<b>\$ 5,138.4</b>
<b>Liabilities and stockholders' equity</b>		
Accounts payable	\$ 132.2	\$ 138.4
Current installments of long-term debt	11.5	12.7
Accrued expenses and other current liabilities	200.7	264.1
<b>Total current liabilities</b>	<b>344.4</b>	<b>415.2</b>
Debt	1,883.8	1,894.2
Pension and post-retirement benefits	36.7	36.1
Deferred income tax liabilities	121.2	140.0
Other liabilities	168.5	152.1
<b>Total liabilities</b>	<b>2,554.6</b>	<b>2,637.6</b>
Commitments and contingencies (Note 17)		
<b>Stockholders' equity</b>		
Common stock, 400.0 shares authorized (2022: 265.1 shares issued; 2021: 261.9 shares issued)	2.7	2.6
Additional paid-in capital	4,185.9	4,166.6
Treasury stock (2022: 24.3 shares; 2021: 15.2 shares)	(334.2)	(159.2)
Accumulated deficit	(1,223.8)	(1,331.9)
Accumulated other comprehensive loss	(298.1)	(197.4)
<b>Total stockholders' equity</b>	<b>2,332.5</b>	<b>2,480.7</b>
Non-controlling interests	16.6	20.1
<b>Total equity</b>	<b>2,349.1</b>	<b>2,500.8</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 4,903.7</b>	<b>\$ 5,138.4</b>

*See accompanying notes to consolidated financial statements.*

**ELEMENT SOLUTIONS INC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(dollars in millions)

	Year Ended December 31,		
	2022	2021	2020
<b>Cash flows from operating activities:</b>			
Net income	\$ 188.0	\$ 203.7	\$ 75.7
Income (loss) from discontinued operations, net of tax	1.8	0.3	(1.1)
Net income from continuing operations	186.2	203.4	76.8
<b>Reconciliations of net income to net cash flows provided by operating activities:</b>			
Depreciation and amortization	161.3	163.9	161.4
Deferred income taxes	15.1	(46.7)	(53.0)
Foreign exchange loss (gain)	3.4	(6.9)	29.3
Incentive stock compensation	17.7	40.1	6.0
Other, net	11.4	18.0	61.3
<b>Changes in assets and liabilities, net of acquisitions:</b>			
Accounts receivable	6.4	(48.7)	(27.3)
Inventories	(31.2)	(46.5)	1.4
Accounts payable	(0.1)	16.8	(5.3)
Accrued expenses	(33.0)	42.6	26.1
Prepaid expenses and other current assets	(26.6)	(25.1)	(9.6)
Other assets and liabilities	(14.7)	15.1	8.9
<b>Net cash flows provided by operating activities</b>	<b>295.9</b>	<b>326.0</b>	<b>276.0</b>
<b>Cash flows from investing activities:</b>			
Capital expenditures	(47.8)	(46.3)	(28.8)
Proceeds from disposal of property, plant and equipment	4.8	—	1.7
Acquisitions of businesses, net of cash acquired	(22.6)	(536.5)	(9.0)
Other, net	(9.6)	13.9	(3.8)
<b>Net cash flows used in investing activities</b>	<b>(75.2)</b>	<b>(568.9)</b>	<b>(39.9)</b>
<b>Cash flows from financing activities:</b>			
Debt proceeds, net of discount	—	398.0	800.0
Repayments of borrowings	(16.4)	(10.0)	(807.9)
Repurchases of common stock	(151.0)	(19.6)	(55.7)
Dividends	(78.4)	(61.9)	(12.4)
Payment of financing fees	(1.9)	(5.1)	(46.2)
Other, net	(27.9)	(11.4)	(1.4)
<b>Net cash flows (used in) provided by financing activities</b>	<b>(275.6)</b>	<b>290.0</b>	<b>(123.6)</b>
<b>Net cash flows provided by (used in) operating activities of discontinued operations</b>	<b>1.8</b>	<b>(3.5)</b>	<b>(14.7)</b>
Effect of exchange rate changes on cash and cash equivalents	(11.4)	(5.4)	4.0
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(64.5)</b>	<b>38.2</b>	<b>101.8</b>
Cash and cash equivalents at beginning of period	330.1	291.9	190.1
<b>Cash and cash equivalents at end of period</b>	<b>\$ 265.6</b>	<b>\$ 330.1</b>	<b>\$ 291.9</b>
<b>Supplemental disclosure information of continuing operations:</b>			
Cash paid for interest	\$ 46.9	\$ 50.6	\$ 51.8
Cash paid for income taxes	\$ 66.5	\$ 71.2	\$ 66.5
<b>Supplemental disclosure information of discontinued operations:</b>			
Cash paid for income taxes	\$ —	\$ 3.1	\$ 14.0

*See accompanying notes to consolidated financial statements.*

**ELEMENT SOLUTIONS INC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**  
(dollars in millions, except share and per share amounts)

	Common Stock		Additional Paid-in Capital	Treasury Stock		Accumulated Deficit	Accumulated Other Comprehensive (Loss) Income	Total Stockholders' Equity	Non- controlling Interests	Total Equity
	Shares	Amount		Shares	Amount					
Balance at December 31, 2021	261,937,509	\$ 2.6	\$ 4,166.6	15,195,525	\$ (159.2)	\$ (1,331.9)	\$ (197.4)	\$ 2,480.7	\$ 20.1	\$ 2,500.8
Net income	—	—	—	—	—	187.2	—	187.2	0.8	188.0
Other comprehensive loss, net of taxes	—	—	—	—	—	—	(100.7)	(100.7)	(2.2)	(102.9)
Issuance of common stock under Employee Stock Purchase Plan	79,075	—	1.3	—	—	—	—	1.3	—	1.3
Repurchases of common stock	—	—	—	8,042,587	(151.0)	—	—	(151.0)	—	(151.0)
Dividends (\$0.32 per share)	—	—	—	—	—	(79.1)	—	(79.1)	—	(79.1)
Equity compensation expense	—	—	18.1	—	—	—	—	18.1	—	18.1
Exercise/ vesting of stock-based compensation	3,045,949	0.1	—	1,034,636	(24.0)	—	—	(23.9)	—	(23.9)
Changes in non-controlling interests	—	—	(0.1)	—	—	—	—	(0.1)	(2.1)	(2.2)
Balance at December 31, 2022	265,062,533	\$ 2.7	\$ 4,185.9	24,272,748	\$ (334.2)	\$ (1,223.8)	\$ (298.1)	\$ 2,332.5	\$ 16.6	\$ 2,349.1

*See accompanying notes to consolidated financial statements.*

**ELEMENT SOLUTIONS INC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (continued)**  
(dollars in millions, except share and per share amounts)

	Common Stock		Additional Paid-in Capital	Treasury Stock		Accumulated Deficit	Accumulated Other Comprehensive (Loss) Income	Total Stockholders' Equity	Non- controlling Interests	Total Equity
	Shares	Amount		Shares	Amount					
<b>Balance at December 31, 2020</b>	<b>261,330,127</b>	<b>\$ 2.6</b>	<b>\$ 4,122.9</b>	<b>14,229,280</b>	<b>\$ (137.7)</b>	<b>\$ (1,473.2)</b>	<b>\$ (194.8)</b>	<b>\$ 2,319.8</b>	<b>\$ (1.7)</b>	<b>\$ 2,318.1</b>
Net income	—	—	—	—	—	203.3	—	203.3	0.4	203.7
Other comprehensive loss, net of taxes	—	—	—	—	—	—	(2.6)	(2.6)	(12.6)	(15.2)
Issuance of common stock under Employee Stock Purchase Plan	72,067	—	1.2	—	—	—	—	1.2	—	1.2
Repurchases of common stock	—	—	—	864,359	(19.6)	—	—	(19.6)	—	(19.6)
Dividends (\$0.25 per share)	—	—	—	—	—	(62.0)	—	(62.0)	—	(62.0)
Equity compensation expense	—	—	40.4	—	—	—	—	40.4	—	40.4
Exercise/ vesting of stock-based compensation	535,315	—	2.1	101,886	(1.9)	—	—	0.2	—	0.2
Acquisition of non-controlling interests	—	—	—	—	—	—	—	—	34.2	34.2
Changes in non-controlling interests	—	—	—	—	—	—	—	—	(0.2)	(0.2)
<b>Balance at December 31, 2021</b>	<b>261,937,509</b>	<b>\$ 2.6</b>	<b>\$ 4,166.6</b>	<b>15,195,525</b>	<b>\$ (159.2)</b>	<b>\$ (1,331.9)</b>	<b>\$ (197.4)</b>	<b>\$ 2,480.7</b>	<b>\$ 20.1</b>	<b>\$ 2,500.8</b>

*See accompanying notes to consolidated financial statements.*

**ELEMENT SOLUTIONS INC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (continued)**  
(dollars in millions, except share and per share amounts)

	Preferred Stock		Common Stock		Additional Paid-in Capital	Treasury Stock		Accumulated Deficit	Accumulated Other Comprehensive (Loss) Income	Total Stockholders' Equity	Non- controlling Interests	Total Equity
	Shares	Amount	Shares	Amount		Shares	Amount					
Balance at December 31, 2019	2,000,000	\$ —	258,428,333	\$ 2.6	\$ 4,114.2	8,277,198	\$ (78.9)	\$ (1,536.5)	\$ (280.5)	\$ 2,220.9	\$ (1.6)	\$ 2,219.3
Net income	—	—	—	—	—	—	—	75.7	—	75.7	—	75.7
Other comprehensive income, net of taxes	—	—	—	—	—	—	—	—	85.7	85.7	—	85.7
Preferred stock conversion	(2,000,000)	—	2,000,000	—	—	—	—	—	—	—	—	—
Issuance of common stock under Employee Stock Purchase Plan	—	—	116,205	—	1.1	—	—	—	—	1.1	—	1.1
Repurchases of common stock	—	—	—	—	—	5,703,279	(55.7)	—	—	(55.7)	—	(55.7)
Dividends (\$0.05 per share)	—	—	—	—	—	—	—	(12.4)	—	(12.4)	—	(12.4)
Equity compensation expense	—	—	—	—	5.4	—	—	—	—	5.4	—	5.4
Exercise/ vesting of stock-based compensation	—	—	785,589	—	2.2	248,803	(3.1)	—	—	(0.9)	—	(0.9)
Changes in non-controlling interests	—	—	—	—	—	—	—	—	—	—	(0.1)	(0.1)
Balance at December 31, 2020	—	\$ —	261,330,127	\$ 2.6	\$ 4,122.9	14,229,280	\$ (137.7)	\$ (1,473.2)	\$ (194.8)	\$ 2,319.8	\$ (1.7)	\$ 2,318.1

*See accompanying notes to consolidated financial statements.*

**ELEMENT SOLUTIONS INC AND SUBSIDIARIES**  
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**ELEMENT SOLUTIONS INC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. BACKGROUND AND BASIS OF PRESENTATION**

**Background**

Element Solutions was incorporated in Delaware in January 2014 and its shares of common stock, par value \$0.01 per share, trade on the New York Stock Exchange under the ticker symbol "ESI."

Element Solutions is a leading global specialty chemicals company whose businesses supply a broad range of solutions that enhance the performance of products people use every day. Developed in multi-step technological processes, these innovative solutions enable customers' manufacturing processes in several key industries, including consumer electronics, power electronics, semiconductor fabrication, communications and data storage infrastructure, automotive systems, industrial surface finishing, consumer packaging and offshore energy. Element Solutions businesses provide products that, in substantially all cases, are consumed by customers as part of their production process, providing the Company with reliable and recurring revenue streams as the products are replenished in order to continue production. Element Solutions delivers its products to customers through its sales and service workforce, regional distributors and manufacturing representatives.

The Company's operations are organized in two reportable segments: Electronics and Industrial & Specialty. The reportable segments represent businesses for which separate financial information is utilized by the chief operating decision maker for purpose of allocating resources and evaluating performance.

**Electronics** – The Electronics segment researches, formulates and sells specialty chemicals and material process technologies for all types of electronics hardware, from complex printed circuit board designs to advanced semiconductor packaging. In mobile communications, computers, automobiles and aerospace equipment, its products are an integral part of the electronics manufacturing process and the functionality of end-products. The segment's "wet chemistries" for metallization, surface treatments and solderable finishes form the physical circuitry pathways, and its "assembly materials," such as solders, pastes, fluxes and adhesives, join those pathways together. The segment provides specialty chemical solutions through the following businesses: Assembly Solutions, Circuitry Solutions and Semiconductor Solutions.

**Industrial & Specialty** – The Industrial & Specialty segment researches, formulates and sells specialty chemicals and material process technologies that enhance surfaces or improve industrial processes in diverse industrial sectors from automotive trim to transcontinental infrastructure and from high-speed printing to high-design faucets. Its products include chemical systems that protect and decorate metal and plastic surfaces; consumable chemicals that enable printing image transfer on flexible packaging materials; and chemistries used in water-based hydraulic control fluids for offshore energy production. These fully consumable products are used in the aerospace, automotive, construction, consumer electronics, consumer packaged goods and oil and gas production end-markets. The segment provides specialty chemical solutions through the following businesses: Industrial Solutions, Graphics Solutions and Energy Solutions.

**Basis of Presentation**

The accompanying Consolidated Financial Statements have been prepared in accordance with GAAP and include the accounts of Element Solutions and all of its controlled subsidiaries. The Company consolidates the income, expenses, assets, liabilities and cash flows of its subsidiaries from the date it acquires control or becomes the primary beneficiary. All intercompany accounts and transactions have been eliminated upon consolidation.

In preparing the Consolidated Financial Statements in conformity with GAAP, management uses estimates and assumptions that may affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of net sales and expenses during the reporting period. Management applies judgment based on its understanding and analysis of the relevant circumstances, including historical experience and future expectations. These judgments, by their nature, are subject to an inherent degree of uncertainty and, accordingly, actual results could differ significantly from these estimates and assumptions.

In the second quarter of 2022, the Company transferred operational responsibility of its Films business from its Industrial Solutions business within its Industrial & Specialty segment to its Circuitry Solutions business in its Electronics segment. Historical information has been reclassified to include the Films business in the Electronics segment for all periods presented in the Consolidated Financial Statements.

**ELEMENT SOLUTIONS INC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Certain prior year amounts have been reclassified to conform to the current year's presentation.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Cash and Cash Equivalents** – The Company considers all highly-liquid instruments purchased with an original maturity of three months or less to be cash equivalents.

**Receivables and Allowance for Doubtful Accounts** – The Company determines its allowance for doubtful accounts associated with expected credit losses using a combination of factors to reduce trade receivable balances to their estimated net realizable amount. The Company maintains and adjusts its allowance for credit losses based on a variety of factors, including the length of time receivables have been past due under the applicable contractual terms, current and future macroeconomic trends and conditions, significant one-time events such as bankruptcy filings or deterioration in the customer's operating results or financial position, historical experience and the financial condition of its customers. Credit risk with respect to accounts receivable is generally diversified due to the large number of entities comprising the Company's customer base and its dispersion across many different geographical regions. At December 31, 2022 and 2021, the Company did not believe it had any significant concentrations of credit risk that could materially impact its results of operations or financial position.

**Inventories** – Inventories are stated at the lower of cost or net realizable value with cost being determined by the first-in/first-out and average cost methods. The Company regularly reviews inventories for obsolescence and excess quantities, and calculates reserves based on historical write-offs, customer demand, age of inventory, product evolution, usage rates and quantities of stock on hand. Additional obsolescence reserves may be required if actual sales are less favorable than those projected or product lifecycles differ from expectations.

**Property, Plant and Equipment, Net** – Property, plant and equipment, net is stated at cost less accumulated depreciation. The Company records depreciation on a straight-line basis over the estimated useful life of each asset.

Estimated useful lives by asset class are as follows:

	Average useful life (in years)		
Buildings and building improvements	5	to	20
Machinery, equipment and fixtures	3	to	15
Computer hardware and software	3	to	7
Furniture and automobiles	3	to	7
Leasehold improvements	Lesser of useful life or lease term		

Maintenance and repair costs are expensed as incurred, while renewals and improvements, which significantly extend the useful life of the asset, are capitalized and expensed over its remaining useful life. Costs and accumulated depreciation on assets retired or disposed of are removed from the accounts and any resulting gains or losses are recorded to earnings in the period of disposal.

**Business Combinations** – The Company allocates the purchase price of acquisitions to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values at the acquisition date. Significant assumptions inherent in the valuation of the intangible assets acquired include the amount and timing of future cash flows, including expected growth rates, profitability and customer attrition rate, and the discount rate applied to the projected cash flows, among other considerations, from the vantage point of a market participant. The excess of the acquisition price over those estimated fair values is recorded as goodwill. Changes to the acquisition date provisional fair values prior to the end of the measurement period are recorded as adjustments to goodwill.

**Goodwill** – Goodwill is tested for impairment at the reporting unit level annually in the fourth quarter, or when events or changes in circumstances indicate that goodwill might be impaired using either a qualitative or quantitative approach. The Company's reporting units are determined based upon its organizational structure in place at the date of the goodwill impairment test.

**ELEMENT SOLUTIONS INC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The Company may elect to first assess qualitative factors to determine whether it is more likely than not (greater than 50%) that the fair value of a reporting unit is less than its carrying value. Qualitative factors may include, but are not limited to, economic, market and industry conditions, cost factors, and overall financial performance of the reporting units. If we do not perform a qualitative assessment, or if the qualitative assessment indicates that it is more likely than not that the fair value of a reporting unit is less than its carrying value, the Company performs a quantitative test.

For the quantitative test, the Company tests for impairment by comparing the fair value of a reporting unit to its carrying value. The fair value of a reporting unit is based equally on market multiples and the present value of discounted future cash flows. The discounted cash flows are prepared based upon cash flows at the reporting unit level. The cash flow model utilized in the goodwill impairment test involves significant judgments related to future growth rates, gross profit, operating expenses and discount rates, among other considerations from the vantage point of a market participant. If the fair value of a reporting unit exceeds the carrying value of the net assets assigned to that reporting unit, goodwill is not impaired and no further testing is required. If the carrying value of the net assets assigned to the reporting unit exceeds the fair value of the reporting unit, the goodwill impairment loss is calculated as the difference between these amounts, limited to the amount of goodwill allocated to the reporting unit.

The primary components of and assumptions used in the assessment consist of the following:

- *Valuation Techniques* - the Company uses a discounted cash flow analysis, which requires assumptions about short and long-term net cash flows, growth rates and discount rates. Additionally, it considers guideline company and guideline transaction information, where available, to aid in the valuation of the reporting units.
- *Growth Assumptions* - Multi-year financial forecasts are developed for each reporting unit based on several key growth drivers, such as new business initiatives, client service and retention standards, market share changes, historical performance and industry and economic trends, among other considerations.
- *Discount Rate Assumptions* - Discount rates are estimated based on the WACC, which combines the required return on equity and considers the risk-free interest rate, market risk premium, size risk premium and a company-specific risk premium, with the cost of debt, based on rated corporate bonds, adjusted using an income tax factor.
- *Estimated Fair Value and Sensitivities* - The estimated fair value of each reporting unit is derived from the valuation techniques described above. This fair value is analyzed in relation to numerous market and historical factors, including current economic and market conditions, company-specific growth opportunities and guideline company information.

As part of the goodwill impairment test in the fourth quarter of 2022, the Company determined that the excess of the fair value of the Graphics Solutions and Energy Solutions reporting units within the Industrial & Specialty segment exceeded their carrying values by approximately 20%. Goodwill assigned to the Graphics Solutions and Energy Solutions reporting units was approximately \$217 million and \$241 million, respectively, as of December 31, 2022.

**Indefinite-Lived Intangible Assets** – Indefinite-lived intangible assets are reviewed for potential impairment on an annual basis, in the fourth quarter, or more frequently when events or circumstances indicate that such assets may be impaired, by comparing their estimated fair values to their carrying values. An impairment charge is recognized when the carrying value of an indefinite-lived intangible asset exceeds its estimated fair value. The Company uses the “relief from royalty” method to estimate the fair value of trade name intangible assets for impairment. The primary assumptions used to estimate the present value of cash flows from such assets include sales projections and growth rates being applied to a prevailing market-based royalty rate; the effects of which are then tax effected and discounted using the WACC from the vantage point of a market participant. Assumptions concerning sales projections are impacted by the uncertain nature of global and local economic conditions in the various markets it serves.

**Finite-Lived Intangible Assets** – Finite-lived intangible assets are amortized on a straight-line basis over their estimated useful lives, which currently range from 8 to 25 years for customer relationships, 3 to 10 years for developed technologies, 5 to 20 years for trade names and up to 5 years for other intangible assets. If circumstances require a long-lived asset group to be tested for possible impairment, the Company first determines if the estimated undiscounted future pre-tax cash flows expected to result from the use of the asset or asset group plus net proceeds expected from disposition of the asset or asset group, if any, are less than its carrying value. When an impairment is identified, the carrying value of the asset is reduced to its estimated fair value.

**Leases** – The Company determines if an arrangement is a lease at inception. Right-of-use (or ROU) assets and lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date.

**ELEMENT SOLUTIONS INC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The interest rate used to determine the present value of future lease payments is the Company's incremental borrowing rate, as the implicit rate in its leases is not readily determinable. The incremental borrowing rate is estimated to approximate the interest rate on a collateralized basis for borrowings with similar terms and payments. The Company's leases may include variable payments such as common area maintenance, insurance, real estate taxes, changes in price indices or other costs, which are expensed as incurred. ROU assets also include any lease payments made prior to commencement and are recorded net of any lease incentives received. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that it will exercise that option. Lease expense for fixed lease payments is recognized on a straight-line basis over the lease term.

**Contingencies and Commitments** – The Company records accruals for loss contingencies and commitments which are both probable and reasonably estimable. Significant judgment is required to determine both probability and the estimated amount of loss. The Company reviews accruals on a quarterly basis and adjusts, as necessary, to reflect the impact of negotiations, settlements, rulings, advice of legal counsel and other current information. Legal fees are expensed as incurred.

**Environmental Matters** – The Company accrues for environmental matters when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated based on current laws and existing technologies. Costs related to environmental contamination treatment and cleanup are charged to expense. The accruals are adjusted periodically as assessment and remediation efforts progress or as additional technical or legal information becomes available. Accruals for environmental liabilities are included in the Consolidated Balance Sheets as "Accrued expenses and other current liabilities" and "Other liabilities" at undiscounted amounts. Receivables for related insurance or other third-party recoveries for environmental liabilities are recorded when it is probable that a recovery will be realized and are included in the Consolidated Balance Sheets as "Other current assets" and "Other assets."

**Employee Benefits** – Amounts recognized in the Company's Consolidated Financial Statements related to pension and other post-retirement benefits are determined from actuarial valuations. Inherent in such valuations are assumptions, including expected return on plan assets, discount rates at which the liabilities could be settled, rates of increase in future compensation levels and mortality rates. These assumptions are updated annually and are disclosed in Note 9, *Pension, Post-Retirement and Post-Employment Plans*, to the Consolidated Financial Statements. Actual results that differ from the assumptions are recorded in "Accumulated other comprehensive loss" within Stockholders' Equity and amortized over future periods and, therefore, affect expense recognized.

The Company considers a number of factors in determining and selecting assumptions for the overall expected long-term rate of return on plan assets, including the historical long-term return experience of its plan assets as well as their current and expected allocation and expected long-term rates of return. Expected long-term rates of return are determined with the assistance of investment advisors. The Company bases its expected allocation of plan assets on a diversified portfolio consisting of domestic and international equity securities, fixed income securities and alternative asset classes. The measurement date used to determine pension and other post-retirement benefits is December 31.

**Derivatives** – The Company recognizes all contracts that meet the definition of a derivative as either assets or liabilities in the Consolidated Balance Sheets and measures those instruments at fair value. To designate a derivative for hedge accounting at inception and throughout the hedge period, the Company formally documents the nature and relationships between the hedging instrument and hedged item, as well as its risk-management objectives and strategies for undertaking various hedge transactions and the method of assessing hedge effectiveness. Additionally, for hedges of forecasted transactions, the significant characteristics and expected terms of forecasted transactions are specifically identified, and the likelihood of each forecasted transaction occurring is deemed probable. If it is determined that a forecasted transaction will not occur, a gain or loss is recognized in current earnings. Financial instruments qualifying for hedge accounting must maintain a specified level of effectiveness between the hedging instrument and the item being hedged, both at inception and throughout the hedged period. The Company does not engage in trading or other speculative uses of financial instruments. It is the Company's policy to disclose the fair value of derivative instruments that are subject to master netting arrangements on a gross basis in the Consolidated Balance Sheets.

If hedge accounting is applied, the effective portion of unrealized gains and losses associated with the derivatives are deferred as a component of "Accumulated other comprehensive loss" until the underlying hedged transactions are reported in the Company's Consolidated Statements of Operations. For derivative contracts not designated as hedging instruments, the Company records changes in the net fair value of such contracts in "Other income (expense), net" in the Consolidated Statements of Operations.

**ELEMENT SOLUTIONS INC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Financial Instruments** – The Company's financial instruments consist primarily of cash and cash equivalents, accounts receivable, accounts payable and debt. The Company believes that the carrying value of its cash and cash equivalents, accounts receivable and accounts payable are representative of their respective fair values because of their short maturities.

**Foreign Currency Translation** – The Company's foreign subsidiaries primarily use their local currency as their functional currency. The assets and liabilities of the Company's foreign subsidiaries are translated into U.S. dollars using foreign currency exchange rates prevailing at the balance sheet dates. The Consolidated Statements of Operations are translated at average foreign currency exchange rates for the periods presented. Cumulative currency translation adjustments are included in the stockholders' equity section of the Consolidated Balance Sheets as "Accumulated other comprehensive loss." Net gains and losses from transactions denominated in currencies other than the functional currency of the entity are included in the Consolidated Statements of Operations as "Foreign exchange (loss) gain."

**Revenue Recognition** – The Company recognizes revenue when a customer obtains control of the products it purchased, which occurs upon shipment or delivery, when title or the risks and rewards of ownership have been passed on to the customer, the Company's performance obligations have been fulfilled and collectability is probable. Estimates for sales rebates, incentives and discounts as well as sales returns and allowances are accounted for as reductions of revenue when the earnings process is complete. Sales rebates, incentives and discounts are typically earned by customers based on annual sales volume targets. The Company records an estimate for these accruals based on contract terms and its historical experience with similar programs, however, changes to these estimates may be required if the historical data used in the calculation differs from actual experience. Differences between estimated expense and actual costs are typically immaterial and are recognized in earnings in the period such differences are determined. Variable consideration for volume discounts, rebates and returns are recorded as liabilities and settled with the customer in accordance with the terms of the applicable contract, typically when program requirements are achieved by the customer.

Most performance obligations relate to contracts with a duration of less than one year, in which the Company has the right to invoice the customer at the time the performance obligation is satisfied for the amount of revenue recognized at that time. The Company expenses incremental costs for obtaining contracts with terms of less than one year.

See Note 22, *Segment Information*, to the Consolidated Financial Statements for a disaggregation of net sales by business unit.

**Research and Development** – Research and development costs, which primarily relate to internal salaries, are expensed as incurred.

**Income Taxes** – The Company recognizes deferred tax assets and liabilities based on the differences between the financial statement basis and the tax basis of assets, liabilities, net operating losses and tax carryforwards. A valuation allowance is required to be recognized to reduce the recorded deferred tax asset to the amount that will more likely than not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income by jurisdiction during the periods in which those temporary differences become deductible or when carryforwards can be utilized. The Company considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in this assessment. If these estimates and related assumptions change in the future, the Company may be required to record additional valuation allowances against its deferred tax assets, resulting in additional income tax expense. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences and carryforwards are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date of such change.

Tax benefits are recognized for an uncertain tax position when the Company considers it is more likely than not that the position will be sustained upon examination by a taxing authority or upon completion of the litigation process. For a tax position that meets the more-likely-than-not recognition threshold, the tax benefit is measured as the largest amount that is judged to have a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority. The liability associated with unrecognized tax benefits is adjusted periodically due to changing circumstances and when new information becomes available. Such adjustments are recognized in the period in which they are identified.

**Stock-Based Compensation Plans** – Stock-based compensation is recorded in the Consolidated Statements of Operations as "Selling, technical, general and administrative" expense over the requisite service period based on the estimated grant-date fair value of the awards, effected for forfeitures as they occur. The fair value of RSU awards is determined using the closing price of Element Solutions' common stock on the date of grant. The fair value of stock options is determined using the Black-Scholes

**ELEMENT SOLUTIONS INC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

option pricing model, and inputs in the model include assumptions related to stock price volatility, expected dividend yield and award terms.

Compensation costs for awards with performance conditions are only recognized if and when it becomes probable that the performance conditions will be achieved. The probability of vesting is reassessed at the end of each reporting period and the compensation costs are adjusted accordingly, with the cumulative effect of such a change on current and prior periods being recognized in compensation cost in the period of the change.

**Earnings Per Share** – Basic earnings per share excludes dilution and is computed by dividing net income attributable to common stockholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share assumes the issuance of all potentially dilutive share equivalents using the if-converted or treasury stock methods, provided that the effects of which are not anti-dilutive. For stock options and RSUs, it is assumed that the proceeds will be used to buy back shares. For stock options, such proceeds equal the average unrecognized compensation plus the assumed exercise of weighted average number of options outstanding. For unvested RSUs, the assumed proceeds equal the average unrecognized compensation expense.

**Fair Value Measurements** - The Company determines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Inputs used in the valuation techniques to determine fair values are classified based on a three-level hierarchy. The basis for fair value measurements for each level within the hierarchy is described below, with Level 1 having the highest priority and Level 3 having the lowest. The three levels of the fair value hierarchy are as follows:

- Level 1 – inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – inputs are quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in non-active markets; and model-derived valuations whose inputs are observable or whose significant valuation drivers are observable.
- Level 3 – inputs to valuation models are unobservable and/or reflect the Company's market assumptions.

The fair value hierarchy is based on maximizing the use of observable inputs and minimizing the use of unobservable inputs when measuring fair value. Classification within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Company transfers the fair value of an asset or liability between levels of the fair value hierarchy at the end of the reporting period during which a significant change in the inputs used to determine the fair value has occurred.

NAV Practical Expedient is the measure of fair value using the net asset value (or NAV) per share (or its equivalent) as an alternative to the fair value hierarchy discussed above.

### **3. RECENT ACCOUNTING PRONOUNCEMENTS**

There have been no recently adopted accounting pronouncements with a material impact to the Consolidated Financial Statements and there are no recently issued accounting pronouncements not yet adopted that are expected to have a material impact to the Consolidated Financial Statements.

### **4. ACQUISITIONS**

#### ***HSO Acquisition***

On January 26, 2022, the Company completed the HSO Acquisition for approximately \$23 million, net of cash. HSO is a multi-national developer of technology and chemistry for decorative and functional surface finishing with a focus on environmentally sustainable products, especially in the field of plating on plastics. HSO is included in the Company's Industrial Solutions business within its Industrial & Specialty segment and was not material to the Consolidated Financial Statements. In connection with this acquisition, the Company recorded approximately \$11.7 million of finite-lived intangible assets, primarily customer relationships.

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**Coventya Acquisition**

On September 1, 2021, the Company completed the Coventya Acquisition for \$486 million, net of cash. Coventya is a global provider of specialty chemicals for the surface finishing industry which complements the Company's industrial portfolio. Coventya is included in the Company's Industrial Solutions business within its Industrial & Specialty segment.

**HKW Acquisition**

On May 5, 2021, the Company completed the HKW Acquisition for \$50.9 million, net of cash. HKW specializes in conformal coatings, encapsulation resins, thermal interface materials, contact lubricants and cleaning chemistry which complements the Company's broader electronics portfolio with many applications overlapping with its semiconductor technologies. HKW is included in the Company's Semiconductor Solutions business within its Electronics segment.

The following table summarizes the allocation of the purchase price of the Coventya and HKW Acquisitions (together, the "Acquisitions") to the identified assets acquired and liabilities assumed at the respective acquisition dates:

(dollars in millions)	Coventya	HKW
<b>Identifiable assets acquired and liabilities assumed</b>		
Accounts receivable	\$ 44.4	\$ 10.1
Inventories	37.7	11.2
Other current assets	10.9	2.4
Property, plant and equipment	29.8	6.2
Identifiable intangible assets	213.4	28.7
Other assets	18.3	3.4
Current liabilities	(43.0)	(21.6)
Deferred income taxes	(61.3)	(7.2)
Other long-term liabilities	(15.0)	(3.2)
Non-controlling interests	(39.6)	—
<b>Total identifiable net assets</b>	<b>195.6</b>	<b>30.0</b>
<b>Goodwill</b>	<b>290.0</b>	<b>20.9</b>
<b>Total purchase price</b>	<b>\$ 485.6</b>	<b>\$ 50.9</b>

The purchase price allocation for the Acquisitions was finalized in 2022 resulting in immaterial adjustments to the preliminary allocation disclosed above.

The excess of the cost of the Acquisitions over the net amounts assigned to the fair value of the assets acquired and the liabilities assumed was recorded as goodwill and represents the future economic benefit arising from other assets acquired that could not be individually identified and separately recognized. Substantially all of the goodwill recorded in connection with the Acquisitions is not deductible for tax purposes.

**ELEMENT SOLUTIONS INC AND SUBSIDIARIES**  
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The fair value of the identifiable intangible assets recorded in conjunction with the Acquisitions was as follows:

<i>(dollars in millions)</i>	<b>Coventya</b>		<b>HKW</b>	
	<b>Fair Value</b>	<b>Weighted Average Useful Life (years)</b>	<b>Fair Value</b>	<b>Weighted Average Useful Life (years)</b>
Customer relationships	\$ 145.0	12	\$ 20.8	12
Trade name	8.4	10	1.0	5
Developed technology	60.0	10	6.9	5
<b>Total</b>	<b>\$ 213.4</b>	<b>11.4</b>	<b>\$ 28.7</b>	<b>10.1</b>

The fair value of the identifiable intangible assets was determined primarily using the "income approach," which requires a forecast of all of the expected future cash flows using either the multi-period excess earnings method or the relief-from-royalty method. Some of the more significant assumptions inherent in the development of intangible asset values include the amount and timing of projected future cash flows, the customer attrition rate and the discount rate selected to measure the risks inherent in the future cash flows.

The deferred income taxes reflect the tax effect of the differences between the carry-over tax basis and the fair value recorded in purchase accounting that are primarily associated with the recognition of identifiable intangible assets.

In connection with the Coventya Acquisition, the Company recorded \$39.6 million of non-controlling interests in four entities. The most significant non-controlling interest represents 19.7% of a publicly traded entity in Turkey with a fair value of \$32.4 million, which was determined based on the closing market price of this entity's stock on the acquisition date. Net income attributable to non-controlling interests is not material.

The Acquisitions were not significant to the Company's Consolidated Financial Statements and, therefore, pro forma and post acquisition results of operations have not been presented.

## 5. INVENTORIES

The major components of inventories, on a net basis, were as follows:

<i>(dollars in millions)</i>	<b>December 31,</b>	
	<b>2022</b>	<b>2021</b>
Finished goods	\$ 164.4	\$ 153.3
Work in process	25.9	33.4
Raw materials and supplies	100.4	87.7
<b>Total inventories</b>	<b>\$ 290.7</b>	<b>\$ 274.4</b>



**ELEMENT SOLUTIONS INC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**6. PROPERTY, PLANT AND EQUIPMENT, NET**

The major components of property, plant and equipment, net were as follows:

(dollars in millions)	December 31,	
	2022	2021
Land and leasehold improvements	\$ 52.0	\$ 54.8
Buildings and improvements	163.9	162.0
Machinery, equipment, fixtures and software	299.8	290.6
Construction in process	50.3	37.7
<b>Total property, plant and equipment</b>	<b>566.0</b>	<b>545.1</b>
Accumulated depreciation	(288.8)	(267.0)
<b>Property, plant and equipment, net</b>	<b>\$ 277.2</b>	<b>\$ 278.1</b>

For 2022, 2021 and 2020, the Company recorded depreciation expense of \$41.6 million, \$39.7 million and \$42.2 million, respectively.

During the third quarter of 2020, the Company met the requirements to classify as held for sale a dormant facility in New Jersey, included in its Electronics business segment. The sale of the facility was completed in January 2021, and the Company recognized a gain of \$3.9 million in "Selling, technical, general and administrative" in the Consolidated Statements of Operations. In connection with the sale, the Company received an initial cash deposit of \$4.6 million in the second half of 2020 and the remaining cash balance of \$19.0 million in the first quarter of 2021. Cash flows associated with the sale of this facility are included in "Other, net" in the Consolidated Statements of Cash Flows as a cash inflow from investing activities.

**7. GOODWILL AND INTANGIBLE ASSETS**

*Goodwill*

The changes in the carrying amount of goodwill by segment were as follows:

(dollars in millions)	Electronics	Industrial & Specialty	Total
<b>Balance at December 31, 2020</b>	<b>\$ 1,274.0</b>	<b>\$ 978.7 <sup>(1)</sup></b>	<b>\$ 2,252.7</b>
Acquisitions <sup>(2)</sup>	20.9	290.0	310.9
Foreign currency translation and other	(2.7)	(34.6)	(37.3)
<b>Balance at December 31, 2021</b>	<b>1,292.2</b>	<b>1,234.1</b>	<b>2,526.3</b>
HSO Acquisition	—	7.1	7.1
Transfer of Films business <sup>(3)</sup>	80.4	(80.4)	—
Foreign currency translation and other	(68.6)	(52.0)	(120.6)
<b>Balance at December 31, 2022</b>	<b>\$ 1,304.0</b>	<b>\$ 1,108.8</b>	<b>\$ 2,412.8</b>

<sup>(1)</sup> Includes accumulated impairment losses of \$46.6 million.

<sup>(2)</sup> The Company completed the Coventya Acquisition and the HKW Acquisition on September 1, 2021 and May 5, 2021, respectively.

<sup>(3)</sup> Goodwill was reallocated using a relative fair value approach and assessed for impairment both before and after the allocation. See Note 1, Background and Basis of Presentation, to the Consolidated Financial Statements for further information.

No impairments of goodwill were recognized during the years ended December 31, 2022, 2021 and 2020.

**ELEMENT SOLUTIONS INC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

*Intangible Assets*

The major components of intangible assets were as follows:

(dollars in millions)	December 31, 2022			December 31, 2021		
	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Customer relationships	\$ 967.5	\$ (434.1)	\$ 533.4	\$ 1,131.3	\$ (506.7)	\$ 624.6
Developed technology	408.9	(277.0)	131.9	429.0	(247.4)	181.6
Trade names	96.0	(23.8)	72.2	102.2	(19.7)	82.5
Indefinite-lived tradename	68.0	—	68.0	68.0	—	68.0
<b>Total</b>	<b>\$ 1,540.4</b>	<b>\$ (734.9)</b>	<b>\$ 805.5</b>	<b>\$ 1,730.5</b>	<b>\$ (773.8)</b>	<b>\$ 956.7</b>

For 2022, 2021 and 2020, the Company recorded amortization expense on intangible assets of \$120 million, \$124 million and \$119 million, respectively. No impairments of indefinite-lived intangible assets were recognized during the years ended December 31, 2022, 2021 and 2020.

In March 2020, the Company acquired a new subsea production control fluid designed to complement its Energy Solutions business for a purchase price of \$6.3 million in cash, subject to an additional \$4.5 million of payments upon the achievement of certain milestones associated with the potential certification and marketing of this product. As the acquisition did not meet the accounting definition of a business and this product was still in development with no alternative future use, the amount paid was expensed to "Research and development" in the Consolidated Statements of Operations. In the fourth quarter of 2020, the contingent milestones were achieved or deemed probable of achievement, and \$4.5 million was capitalized with an estimated useful life of 5 years.

Estimated future amortization of intangible assets for each of the next five years is as follows:

(dollars in millions)	Amortization Expense
2023	\$ 116.4
2024	107.1
2025	100.9
2026	59.0
2027	57.4

**8. LONG-TERM COMPENSATION PLANS**

In June 2014, the Company's stockholders adopted the 2013 Plan in connection which a maximum of 15,500,000 shares of common stock were reserved and made available for issuance.

**ELEMENT SOLUTIONS INC AND SUBSIDIARIES**  
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For 2022, 2021 and 2020, compensation expense associated with the Company's long-term compensation plans was as follows:

(dollars in millions)	Year Ended December 31,		
	2022	2021	2020
Equity classified RSUs	\$ 17.4	\$ 39.6	\$ 4.2
Liability classified RSUs	—	—	0.9
Stock options	0.3	0.5	0.9
<b>Total</b>	<b>\$ 17.7</b>	<b>\$ 40.1</b>	<b>\$ 6.0</b>
Unrecognized compensation expense for awards expected to vest	\$ 19.2		
Weighted average remaining vesting period (months)	30		

At December 31, 2022, a total of 7,820,000 shares of common stock had been issued, and 4,289,420 RSUs and stock options were outstanding, under the 2013 Plan.

	Total	Equity Classified RSUs	Stock Options
<b>Outstanding at December 31, 2021</b>	<b>4,589,005</b>	<b>4,195,432</b>	<b>393,573</b>
Granted	2,847,135	2,847,135	—
Exercised/Issued	(3,045,949)	(3,040,166)	(5,783)
Forfeited	(100,771)	(100,771)	—
<b>Outstanding at December 31, 2022</b>	<b>4,289,420</b>	<b>3,901,630</b>	<b>387,790</b>

The total fair value of RSUs which vested during 2022, 2021 and 2020 was \$70.8 million, \$7.0 million and \$9.7 million respectively, based on the stock price on the date of vest.

**ELEMENT SOLUTIONS INC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

*Equity Classified RSUs*

The Company granted the following equity classified RSUs under the 2013 Plan:

Year of Issuance:	RSUs	Weighted Average Grant Date Fair Value	Weighted Average Vesting Period (months)
2022	2,847,135	\$ 23.23	51
2021	852,890	\$ 18.02	28
2020	1,500,783	\$ 11.45	32

Certain of the RSUs granted during the period contain performance vesting conditions in addition to a service vesting condition. RSUs granted with service or performance vesting conditions were valued at the grant date stock price. Certain RSUs with performance vesting conditions also contain provisions for additional share awards in the event certain performance conditions are met at the end of the applicable measurement periods. These conditions are generally based on Adjusted EBITDA, Adjusted earnings per share and cash return on investment.

In January 2019, certain key executives were granted performance-based RSUs, which vesting was subject to the achievement by the Company of a performance target of Adjusted earnings per share of \$1.36 in any fiscal year ending on or before December 31, 2022, and continuous service. There were 2.3 million of these RSUs outstanding at December 31, 2021 with a weighted-average grant date fair value of \$25.1 million. Prior to the second quarter of 2021, the Company did not recognize compensation expense for these awards as the achievement of the performance target was not deemed probable. During the second quarter of 2021, the achievement of the performance target became probable, and the Company recorded \$23.9 million and \$1.3 million of expense for the years ended December 31, 2021 and 2022, respectively, in "Selling, technical, general and administrative " in the Consolidated Statement of Operations.

In February 2022, certain key executives were granted 1.95 million performance-based RSUs with an aggregate fair value of \$45.4 million. The vesting of these shares is subject to the achievement by the Company of a performance target of adjusted earnings per share of \$2.72 by December 31, 2026, and continuous service. If the performance target is achieved, the actual number of shares vested will be determined by applying a total shareholder return (TSR) multiplier based on the Company's TSR relative to a benchmark index for the performance period. The TSR multiplier will range from 0.85 to 1.15. The Company had not recognized compensation expense for these awards as the achievement of the performance target was not probable at December 31, 2022.

At December 31, 2022, the following equity classified RSUs were outstanding:

Vesting Conditions:	December 31, 2022		
	Outstanding	Weighted Average Remaining Vesting Period (months)	Potential Additional Awards
Service-based	591,298	10	—
Performance-based	1,360,332	13	1,068,475
Performance-based awards deemed not probable	1,950,000	50	—
<b>Total</b>	<b>3,901,630</b>	<b>31</b>	<b>1,068,475</b>

**ELEMENT SOLUTIONS INC AND SUBSIDIARIES**  
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*Stock Options*

The Company granted the following qualified and non-qualified stock options under the 2013 Plan:

Year of Issuance:	Stock Options	Weighted Average Strike Price Per Share	Weighted Average Grant Date Fair Value Per Share
2020	242,334	\$ 12.25	\$ 4.47

Stock options vest ratably over a three-year period and have contractual lives of ten years from their respective grant dates.

The fair value of each stock option grant is calculated using the Black-Scholes option pricing model at the grant date. The following table provides the range of assumptions used in valuing stock options for the year ended December 31, 2020:

	Year Ended December 31, 2020
Weighted average expected term (years) <sup>(1)</sup>	6.0
Expected volatility <sup>(2)</sup>	35.5%
Risk-free rate <sup>(3)</sup>	1.45%
Expected dividend yield	—%

<sup>(1)</sup> Weighted average expected term is calculated based on the simplified method for plain vanilla options.

<sup>(2)</sup> Expected volatility is calculated based on a blend of the implied and historical equity volatility of an index of comparable companies over a period equal to the expected term.

<sup>(3)</sup> Risk-free rate of return is based on an interpolation of U.S. Treasury rates to reflect an expected term of six years at the date of grant.

At December 31, 2022, there were no outstanding stock options which were vested and out-of-the-money. There were 333,939 outstanding stock options, which were vested and in-the-money, with an aggregate intrinsic value of \$2.2 million, and 53,851 outstanding stock options, which were unvested, with an aggregate intrinsic value of \$0.3 million.

**9. PENSION, POST-RETIREMENT AND POST-EMPLOYMENT PLANS**

For 2022, 2021 and 2020, the net periodic benefit for all plans totaled \$2.8 million, \$2.1 million and \$1.8 million, respectively.

*Domestic Defined Benefit Pension Plan*

The domestic non-contributory defined benefit pension plan is closed to new participants. Pursuant to this plan, retirement benefits are provided based upon years of service and compensation levels. An investment committee, appointed by the Board, manages the plan and its assets in accordance with the plan's investment policies. These investment policies incorporate an asset allocation strategy that emphasizes the long-term growth of capital and acceptable asset volatility as long as it is consistent with the volatility of the relevant market indexes. The investment policies attempt to achieve a mix of approximately 92% of plan investments for liability-matching, 6% for long-term growth and 2% for near-term benefit payments. These allocation targets exclude the market value of equity derivatives. The Company believes this strategy is consistent with the long-term nature of plan liabilities and ultimate cash needs of the plan. Plan assets consist primarily of listed stocks, equity security funds, short-term treasury bond mutual funds, long-credit funds and derivatives. The weighted average asset allocation of the plan was 92% fixed income holdings, 6% equity securities and derivatives and 2% cash at December 31, 2022.

Actual pension expense and future contributions required to fund this pension plan will depend on future investment performance, changes in future discount rates, the level of Company contributions and various other factors related to the populations participating in this pension plan. The Company evaluates the plan's actuarial assumptions on an annual basis, including the expected long-term rate of return on assets and discount rate, and adjusts the assumptions, as necessary, to ensure proper funding levels are maintained so that the plan can meet obligations as they become due.

At December 31, 2022 and 2021, the projected benefit obligation for this pension plan totaled \$169 million and \$220 million, respectively.

**ELEMENT SOLUTIONS INC AND SUBSIDIARIES**  
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*Supplemental Executive Retirement Plans*

The Company sponsors SERPs that entitle certain employees to the difference between the benefits actually paid to them and the benefits they would have received under the pension plan described above were it not for certain restrictions imposed by the Internal Revenue Service Code. Covered compensation under the SERPs includes an employee's annual salary and bonus. At December 31, 2022 and 2021, the projected benefit obligation for the SERPs totaled \$5.9 million and \$7.6 million, respectively.

*Foreign Pension Plans*

The Company's international benefit plans are included in the tables presented below. These plans are not significant, individually or in the aggregate, to the Company's consolidated financial position, results of operations or cash flows. At December 31, 2022 and 2021, the projected benefit obligation for these foreign pension plans totaled \$19.4 million and \$25.5 million, respectively.

Certain foreign subsidiaries maintain other benefit plans that are consistent with statutory practices, but do not meet the criteria for pension or post-retirement accounting and have therefore been excluded from the tables presented below. These benefit plans had obligation balances of \$2.5 million and \$2.2 million at December 31, 2022 and 2021, respectively, and were recorded in the Consolidated Balance Sheets as "Accrued expenses and other current liabilities" and "Pension and post-retirement benefits."

*Domestic Defined Benefit Post-Retirement Medical and Dental Plan*

The Company sponsors defined benefit post-retirement medical and dental plans that covers all of its MacDermid, Incorporated, domestic full-time employees, hired prior to April 1, 1997, who retire after age 55, with at least ten to twenty years of service (depending upon the date of hire). Eligible employees receive a subsidy from the Company towards the purchase of their retiree medical benefits based on the date of retirement. The annual increase in the Company's costs for post-retirement medical benefits is subject to a limit of 5%. Retirees are required to contribute to the plan costs in excess of their respective Company limits in addition to their other required contributions. The projected benefit obligation for the post-retirement plan at December 31, 2022 was comprised of 38% retirees, 33% fully eligible active participants and 29% other participants. The actuarial determination of the Company's accumulated benefit obligation associated with the plan for post-retirement medical benefits assumes annual cost increases of 2% or 4% based on the date of retirement.

The components of net periodic (benefit)/cost of the Domestic and Foreign Pension Plans and Domestic Post-Retirement Medical Benefits were as follows:

(dollars in millions)	Year Ended December 31,					
	2022		2021		2020	
	Domestic	Foreign	Domestic	Foreign	Domestic	Foreign
<b>Pension and SERP Benefits</b>						
Service cost	\$ —	\$ 0.8	\$ —	\$ 0.7	\$ —	\$ 0.7
Interest cost on the projected benefit obligation	6.3	0.3	5.9	0.2	7.2	0.3
Expected return on plan assets	(10.1)	(0.2)	(9.2)	(0.2)	(10.1)	(0.1)
Amortization of actuarial net (gain) loss	—	(0.1)	0.1	0.1	—	—
Plan curtailment	—	—	—	—	—	(0.1)
Plan settlement	—	—	—	0.1	0.1	(0.1)
<b>Net periodic (benefit) cost</b>	<b>\$ (3.8)</b>	<b>\$ 0.8</b>	<b>\$ (3.2)</b>	<b>\$ 0.9</b>	<b>\$ (2.8)</b>	<b>\$ 0.7</b>
<b>Post-retirement Medical Benefits</b>						
Interest cost on the projected benefit obligation	\$ 0.2		\$ 0.2		\$ 0.3	
<b>Net periodic cost</b>	<b>\$ 0.2</b>		<b>\$ 0.2</b>		<b>\$ 0.3</b>	

**ELEMENT SOLUTIONS INC AND SUBSIDIARIES**  
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The weighted average key assumptions used to determine the net periodic (benefit)/cost of the Domestic and Foreign Pension Plans and Domestic Post-Retirement Medical Benefits were as follows:

	Year Ended December 31,					
	2022		2021		2020	
	Domestic	Foreign	Domestic	Foreign	Domestic	Foreign
<b>Pension and SERP Benefits</b>						
Discount rate	2.8%	1.2%	2.5%	0.7%	3.3%	1.0%
Rate of compensation increase	3.0%	2.9%	3.0%	2.7%	3.5%	3.1%
Interest crediting rate	5.3%	3.1%	5.3%	2.7%	5.3%	2.6%
Long-term rate of return on assets	4.8%	3.1%	4.2%	3.6%	5.1%	1.7%
<b>Post-retirement Medical Benefits</b>						
Discount rate	2.9%		2.5%		3.2%	

The expected long-term rate of return on assets assumption is developed with reference to historical returns, forward-looking return expectations, the Domestic and Foreign Pension Plans' investment allocations and peer comparisons.

**ELEMENT SOLUTIONS INC AND SUBSIDIARIES**  
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The following tables summarize changes in benefit obligation, plan assets and funded status of the Company's plans:

(dollars in millions)	Pension and SERP Benefits				Post-Retirement Medical Benefits	
	2022		2021		2022	2021
	Domestic	Foreign	Domestic	Foreign	Domestic	Domestic
<b>Change in Projected Benefit Obligation:</b>						
Beginning of period balance	\$ 227.3	\$ 25.5	\$ 238.4	\$ 26.1	\$ 7.7	\$ 8.5
Acquisitions	—	—	—	2.1	—	—
Service cost	—	0.8	—	0.7	—	—
Interest cost	6.3	0.3	5.9	0.2	0.2	0.2
Actuarial gain due to assumption change	(47.5)	(4.0)	(7.2)	(0.7)	(1.5)	(0.4)
Actuarial loss (gain) due to plan experience	0.9	(0.4)	1.0	0.7	(0.1)	(0.2)
Benefits and expenses paid	(11.8)	(0.7)	(10.8)	(0.7)	(0.4)	(0.4)
Settlement	—	(0.4)	—	(1.4)	—	—
Foreign currency translation	—	(1.7)	—	(1.5)	—	—
End of period balance	\$ 175.2	\$ 19.4	\$ 227.3	\$ 25.5	\$ 5.9	\$ 7.7
<b>Change in Plan Assets:</b>						
Beginning of period balance	\$ 219.2	\$ 4.5	\$ 224.2	\$ 4.6	\$ —	\$ —
Acquisitions	—	—	—	0.2	—	—
Actual return on plan assets, net of expenses	(49.1)	—	5.2	0.4	—	—
Employer contributions	0.4	1.8	0.6	1.5	0.4	0.4
Benefits paid	(11.8)	(0.7)	(10.8)	(0.7)	(0.4)	(0.4)
Settlement	—	(0.4)	—	(1.4)	—	—
Foreign currency translation	—	(0.3)	—	(0.1)	—	—
End of period balance	\$ 158.7	\$ 4.9	\$ 219.2	\$ 4.5	\$ —	\$ —
<b>Funded Status</b>						
Funded status of plan	\$ (16.5)	\$ (14.5)	\$ (8.1)	\$ (21.0)	\$ (5.9)	\$ (7.7)
<b>Supplemental Information:</b>						
Accumulated benefit obligation	\$ 175.2	\$ 17.2	\$ 227.3	\$ 22.5	\$ 5.9	\$ 7.7
<b>Plans with Accumulated Benefit Obligation in excess of Plan Assets:</b>						
Accumulated benefit obligation	\$ 175.2	\$ 15.3	\$ 227.3	\$ 22.1	\$ 5.9	\$ 7.7
Fair value plan assets	\$ 158.7	\$ 2.5	\$ 219.2	\$ 3.6	\$ —	\$ —
<b>Plans with Projected Benefit Obligation in excess of Plan Assets:</b>						
Projected benefit obligation	\$ 175.2	\$ 19.0	\$ 227.3	\$ 25.3	\$ 5.9	\$ 7.7
Fair value plan assets	\$ 158.7	\$ 4.3	\$ 219.2	\$ 3.9	\$ —	\$ —

Weighted average key assumptions used to determine the benefit obligations in the actuarial valuations of the pension and post-retirement benefit liabilities were as follows:

	Pension and SERP Benefits				Post-Retirement Medical Benefits	
	2022		2021		2022	2021
	Domestic	Foreign	Domestic	Foreign	Domestic	Domestic
Discount rate	5.2%	3.5%	2.8%	1.2%	5.1%	2.9%
Rate of compensation increase	3.0%	3.2%	3.0%	2.9%	N/A	N/A
Interest crediting rate	5.3%	3.4%	5.3%	3.1%	N/A	N/A

(N/A) Not applicable.



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Amounts recognized in the Consolidated Balance Sheets and "Accumulated other comprehensive loss" consist of the following:

(dollars in millions)	Pension and SERP Benefits				Post-Retirement Medical Benefits	
	2022		2021		2022	2021
	Domestic	Foreign	Domestic	Foreign	Domestic	Domestic
<b>Balance Sheet</b>						
Accrued expenses and other current liabilities	\$ 0.6	\$ 0.9	\$ 0.9	\$ 0.9	\$ 0.5	\$ 0.5
Pension and post-retirement benefits	15.9	13.6	7.2	20.1	5.4	7.2
<b>Accumulated Other Comprehensive Loss</b>						
Net actuarial (loss) gain	\$ (13.1)	\$ 2.5	\$ (0.5)	\$ (1.7)	\$ (2.1)	\$ 0.6

The following table presents the fair value of plan assets:

(dollars in millions)	Classification	December 31,	
		2022	2021
<b>Asset Category</b>			
Derivatives	Level 2	\$ (0.8)	\$ 4.9
Exchange-traded funds holding domestic securities	Level 1	10.7	—
Foreign bonds	Level 2	1.9	1.9
Mutual funds holding U.S. Treasury securities	Level 1	22.2	26.0
Mutual funds holding fixed income securities	Level 1	15.4	20.1
U.S. Treasury bonds	Level 2	37.4	51.7
Cash and cash equivalents	Level 1	5.8	6.1
<b>Sub-Total</b>		92.6	110.7
Assets using net asset value (or NAV) as a practical expedient		71.0	113.0
<b>Total</b>		\$ 163.6	\$ 223.7

Assets using NAV as a practical expedient include commingled funds that are not actively traded or whose underlying investments are valued using observable marketplace inputs.

At December 31, 2022, expected future benefit payments related to the Company's defined benefit plans were as follows:

(dollars in millions)	Pension and SERP Benefits		Post-Retirement Medical Benefits	Total
	Domestic	Foreign		
2023	\$ 12.9	\$ 1.2	\$ 0.4	\$ 14.5
2024	13.0	1.4	0.5	14.9
2025	13.3	1.2	0.5	15.0
2026	13.1	1.3	0.5	14.9
2027	13.4	1.3	0.5	15.2
Subsequent five years	64.3	8.6	2.1	75.0
<b>Total</b>	\$ 130.0	\$ 15.0	\$ 4.5	\$ 149.5

The measurement date used to determine pension and other post-retirement medical benefits was December 31, 2022, at which time the minimum contribution level for the following year was determined. The Company is not required to make any plan contributions in 2023.

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**10. INCOME TAXES**

Income before income taxes and non-controlling interests was as follows:

(dollars in millions)	Year Ended December 31,		
	2022	2021	2020
Domestic	\$ 125.0	\$ 92.0	\$ (11.6)
Foreign	147.0	159.7	92.7
<b>Total</b>	<b>\$ 272.0</b>	<b>\$ 251.7</b>	<b>\$ 81.1</b>

Income tax expense consisted of the following:

(dollars in millions)	Year Ended December 31,		
	2022	2021	2020
<b>Current:</b>			
U.S.:			
Federal	\$ 0.6	\$ (3.9)	\$ (0.8)
State and local	1.8	2.9	1.3
Foreign	68.3	96.0	56.8
<b>Total current</b>	<b>70.7</b>	<b>95.0</b>	<b>57.3</b>
<b>Deferred:</b>			
U.S.:			
Federal	17.5	(1.8)	(40.4)
State and local	8.3	(30.3)	1.1
Foreign	(10.7)	(14.6)	(13.7)
<b>Total deferred</b>	<b>15.1</b>	<b>(46.7)</b>	<b>(53.0)</b>
<b>Income tax expense</b>	<b>\$ 85.8</b>	<b>\$ 48.3</b>	<b>\$ 4.3</b>

Income tax expense differed from the amounts computed by applying the U.S. federal statutory tax rate to pre-tax income, as a result of the following:

(dollars in millions)	Year Ended December 31,		
	2022	2021	2020
U.S. federal statutory tax rate	21 %	21 %	21 %
<b>Taxes computed at U.S. statutory rate</b>	<b>\$ 57.1</b>	<b>\$ 52.9</b>	<b>\$ 17.0</b>
State income taxes, net of federal benefit	4.6	5.7	2.1
U.S. tax on foreign operations	3.2	3.9	8.9
Foreign tax on foreign operations	13.0	17.0	7.0
Change in valuation allowances	6.4	(63.6)	(4.2)
Tax on undistributed foreign earnings	5.9	4.7	4.3
Changes in uncertain tax positions	0.2	29.4	8.2
Changes to U.S. tax law	—	—	(40.4)
Other, net	(4.6)	(1.7)	1.4
<b>Income tax expense</b>	<b>\$ 85.8</b>	<b>\$ 48.3</b>	<b>\$ 4.3</b>
<b>Effective tax rate</b>	<b>32 %</b>	<b>19 %</b>	<b>5 %</b>

The income tax expense of \$85.8 million for the year ended December 31, 2022 includes current and deferred taxes based on jurisdictional earnings, withholding taxes, and the impact of U.S. global intangible low-taxed income ("GILTI") and subpart F income regimes.

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The income tax expense of \$48.3 million for the year ended December 31, 2021 included the impact of a \$29.4 million increase to the Company's provision for uncertain tax positions, partially offset by a \$63.6 million benefit associated with the release of valuation allowances. The release of valuation allowances related to amounts previously recorded against certain U.S. tax attribute carryforwards, which primarily corresponded to certain state net operating losses and interest. The valuation allowances were released as the Company expects improved profitability in its domestic business and a shift to a three-year cumulative income position.

On July 23, 2020, the U.S. Treasury Department released regulations relating to the treatment of income that is subject to a high rate of foreign tax under the U.S. GILTI and subpart F income regimes. On July 28, 2020, new regulations were released related to interest expense limitations. The Company evaluated the impact of these regulations on its Consolidated Financial Statements and during the year ended December 31, 2020 recorded a \$40.4 million tax benefit from these regulations related to the 2018 and 2019 tax years producing an increase to the Company's net operating loss carryforwards.

The components of deferred income taxes at December 31, 2022 and 2021 were as follows:

(dollars in millions)	December 31,	
	2022	2021
<b>Deferred tax assets:</b>		
Net operating losses	\$ 98.5	\$ 121.7
Interest carryforward	39.4	65.3
Capital loss carryforward	54.2	54.0
Tax credits	32.2	34.5
Employee benefits	18.1	22.2
Research and development costs	28.0	25.1
Accrued liabilities	6.3	7.2
Other	49.6	34.3
<b>Total gross deferred tax assets</b>	<b>326.3</b>	<b>364.3</b>
Valuation allowances	(153.2)	(151.4)
<b>Total deferred tax assets</b>	<b>173.1</b>	<b>212.9</b>
<b>Deferred tax liabilities:</b>		
Intangible assets	175.6	216.4
Property, plant and equipment	28.1	21.5
Undistributed foreign earnings	28.2	23.7
Goodwill	10.9	9.9
<b>Total deferred tax liabilities</b>	<b>242.8</b>	<b>271.5</b>
<b>Net deferred tax liability</b>	<b>\$ 69.7</b>	<b>\$ 58.6</b>

The Company provides for income and withholding taxes on previously unremitted earnings of foreign subsidiaries. At December 31, 2022, the Company had accrued a deferred tax liability of \$28.2 million of income and withholding taxes that would be due upon the distribution of such earnings from non-U.S. subsidiaries to the U.S.

The Company had historically considered approximately \$130 million of undistributed earnings of foreign subsidiaries to be indefinitely reinvested, and accordingly, no deferred taxes were provided on the balance. In 2022, the Company's plans and expectations around the use of cash in subsidiaries had shifted. As a result, the prior assertion was changed, and the Company is no longer asserting any of its available foreign earnings are permanently reinvested. The change resulted in a \$1.7 million increase to income tax expense for the year ended December 31, 2022.

At December 31, 2022, the Company had federal, state and foreign net operating loss carryforwards of approximately \$71.3 million, \$565 million and \$221 million, respectively. The U.S. federal net operating loss carryforwards expire between 2027 and 2037 or may be carried forward indefinitely. The majority of the state net operating loss carryforwards expire between 2023 and 2039. The foreign tax net operating loss carryforwards expire between 2023 through 2037 or may be carried forward indefinitely. In addition, at December 31, 2022, the Company had capital loss carryforwards, foreign tax credits, and other tax credits of approximately \$226 million, \$27.4 million and \$4.9 million, respectively, available for carryforward. The capital loss

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carryforwards expire in 2024. The carryforward periods of the remaining tax credits range from ten years to an unlimited period of time. If certain changes in the Company's ownership occur, there could be an annual limitation on the amount of utilizable carryforwards.

**Uncertain Tax Positions**

The following table summarizes the activity related to the Company's unrecognized tax benefits:

(dollars in millions)	Year Ended December 31,		
	2022	2021	2020
Unrecognized tax benefits at beginning of period	\$ 106.6	\$ 82.5	\$ 71.2
Additions based upon prior year tax positions	1.0	22.9	1.8
Additions based on current year tax positions	5.3	8.1	14.5
Reductions for prior period positions	(5.7)	(4.9)	(0.1)
Reductions for settlements and payments	(1.7)	(0.1)	(1.1)
Reductions due to closed statutes	(1.9)	(1.0)	(4.6)
Currency translation adjustment	(3.8)	(0.9)	0.9
<b>Total unrecognized tax benefits at end of period</b>	<b>\$ 99.8</b>	<b>\$ 106.6</b>	<b>\$ 82.5</b>

At December 31, 2022, the Company had \$99.8 million of total unrecognized tax benefits, all of which, if recognized, would impact the Company's effective tax rate. Due to expected settlements and statute of limitations expirations, the Company estimates that \$1.1 million of the total unrecognized benefits will reverse within the next twelve months.

The Company recognizes interest and/or penalties related to income tax matters as part of income tax expense (benefit), which totaled \$1.1 million, \$2.5 million and \$(2.4) million, for 2022, 2021 and 2020, respectively. The Company's liability for interest and penalties totaled \$10.7 million and \$9.7 million at December 31, 2022 and 2021, respectively.

At December 31, 2022, the following tax years remained subject to examination by the major tax jurisdictions indicated below:

Major Jurisdictions	Open Years	
China	2017	through current
Germany	2017	through current
Taiwan	2018/19, 2021	through current
United Kingdom	2008, 2019	through current
United States	2019	through current

The Company is currently undergoing tax examinations in several jurisdictions. Although the Company believes it has appropriately accrued for the expected outcome of uncertain tax matters and made reasonable provisions for taxes ultimately expected to be paid, tax liabilities may need to be adjusted as tax examinations continue to progress.

**11. DEBT**

The Company's debt obligations consisted of the following:

(dollars in millions)	Maturity Date	Interest Rate	December 31, 2022	December 31, 2021
Term Loans <sup>(1)</sup>	2026	SOFR plus 2.00%	\$ 1,104.5	\$ 1,113.0
Senior Notes - \$800 million <sup>(2)</sup>	2028	3.875%	790.8	789.4
Other			—	4.5
<b>Total debt</b>			<b>1,895.3</b>	<b>1,906.9</b>
Less: current installments of long-term debt			11.5	12.7
<b>Total long-term debt</b>			<b>\$ 1,883.8</b>	<b>\$ 1,894.2</b>

<sup>(1)</sup> Term loans, net of unamortized discounts and debt issuance costs of \$9.5 million and \$12.6 million at December 31, 2022 and 2021, respectively. The effective interest rate was 1.6% and 2.1% at December 31, 2022 and 2021, respectively, including the effects of interest

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rate swaps and net investment hedges. See Note 12, Financial Instruments, to the Consolidated Financial Statements for further information regarding the Company's interest rate swaps and net investment hedges.

<sup>(2)</sup> Senior notes, net of unamortized debt issuance costs of \$9.2 million and \$10.6 million at December 31, 2022 and 2021, respectively. The effective interest rate was 4.1% at both December 31, 2022 and 2021.

Minimum future principal payments on long-term debt were as follows:

(dollars in millions)	
2023	\$ 11.5
2024	11.5
2025	11.5
2026	1,079.5
2027	—
Thereafter	800.0
<b>Total</b>	<b>\$ 1,914.0</b>

**Credit Agreement**

The Company is a party to the Credit Agreement, which provides for senior secured credit facilities in an initial aggregate principal amount of \$1.53 billion, consisting of term loans B of \$1.15 billion maturing in 2026 and an amended revolving credit facility of \$375 million maturing in 2027.

The amended revolving credit facility, which replaced the Company's prior \$330 million revolving facility, was part of an amendment to the Credit Agreement entered into on November 15, 2022. This amendment also provided for amended interest rates and commitment fees applicable to the Company's existing term loans and future borrowings under the revolving facility. In connection with the market transition away from the London Inter-bank Offered Rate (LIBOR), forward-looking rates based on SOFR in lieu of LIBOR were implemented under the Credit Agreement on October 4, 2022.

The Company's outstanding term loans bear interest at a per annum rate based on an adjusted one-month SOFR (as described in the Credit Agreement) plus a spread of 2.00%. The Company is required to pay a commitment fee on any undrawn portion of the revolving credit facility which is not material.

The obligations of the co-borrowers (the Company and its subsidiary, MacDermid, Incorporated) under the Credit Agreement are guaranteed, jointly and severally, by certain of their domestic subsidiaries and secured by a first-priority security interest in substantially all of their assets and the assets of the guarantors, including mortgages on material real property, subject to certain exceptions.

*Covenants, Events of Default and Provisions*

The Credit Agreement contains customary representations and warranties and affirmative and negative covenants, including limitations on additional indebtedness, dividends, and other distributions, entry into new lines of business, use of loan proceeds, capital expenditures, restricted payments, restrictions on liens on the assets of the borrowers or any guarantor, transactions with affiliates, amendments to organizational documents, accounting changes, sale and leaseback transactions and dispositions. Subject to certain exceptions, to the extent the borrowers have total outstanding borrowings under the revolving credit facility greater than 30% of the commitment amount under the revolving credit facility, the Company's first lien net leverage ratio should not exceed 5.0 to 1.0, subject to a right to cure.

The Credit Agreement requires the borrowers to make mandatory prepayments of borrowings, subject to certain exceptions, as described in the Credit Agreement. In addition, the Credit Agreement contains customary events of default that include, among others, non-payment of principal, interest or fees, violation of covenants, inaccuracy of representations and warranties, failure to make payment on, or defaults with respect to, certain other material indebtedness, bankruptcy and insolvency events, material judgments and change of control provisions. Upon the occurrence of an event of default, and after the expiration of any applicable grace period, payment of any outstanding loans under the Credit Agreement may be accelerated and the lenders could foreclose on their security interests in the assets of the borrowers and the guarantors.

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At December 31, 2022, the Company was in compliance with the debt covenants contained in the Credit Agreement and had full availability of its unused borrowing capacity of \$369 million, net of letters of credit, under the revolving credit facility.

**Senior Notes**

*3.875% USD Notes due 2028*

The indenture governing the 3.875% USD Notes due 2028 provides for, among other things, customary affirmative and negative covenants, events of default and other customary provisions. The notes accrue interest at a rate of 3.875% per annum, payable semi-annually in arrears, on March 1 and September 1 of each year, and will mature on September 1, 2028, unless earlier repurchased or redeemed. Pursuant to the indenture, the Company has the option to redeem the 3.875% USD Notes due 2028 prior to their maturity, subject to, in certain cases, the payment of an applicable make-whole premium, or to repurchase them by any means other than a redemption, including by tender offer, open market purchases or negotiated transactions. The 3.875% USD Notes due 2028 are fully and unconditionally guaranteed on a senior unsecured basis by generally all of the Company's domestic subsidiaries that guarantee the obligations of the borrowers under the Credit Agreement.

**Lines of Credit and Other Debt Facilities**

The Company has access to various revolving lines of credit, short-term debt facilities and overdraft facilities worldwide which are used to fund short-term cash needs. At December 31, 2022 and 2021, respectively, there were no amounts outstanding under such facilities. The Company had letters of credit outstanding of \$6.0 million and \$5.9 million at December 31, 2022 and 2021, respectively, of which \$6.0 million and \$5.5 million at December 31, 2022 and 2021, respectively, reduced the borrowings available under the various facilities. At December 31, 2022 and 2021, the availability under these facilities totaled approximately \$391 million and \$354 million, respectively, net of outstanding letters of credit.

**12. FINANCIAL INSTRUMENTS**

**Derivatives and Hedging**

In the normal course of business, the Company is exposed to risks relating to changes in interest rates, foreign currency exchange rates and commodity prices. Derivative financial instruments, such as interest rate swaps, net investment hedges, foreign currency exchange forward contracts and commodities derivative contracts are used to manage the risks associated with changes in the conditions of those markets. All derivatives are recognized in the Consolidated Balance Sheets at fair value. The counterparties to the Company's derivative agreements are primarily major international financial institutions. The Company continually monitors its derivative positions and the credit ratings of its counterparties and does not anticipate nonperformance on their part.

*Interest Rate and Cross-Currency Swaps*

The Company uses interest rate swaps and cross-currency swaps to reduce its exposure to interest rate risk and foreign currency risk. The Company has designated the interest rate swaps as cash flow hedges and the cross-currency swaps as net investment hedges. The proceeds from these contracts are reflected as "Cash flows from operating activities" in the Consolidated Statement of Cash Flows. Changes in the fair value of interest rate swaps are recorded in "Accumulated other comprehensive loss" and reclassified to "Interest expense, net" in the Consolidated Statements of Operations as the underlying hedged item affects earnings. Changes in the fair value of cross-currency swaps are recorded in "Foreign currency translation" in "Accumulated other comprehensive loss." These cross-currency swaps effectively convert the Company's term loans under the Credit Agreement, which are U.S. dollar denominated debt obligations, into fixed-rate euro-denominated debt through the expiration of the swaps.

In 2021, the Company entered into interest rate swaps (as amended on October 24, 2022 in connection with the term loan transition to SOFR) to effectively fix the floating rate of the interest payments associated with the \$400 million Add-on Term Loans through January 2025. These contracts were designated as a cash flow hedge. The Company also entered into cross-currency swaps, as amended on April 1, 2022, to effectively convert the \$400 million Add-on Term Loans, which are U.S. dollar denominated debt obligations, into fixed-rate euro-denominated debt through January 2025. The Company designated these contracts as a net investment hedge of the foreign currency exposure of a portion of its net investment in certain euro functional subsidiaries. These interest rate swaps and cross-currency swaps expire in January 2025.

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In 2019, the Company entered into interest rate swaps (as amended on October 24, 2022 in connection with the term loan transition to SOFR) to effectively fix the floating rate of the interest payments associated with the initial \$750 million term loans under the Credit Agreement through January 2024. These contracts were designated as a cash flow hedge. The Company also entered into cross-currency swaps to effectively convert the \$750 million term loans, which are U.S. dollar denominated debt obligations, into fixed-rate euro-denominated debt through January 2024. The Company designated these contracts as a net investment hedge of the foreign currency exposure of a portion of its net investment in certain euro functional subsidiaries. These interest rate swaps and cross-currency swaps expire in January 2024.

The net result of the above hedges is an interest rate of approximately 1.6% at December 31, 2022, which could vary in the future due to changes in the euro and the U.S. dollar exchange rate. The fair value of the interest rate swaps was a net asset of \$47.3 million at December 31, 2022 and a net liability of \$18.1 million at December 31, 2021. The fair value of the cross-currency swaps was a net asset of \$70.4 million and \$25.2 million at December 31, 2022 and 2021, respectively.

During 2022 and 2021, these interest rate swaps and cross-currency swaps were deemed highly effective. The Company expects to reclassify a benefit of \$32.7 million from "Accumulated other comprehensive loss" to "Interest expense, net" in the Consolidated Statements of Operations within the next twelve months.

*Foreign Currency*

The Company conducts a significant portion of its business in currencies other than the U.S. dollar and certain subsidiaries conduct business in currencies other than their functional currency, which is typically their local currency. As a result, the Company's operating results are impacted by foreign currency exchange rate volatility.

At December 31, 2022, the Company held foreign currency forward contracts to purchase and sell various currencies to mitigate foreign currency exposure, primarily with the U.S. dollar and British pound. The Company has not designated any foreign currency exchange forward contracts as eligible for hedge accounting and, as a result, changes in the fair value of foreign currency forward contracts are recorded in the Consolidated Statements of Operations as "Other income (expense), net." The total notional value of foreign currency exchange forward contracts held at December 31, 2022 and 2021 was approximately \$105 million and \$64.6 million, respectively, with settlement dates generally within one year. The fair value of the foreign currency forward contracts was a net current liability of \$0.3 million and a \$0.1 million at December 31, 2022 and 2021, respectively.

*Commodities*

As part of its risk management policy, the Company enters into commodity derivative contracts for the purpose of mitigating its exposure to fluctuations in prices of certain metals used in the production of its finished goods. The Company held derivative contracts to purchase and sell various metals, primarily tin and silver, for a notional amount of \$45.7 million and \$56.1 million at December 31, 2022 and 2021, respectively. The fair value of the metals derivative contracts was a net current liability of \$2.5 million and \$1.1 million at December 31, 2022 and 2021, respectively. Substantially all contracts outstanding at December 31, 2022 have delivery dates within one year. The Company has not designated these derivatives as hedging instruments and, accordingly, records changes in their fair values in the Consolidated Statements of Operations as "Other income (expense), net."

Realized gains and losses on derivative contracts are accounted for in the Consolidated Statements of Cash Flows as "Operating activities."

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**Fair Value Measurements**

The following table presents the Company's financial assets and liabilities measured at fair value on a recurring basis:

(dollars in millions)	Balance sheet location	Classification	December 31,	
			2022	2021
<b>Asset Category</b>				
Foreign exchange contracts	Other current assets	Level 2	\$ 0.2	\$ 0.1
Metals contracts	Other current assets	Level 2	2.5	1.2
Interest rate swaps	Other current assets	Level 2	32.7	—
Cross-currency swaps	Other current assets	Level 2 <sup>+</sup>	26.1	22.2
Interest rate swaps	Other assets	Level 2	14.6	6.6
Cross-currency swaps	Other assets	Level 2	44.3	5.8
Available-for-sale debt securities	Other assets	Level 3	11.5	—
<b>Total</b>			<b>\$ 131.9</b>	<b>\$ 35.9</b>
<b>Liability Category</b>				
Foreign exchange contracts	Accrued expenses and other current liabilities	Level 2	\$ 0.5	\$ 0.2
Metals contracts	Accrued expenses and other current liabilities	Level 2	5.0	2.3
Interest rate swaps	Accrued expenses and other current liabilities	Level 2	—	15.1
Interest rate swaps	Other liabilities	Level 2	—	9.6
Cross-currency swaps	Other liabilities	Level 2	—	2.8
<b>Total</b>			<b>\$ 5.5</b>	<b>\$ 30.0</b>

The fair values of Level 1 and Level 2 derivative assets and liabilities are determined using pricing models based upon observable market inputs, such as market spot and futures prices on over-the-counter derivative instruments, market interest rates and consideration of counterparty credit risk. Level 3 investments are valued using a probability weighted methodology based on possible outcomes of potential liquidity events. Significant assumptions include the enterprise valuation, the timing and type of liquidation events and the risk-free interest rate.

There were no significant transfers of financial instruments between the fair value hierarchy levels during 2022.

The carrying value and estimated fair value of the Company's long-term debt totaled \$1.90 billion and \$1.80 billion, respectively, at December 31, 2022. At December 31, 2021, the carrying value and estimated fair value totaled \$1.90 billion and \$1.93 billion, respectively. The carrying values noted above include unamortized discounts and debt issuance costs. The estimated fair value of long-term debt is measured using quoted market prices for similar instruments at the reporting date multiplied by the gross carrying amount of the related debt, which excludes unamortized discounts and debt issuance costs. Such instruments are valued using Level 2 inputs.

**13. STOCKHOLDERS' EQUITY**

**Repurchases of Common Stock**

During 2022, as part of its stock repurchase program, the Company repurchased approximately 8.0 million shares of its common stock for approximately \$151 million. The repurchases were funded from cash on hand and allocated to treasury shares. The remaining authorization under the Company's stock repurchase program was approximately \$581 million at December 31, 2022.

Shares withheld by the Company to satisfy tax withholding requirements related to the vesting of RSUs are not considered share repurchases under the stock repurchase program. During 2022, the Company withheld approximately 1.0 million shares in connection with vesting events for a value of approximately \$24.0 million, which is included in "Other, net" in the Consolidated Statements of Cash Flows as a cash outflow from financing activities.



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During 2021, as part of the stock repurchase program, the Company repurchased approximately 0.9 million shares of its common stock for approximately \$19.6 million. The repurchases were funded from cash on hand and allocated to treasury shares.

**14. ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME**

Changes in each component of "Accumulated other comprehensive (loss) income," net of tax, during 2022, 2021 and 2020 were as follows:

<i>(dollars in millions)</i>	Foreign Currency Translation Adjustments	Pension and Post- retirement Plans	Unrealized Gain on Available-for- Sale Debt Securities	Derivative Financial Instrument Revaluation	Accumulated Other Comprehensive (Loss) Income
<b>Balance at December 31, 2019</b>	\$ (246.2)	\$ (7.6)	\$ —	\$ (26.7)	\$ (280.5)
Other comprehensive income (loss) before reclassifications, net	107.4	4.4	—	(40.2)	71.6
Reclassifications, pretax	—	—	—	14.1	14.1
<b>Balance at December 31, 2020</b>	(138.8)	(3.2)	—	(52.8)	(194.8)
Other comprehensive (loss) income before reclassifications, net	(30.6)	2.9	—	6.2	(21.5)
Reclassifications, pretax	—	—	—	18.9	18.9
<b>Balance at December 31, 2021</b>	(169.4)	(0.3)	—	(27.7)	(197.4)
Other comprehensive (loss) income before reclassifications, net	(146.3)	(5.2)	1.1	48.2	(102.2)
Reclassifications, pretax	—	—	—	1.5	1.5
<b>Balance at December 31, 2022</b>	<u>\$ (315.7)</u>	<u>\$ (5.5)</u>	<u>\$ 1.1</u>	<u>\$ 22.0</u>	<u>\$ (298.1)</u>

**ELEMENT SOLUTIONS INC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**15. EARNINGS PER SHARE**

A computation of weighted average shares of the Company's common stock outstanding and earnings per share from continuing operations for 2022, 2021 and 2020 is as follows:

	Year Ended December 31,		
	2022	2021	2020
<i>(dollars in millions, except per share amounts)</i>			
<b>Net income</b>	\$ 186.2	\$ 203.4	\$ 76.8
Net income attributable to the non-controlling interests	(0.8)	(0.4)	—
<b>Net income attributable to common stockholders</b>	\$ 185.4	\$ 203.0	\$ 76.8
<b>Basic weighted average common shares outstanding</b>	245.1	247.4	248.8
<i>Denominator adjustments for diluted EPS:</i>			
Number of shares issuable upon conversion of Series A Preferred Stock	—	—	0.3
Number of stock options and RSUs	0.7	0.5	0.8
<b>Denominator adjustments for diluted EPS</b>	0.7	0.5	1.1
<b>Diluted weighted average common shares outstanding</b>	245.8	247.9	249.9
<b>Earnings per share from continuing operations attributable to common stockholders:</b>			
Basic	\$ 0.75	\$ 0.82	\$ 0.31
Diluted	\$ 0.75	\$ 0.82	\$ 0.31

For 2022, 2021 and 2020, the following securities were not included in the computation of diluted shares outstanding because either the effect would be anti-dilutive or the applicable performance targets were not yet met:

	Year Ended December 31,		
	2022	2021	2020
<i>(amounts in millions)</i>			
Shares issuable upon vesting of RSUs and exercise of stock options	3.6	3.7	4.1
<b>Total shares excluded</b>	3.6	3.7	4.1

**16. LEASES**

The Company primarily has operating lease agreements for certain land, office space, warehouse space and equipment. The following table presents the Company's ROU assets and lease liabilities:

		December 31,	
(dollars in millions)	Balance sheet location	2022	2021
<b>Asset Category</b>			
ROU assets	Other assets	\$ 85.1	\$ 60.2
<b>Total</b>		<b>\$ 85.1</b>	<b>\$ 60.2</b>
<b>Liability Category</b>			
Current lease liabilities	Accrued expenses and other current liabilities	\$ 15.9	\$ 18.7
Non-current lease liabilities	Other liabilities	71.4	42.1
<b>Total</b>		<b>\$ 87.3</b>	<b>\$ 60.8</b>

**ELEMENT SOLUTIONS INC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Operating lease expense totaled \$26.2 million, \$24.3 million and \$20.9 million for 2022, 2021 and 2020, respectively.

(dollars in millions)	Year Ended December 31,		
	2022	2021	2020
<b>Supplemental Information for Operating Leases</b>			
Operating cash payments for operating leases	\$ 19.8	\$ 20.8	\$ 19.1
ROU assets obtained in exchange for operating lease obligations	\$ 40.3	\$ 22.5	\$ 12.3
Weighted average remaining lease term	10 years	6 years	6 years
Weighted average discount rate	3.5%	3.5%	4.8%

Maturities of operating lease liabilities at December 31, 2022 were as follows:

(dollars in millions)	
2023	\$ 18.6
2024	12.4
2025	10.1
2026	9.2
2027	6.9
Thereafter	47.6
Total future minimum lease payments	104.8
Less: imputed interest	(17.5)
Present value of lease liabilities	\$ 87.3

## 17. CONTINGENCIES, ENVIRONMENTAL AND LEGAL MATTERS

### *Environmental Matters*

The Company is involved in various claims relating to environmental matters at current and former plants and waste management sites. At certain of these sites, the Company engages or participates in remedial and other environmental compliance activities. At other sites, the Company has been named as a potential responsible party pursuant to the federal Superfund Act and/or state Superfund laws comparable to the federal law for site remediation. After analyzing each individual site, considering the number of parties involved, the level of its potential liability or contribution relating to the other parties, the nature and magnitude of the hazardous waste involved, the method and extent of remediation, the potential insurance coverage, the estimated legal and consulting expense with respect to each site and the time period over which any costs would likely be incurred, the Company estimates the clean-up costs and related claims for each site. The estimates are based in part on discussions with other potential responsible parties, governmental agencies and engineering firms.

The Company accrues for environmental matters when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated based on current laws and existing technologies. The accruals are adjusted periodically as assessment and remediation efforts progress or as additional technical or legal information becomes available. The Company's environmental liabilities, which are included in the Consolidated Balance Sheets as "Accrued expenses and other current liabilities" and "Other liabilities," totaled \$11.6 million and \$13.1 million at December 31, 2022 and 2021, respectively, primarily driven by environmental remediation, clean-up costs and monitoring of sites that were either closed or disposed of in prior years. While uncertainty exists with respect to the amount and timing of its ultimate environmental liabilities, the Company does not currently anticipate any material losses in excess of the amount recorded. However, new information about the sites, such as results of investigations, could make it necessary for the Company to reassess its potential exposure related to these environmental matters.

As of the date hereof, the Company believes it is not practicable to provide an estimated range of reasonably possible environmental losses in excess of its recorded liabilities. As a result, the Company is unable to ascertain the ultimate aggregate amount of monetary liability or financial impact that may be associated with these matters.

**ELEMENT SOLUTIONS INC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

*Legal Matters*

From time to time, the Company is involved in various legal proceedings, investigations and/or claims in the normal course of its business. Although it cannot predict with certainty the ultimate resolution of these matters, which involve judgments that are inherently subjective, the Company believes that their resolutions, to the extent not covered by insurance, will not, individually or in the aggregate, have a material adverse effect on its consolidated financial position, results of operations or cash flows.

**18. RELATED PARTY TRANSACTIONS**

The Company is party to an Advisory Services Agreement with Mariposa Capital, LLC, an affiliate of one of its founder directors, whereby Mariposa Capital, LLC is entitled to receive an annual fee of \$3.0 million and reimbursement for expenses. This agreement is automatically renewed for successive one-year terms unless either party notifies the other in writing of its intention not to renew no later than 90 days prior to the expiration of the applicable term. Amounts paid under this agreement are recorded in the Consolidated Statements of Operations as "Selling, technical, general and administrative" expense.

**19. RESTRUCTURING**

The Company continuously evaluates its operations in an effort to identify opportunities to improve profitability by leveraging existing infrastructure to reduce operating costs and respond to overall economic conditions.

Restructuring expenses were recorded as follows in each of the Company's business segments:

(dollars in millions)	Year Ended December 31,		
	2022	2021	2020
Electronics	\$ 3.3	\$ 4.3	\$ 3.2
Industrial & Specialty	6.2	7.4	3.1
<b>Total</b>	<b>\$ 9.5</b>	<b>\$ 11.7</b>	<b>\$ 6.3</b>

At December 31, 2022 and 2021, the Company's restructuring liabilities were not material.

The Company's restructuring plans primarily related to headcount rationalization associated with continued cost saving opportunities within its businesses, including reorganization initiatives following acquisitions. Restructuring expenses were recorded as "Selling, technical, general and administrative" expense in the Consolidated Statements of Operations. There are no material additional costs expected to be incurred in connection with these discrete restructuring activities.

**20. OTHER INCOME (EXPENSE), NET**

"Other income (expense), net," as reported in the Consolidated Statements of Operations, consisted of the following:

(dollars in millions)	Year Ended December 31,		
	2022	2021	2020
Loss on debt extinguishment	\$ —	\$ —	\$ (45.7)
Loss on derivative contracts	(0.2)	(15.7)	(9.0)
Other income, net	3.1	5.9	3.0
<b>Total</b>	<b>\$ 2.9</b>	<b>\$ (9.8)</b>	<b>\$ (51.7)</b>

**ELEMENT SOLUTIONS INC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**21. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES**

"Accrued expenses and other current liabilities," as reported in the Consolidated Balance Sheets, consisted of the following:

(dollars in millions)	December 31,	
	2022	2021
Accrued salaries, wages and employee benefits	\$ 57.0	\$ 105.6
Accrued taxes (income and non-income)	59.8	50.0
Accrued interest	10.6	10.6
Derivative liabilities	5.5	17.6
Lease liabilities	15.9	18.7
Other current liabilities	51.9	61.6
<b>Total</b>	<b>\$ 200.7</b>	<b>\$ 264.1</b>

**22. SEGMENT INFORMATION**

The Company's operations are organized into two reportable segments: Electronics and Industrial & Specialty. These segments represent businesses for which separate financial information is utilized by the chief operating decision maker for purposes of allocating resources and evaluating performance. See Note 1, *Background and Basis of Presentation*, to the Consolidated Financial Statements for information about the transfer of the Company's Films business from Industrial & Specialty to Electronics in the second quarter of 2022.

The Company allocates resources and evaluates the performance of its operating segments based primarily on net sales and Adjusted EBITDA. Adjusted EBITDA for each segment is defined as EBITDA, as further adjusted for additional items included in earnings which the Company believes are not representative or indicative of each of its segments' ongoing business, including unrealized gains/losses on metals derivative contracts, or are considered to be associated with the Company's capital structure. Adjusted EBITDA for each segment also includes an allocation of corporate costs, such as compensation expense and professional fees.

**ELEMENT SOLUTIONS INC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Results of Operations**

The following table summarizes financial information regarding each reportable segment's results of operations, including disaggregated external net sales by product category:

(dollars in millions)	Year Ended December 31,		
	2022	2021	2020
<b>Net Sales:</b>			
<b>Electronics</b>			
Assembly Solutions	\$ 839.4	\$ 824.2	\$ 571.7
Circuitry Solutions	496.5	503.7	441.1
Semiconductor Solutions	268.2	254.6	199.4
<b>Total Electronics</b>	<b>1,604.1</b>	<b>1,582.5</b>	<b>1,212.2</b>
<b>Industrial &amp; Specialty</b>			
Industrial Solutions	728.3	599.7	432.9
Graphics Solutions	150.1	155.5	143.6
Energy Solutions	66.9	62.1	65.0
<b>Total Industrial &amp; Specialty</b>	<b>945.3</b>	<b>817.3</b>	<b>641.5</b>
<b>Total net sales</b>	<b>\$ 2,549.4</b>	<b>\$ 2,399.8</b>	<b>\$ 1,853.7</b>
<b>Adjusted EBITDA:</b>			
Electronics	\$ 362.1	\$ 372.0	\$ 291.9
Industrial & Specialty	164.5	152.8	131.4
<b>Total Adjusted EBITDA</b>	<b>\$ 526.6</b>	<b>\$ 524.8</b>	<b>\$ 423.3</b>

The following table reconciles "Net income attributable to common stockholders" to Adjusted EBITDA:

(dollars in millions)	Year Ended December 31,		
	2022	2021	2020
<b>Net income attributable to common stockholders</b>	<b>\$ 187.2</b>	<b>\$ 203.3</b>	<b>\$ 75.7</b>
<b>Add (subtract):</b>			
Net income attributable to the non-controlling interests	0.8	0.4	—
(Income) loss from discontinued operations, net of tax	(1.8)	(0.3)	1.1
Income tax expense	85.8	48.3	4.3
Interest expense, net	51.2	54.2	63.4
Depreciation expense	41.6	39.7	42.2
Amortization expense	119.7	124.2	119.2
<b>EBITDA</b>	<b>484.5</b>	<b>469.8</b>	<b>305.9</b>
<b>Adjustments to reconcile to Adjusted EBITDA:</b>			
Restructuring expense	9.5	11.7	6.3
Inventory step-up	0.5	12.9	2.4
Acquisition and integration expense	10.6	14.2	12.3
Foreign exchange loss (gain) on internal debt	7.8	(16.6)	35.4
Debt refinancing costs	—	—	45.7
Foundation contributions	—	—	5.0
Unrealized loss (gain) on metals derivative contracts	1.3	(0.1)	0.7
Adjustment of stock compensation previously not probable (Note 8)	1.3	23.9	—
Other, net	11.1	9.0	9.6
<b>Adjusted EBITDA</b>	<b>\$ 526.6</b>	<b>\$ 524.8</b>	<b>\$ 423.3</b>

**ELEMENT SOLUTIONS INC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Net Sales by Major Country**

A major country is defined as one in which total net sales represented 10% or more of the Company's total consolidated net sales in any of the years presented.

<i>(dollars in millions)</i>	Year Ended December 31,		
	2022	2021	2020
United States	\$ 645.3	\$ 585.0	\$ 485.3
China	498.1	486.5	347.9
Other countries	1,406.0	1,328.3	1,020.5
<b>Total</b>	<b>\$ 2,549.4</b>	<b>\$ 2,399.8</b>	<b>\$ 1,853.7</b>

**Long-Lived Assets by Major Country**

A major country is defined as one with long-lived assets greater than 10% of the Company's total long-lived assets, net in any of the years presented. Long-lived assets represent property, plant and equipment, net.

<i>(dollars in millions)</i>	December 31,	
	2022	2021
United States	\$ 89.7	\$ 87.9
China	42.3	44.5
Other countries	145.2	145.7
<b>Total</b>	<b>\$ 277.2</b>	<b>\$ 278.1</b>

**Assets by Reportable Segment**

Total assets by reportable segment at December 31, 2022 and 2021 are not presented as they are not utilized for purposes of allocating resources and evaluating performance.

## Element Solutions Inc

## Valuation and Qualifying Accounts and Reserves

<i>(dollars in millions)</i>	Balance at beginning of period	(Charges) Income	Deductions from (increases to) reserves and other <sup>(1)</sup>	Balance at end of period
<b>Reserves against accounts receivable:</b>				
2022	\$ (12.2)	\$ (3.2)	\$ 1.0	\$ (14.4)
2021	(9.7)	(2.3)	(0.2)	(12.2)
2020	(8.8)	(2.0)	1.1	(9.7)

<i>(dollars in millions)</i>	Balance at beginning of period	(Charges) Income	Deductions from (increases to) reserves and other <sup>(1)</sup>	Balance at end of period
<b>Valuation allowances against deferred tax assets:</b>				
2022	\$ (151.4)	\$ 5.1	\$ (6.9)	\$ (153.2)
2021	(199.1)	57.9	(10.2)	(151.4)
2020	(219.6)	25.2	(4.7)	(199.1)

<sup>(1)</sup> Other activity consists primarily of currency translation effects.



## ELEMENT SOLUTIONS INC

## Subsidiaries

The following are subsidiaries of Element Solutions Inc as of December 31, 2022 and the state or jurisdiction in which each of these subsidiaries is incorporated or organized:

Subsidiaries	State or Jurisdiction of Incorporation/Organization
AI Divestitures, Inc.	Delaware
Alent Enthone Chemistry (Shanghai) Co., Ltd.	China
Alent Finance Limited	United Kingdom
Alent Germany GmbH	Germany
Alent Holdings Brazil Limited	United Kingdom
Alent Holdings BV	Netherlands
Alent, Inc.	Rhode Island
Alent Investments, Inc.	Delaware
Alent Investments Limited	United Kingdom
Alent Limited	United Kingdom
Alent New Finance (UK) Limited	United Kingdom
Alent New Mexico Holdings Limited	United Kingdom
Alent USA Holding, Inc.	Delaware
Alpha Assembly Solutions	Singapore
Alpha Assembly Solutions (Shanghai) Trading Co., Ltd.	China
Alpha Assembly Solutions (Shenzhen) Co., Ltd.	China
Alpha Assembly Solutions (Taiwan) Limited	Taiwan
Alpha Assembly Solutions Belgium NV	Belgium
Alpha Assembly Solutions Brasil Soldas Ltda.	Brazil
Alpha Assembly Solutions Germany GmbH	Germany
Alpha Assembly Solutions Inc.	Delaware
Alpha Assembly Solutions Korea Limited	South Korea
Alpha Assembly Solutions Netherlands B.V.	Netherlands
Alpha Metals China Holdings Co. Ltd	Hong Kong
Alpha Metals Limited	Hong Kong
Alpha Metals Mexico, S.A. de C.V.	Mexico
Anion Química Industrial S.A.	Brazil
Aprochim S.r.l.	Italy
AR Mexican Holdings, Inc.	Delaware
Bayport Chemical Service, Inc.	Texas
Canning Gumm, LLC	Delaware
Compugraphics International Limited	United Kingdom
Compugraphics Jena GmbH	Germany
Compugraphics U.S.A. Inc.	Delaware
Cookson Holding Company	Delaware
Cookson India Private Limited	India

Coventya AB	Sweden
Coventya Americas GmbH	Germany
Coventya Beteiligungs GmbH	Germany
Coventya Environmental Plating Technology (JiangSu) Co., Ltd	China
Coventya GmbH	Germany
Coventya Holding Italy S.r.l.	Italy
Coventya Holding SAS	France
Coventya Inc.	New York
Coventya India Private Ltd	India
Coventya International GmbH	Germany
Coventya Kimya Sanayi ve Ticaret Anonim Sirketi	Turkey
Coventya Korea Co., Limited	Korea
Coventya Malaysia Sdn. Bhd	Malaysia
Coventya Quimica Ltda	Brazil
Coventya SAS	France
Coventya South East Asia Pte. Ltd	Singapore
Coventya S.r.l.	Italy
Coventya Technologies S.L.	Spain
Dipl.-Ing. W. Schmidt GmbH	Germany
EI Liquidation, Inc.	New York
Enthone-OMI (Hong Kong) Co., Ltd.	Hong Kong
Fernox Limited	United Kingdom
HKW (Suzhou) New Material Co., Ltd	China
H K Wentworth America, Inc.	California
H.K. Wentworth (India) Private Limited	India
H.K. Wentworth EBT Trustee Limited	United Kingdom
H.K. Wentworth Limited	United Kingdom
H.K. Wentworth (NZ) Limited	New Zealand
H.K. Wentworth Pty Limited	Australia
HSO Chemicals Shanghai Ltd	China
HSO Herbert Schmidt GmbH & Co. KG	Germany
HSO Hong Kong Holding Limited	Hong Kong
Internacional de Manufacturas Asociadas SA	Spain
Kester LLC	Illinois
Macdermid (Panyu) Speciality Co. Ltd.	China
MacDermid (Suisse) Sàrl	Switzerland
MacDermid (Thailand) Limited	Thailand
MacDermid Actium, Ltd	United Kingdom
MacDermid Acumen, Inc.	Delaware
MacDermid Alpha Electronics Solutions	Singapore
MacDermid Alpha France SAS	France
MacDermid Alpha Hungary Kft	Hungary
MacDermid Alpha Italy S.r.l	Italy
MacDermid Anion, Inc.	Delaware
MacDermid Autotype Incorporated	Delaware
MacDermid Autotype Limited	United Kingdom
MacDermid Autotype Pte Ltd	Singapore

MacDermid Brazil, Inc.	Delaware
MacDermid Canning Limited	United Kingdom
MacDermid Chemical Industries Argentina, Inc.	Delaware
MacDermid Continental Investments Limited	United Kingdom
MacDermid de México, S.A. de C.V.	Mexico
MacDermid do Brazil Ltda	Brazil
MacDermid Dutch Investments CV	Netherlands
MacDermid Enthone B.V.	Netherlands
MacDermid Enthone Bermuda B.V.	Netherlands
MacDermid Enthone Electronics Solutions (M) Sdn Bhd	Malaysia
MacDermid Enthone GmbH	Germany
MacDermid Enthone Inc.	Delaware
MacDermid Enthone s.r.o.	Czech Republic
MacDermid Enthone Sdn Bhd	Malaysia
MacDermid Enthone Singapore Pte Ltd	Singapore
MacDermid Enthone Slovakia s.r.o.	Slovakia
MacDermid Enthone Sp. z o.o.	Poland
MacDermid Enthone Spain, S.L.	Spain
MacDermid Enthone Taiwan Co., Ltd.	Taiwan
MacDermid Enthone Technology (Suzhou) Co., Ltd.	China
MacDermid Enthone Trading (Shanghai) Co., Ltd.	China
MacDermid Europe Limited	United Kingdom
MacDermid Europe SAS	France
MacDermid European Holdings BV	Netherlands
MacDermid Graphics Solution Europe SAS	France
MacDermid Graphics Solutions Ltda	Brazil
MacDermid Graphics Solutions Production UK Limited	United Kingdom
MacDermid Graphics Solutions UK Limited	United Kingdom
MacDermid Graphics Solutions, LLC	Delaware
MacDermid Holdings BV	Netherlands
MacDermid Hong Kong Limited	Hong Kong
MacDermid Houston, Inc.	Delaware
MacDermid, Incorporated	Connecticut
MacDermid India Private Ltd.	India
MacDermid International Investments, LLC	Delaware
MacDermid International Partners	Delaware
MacDermid Netherlands Cooperatief W.A.	Netherlands
MacDermid Offshore Fluidos do Brazil Industrial Ltda.	Brazil
MacDermid Offshore Solutions, LLC	Delaware
MacDermid Overseas Asia Limited	Delaware
MacDermid Performance Acquisition Germany GmbH I	Germany
MacDermid Performance Acquisition GmbH II	Germany
MacDermid Performance Acquisitions Ltd	United Kingdom
MacDermid Performance Solutions	Singapore
MacDermid Performance Solutions Canada, Inc	Canada
MacDermid Performance Solutions Company Limited	Vietnam
MacDermid Performance Solutions Espanola SA	Spain

MacDermid Performance Solutions France SAS	France
MacDermid Performance Solutions Hong Kong Limited	Hong Kong
MacDermid Performance Solutions Inc.	Philippines
MacDermid Performance Solutions Italiana S.r.l.	Italy
MacDermid Performance Solutions Japan K.K.	Japan
MacDermid Performance Solutions Kimyasal Sanayi ve Ticaret A.Ş	Turkey
MacDermid Performance Solutions Korea Inc.	South Korea
MacDermid Performance Solutions Scandinavia AB	Sweden
MacDermid Performance Solutions Services Limited	United Kingdom
MacDermid Performance Solutions Singapore Pte Ltd	Singapore
MacDermid Performance Solutions Taiwan Ltd	Taiwan
MacDermid Performance Solutions UK Limited	United Kingdom
MacDermid Printing Solutions Acumen, Inc.	Delaware
MacDermid Singapore Pte Ltd	Singapore
MacDermid Technology (Suzhou) Co. Ltd.	China
MacDermid Texas, Inc.	Delaware
MD Graphics Solutions, LLC	Delaware
Microgleit Spezialschmierstoffe, GmbH	Germany
MRD Acquisition Corp.	Delaware
Napp Printing Plate Distribution, Inc.	South Dakota
Napp Systems Inc.	Iowa
Oak Barrel Investments Ltd.	United Kingdom
Offshore Development Co. Limited	United Kingdom
OMI International Corporation	Delaware
Politeknik Metal Sanayi ve Ticaret Anonim Sirketi	Turkey
Revestsul Produtos Quimicos Ltda	Brazil
Rockville Venture, LLC	Delaware
Semitronic SA	Spain
Shenzhen Hua Mei Electroplating Technology Company Limited	China
SPC Divestiture, Inc.	Delaware
Specialty Polymers, Inc.	Massachusetts
Surface Treatments Ltd.	United Kingdom
Vernon-Rockville Venture, LLC	Delaware
W. Canning Inc.	Delaware
W. Canning Ltd.	Texas
W. Canning USA, LLC	Delaware
Zhejiang Electrolube New Materials Co., Ltd	China
Zhejiang HKW Technology Co., Ltd	China

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-266349) and Form S-8 (No. 333-194012 and No. 333-196698) of Element Solutions Inc of our report dated February 22, 2023 relating to the financial statements, financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP  
Stamford, Connecticut  
February 22, 2023

**POWER OF ATTORNEY  
ANNUAL REPORT ON FORM 10-K FOR FISCAL YEAR 2022**

KNOW ALL BY THESE PRESENTS that each person whose signature appears below hereby constitutes and appoints Benjamin Gliklich and John E. Capps, and each of them, his true and lawful attorneys-in-fact and agents, with full power of substitution and revocation, for him and in his name, place and stead, in any and all capacities, to sign the Annual Report on Form 10-K of Element Solutions Inc for the fiscal year ended December 31, 2022, and any amendments thereto, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform such and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

This Power of Attorney may be executed in separate counterparts, each of which shall be deemed an original, but all such counterparts shall together constitute one and the same instrument.

IN WITNESS WHEREOF, each of the undersigned has executed this Power of Attorney as of the 22nd day of February, 2023.

**Signature****Title**/s/ Sir Martin E. Franklin

Executive Chairman of the Board

Sir Martin E. Franklin

/s/ Benjamin Gliklich

Director, President and Chief Executive Officer

Benjamin Gliklich

/s/ Ian G.H. Ashken

Director

Ian G.H. Ashken

/s/ Elyse Napoli Filon

Director

Elyse Napoli Filon

/s/ Christopher T. Fraser

Director

Christopher T. Fraser

/s/ Michael F. Goss

Director

Michael F. Goss

/s/ Nichelle Maynard-Elliott

Director

Nichelle Maynard-Elliott

/s/ E. Stanley O'Neal

Director

E. Stanley O'Neal

## CERTIFICATION

I, Benjamin Gliklich, certify that:

1. I have reviewed this Annual Report on Form 10-K of Element Solutions Inc;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 22, 2023

/s/ Benjamin Gliklich

Benjamin Gliklich

President and Chief Executive Officer

## CERTIFICATION

I, Carey J. Dorman, certify that:

1. I have reviewed this Annual Report on Form 10-K of Element Solutions Inc;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 22, 2023

/s/ Carey J. Dorman

Carey J. Dorman

Executive Vice President and Chief Financial Officer



**CERTIFICATION  
OF  
CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K of Element Solutions Inc (the "Company") for the year ended December 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Benjamin Gliklich, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Benjamin Gliklich

Benjamin Gliklich  
President and Chief Executive Officer

February 22, 2023

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

In connection with the Annual Report on Form 10-K of Element Solutions Inc (the "Company") for the year ended December 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Carey J. Dorman, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Carey J. Dorman

Carey J. Dorman  
Executive Vice President and Chief Financial Officer

February 22, 2023

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.