## Half Year Results

**TREATT PLC**
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# TREATT PLC
# HALF YEAR RESULTS
# SIX MONTHS ENDED 31 MARCH 2023

## Record H1 revenue and strong profit growth; trading in line with expectations for the full year

Treatt Plc ('Treatt' or the 'Group'), the manufacturer and supplier of a diverse and sustainable portfolio of natural extracts and ingredients for the beverage, flavour and fragrance industries, announces its half year results for the six months ended 31 March 2023 (the "Period").

### FINANCIAL HIGHLIGHTS:

| | Half year ended 31 March 2023 | Half year ended 31 March 2022 | Change |
|---|---|---|---|
| Revenue | £76.0m | £66.3m | +14.6% |
| Gross profit margin | 28.2% | 27.5% | +70bps |
| Operating profit before exceptional items | £7.7m | £6.6m | +17.1% |
| Profit before tax and exceptional items | £7.3m | £6.3m | +15.0% |
| Profit before tax | £6.6m | £9.0m | -26.0% |
| Adjusted basic earnings per share | 9.04p | 8.21p | +10.1% |
| Basic earnings per share | 8.15p | 12.72p | -35.9% |
| Dividend per share | 2.55p | 2.50p | +2.0% |

### HIGHLIGHTS & OUTLOOK:

- Record H1 revenue with 14.6% growth across the product portfolio (8.5% in constant currency)
- Strong performance in citrus and good momentum in both China and coffee
- Pricing actions and cost discipline implemented to recover raw material inflation
- Profit before tax and exceptional items of £7.3m, up by 15.0% (H1 2022: £6.3m)
- Inventory reduction of £7.7m since FY22 notwithstanding record high orange oil prices
- Net debt reduced to £17.7m (FY22: £22.4m) despite normal working capital build in first half
- Good momentum into H2 and expect to report full year profit before tax and exceptionals in line with Board expectations
- The Board has declared an interim dividend at 2.55 pence per share

Commenting on the results, Group CEO, Daemmon Reeve, said:

*"We came into this financial year determined to continue pursuing the exciting growth opportunities available to Treatt with a focus on cost discipline and pricing initiatives to counter the inflationary backdrop. These actions have proved effective and we have achieved record sales for the period and a strong profit performance.*

*"We remain well-positioned to capitalise on prevailing trends in a resilient beverage market. We are winning new customers and deepening our relationships with our existing ones. This has led to a very strong performance in our higher margin citrus category, growth in China following its re-opening and we have also seen some good early wins in the exciting coffee market.*

*"Treatt has good momentum going into the second half to support our continued confidence in the group's future prospects."*

### Analyst and investor conference call

An in-person presentation for analysts and investors will be held at 9.30 a.m. today, 9 May 2023. For details and to confirm attendance, or for webcast information, please contact MHP at treatt@mhpgroup.com. A recording will be made available after the event.

In accordance with DTR 6.3.5 please find below the unedited full text of the half year results.

A copy of the half year results will be submitted to the National Storage Mechanism and will shortly be available for inspection at https://data.fca.org.uk/#/nsm/nationalstoragemechanism. It will also be available on the Treatt website at www.treatt.com/investor-relations.

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## About the Group

Treatt is a global, independent manufacturer and supplier of a diverse and sustainable portfolio of natural extracts and ingredients for the flavour, fragrance and multinational consumer product industries, particularly in the beverage sector. Renowned for its technical expertise and knowledge of ingredients, their origins and market conditions, Treatt is recognised as a leader in its field.

The Group employs approximately 400 staff in Europe, North America and Asia and has manufacturing facilities in the UK and US. Its international footprint enables the Group to deliver powerful and integrated solutions for the food, beverage and fragrance industries across the globe.

For further information about the Group, visit www.treatt.com.

# HALF YEAR RESULTS STATEMENT

## Introduction

The Group has made a strong start to FY23, with record H1 sales 14.6% ahead of the prior year and 8.5% ahead at constant currency.

Our volumes into the beverage market have shown resilience despite the uncertain macro environment. We continue to win business with both new and existing customers through direct sales to FMCG brands, as well as indirectly through flavour and fragrance houses, demonstrating the strength of the Group's diverse business model.

Gross profit margins were higher in the Period (28.2% vs 27.5% in H1 2022), reflecting the successful execution of price increases to recover raw material inflation. and a positive mix effect in citrus.

Strong cost discipline and other self-help measures have also helped to deliver growth in Profit before tax and exceptional items to £7.3m, which is 15.0% ahead of the prior year (H1 2022: £6.3m).

## Strategic focus

Our citrus category remains core to the Group's strategy as we continue to see good growth in providing more complex, higher value, and bespoke citrus solutions for our large beverage customers.

We continue to benefit from underlying beverage trends, and consumer appetite for natural, authentic, 'better for you' products that has underpinned the consistent growth of our healthier living categories (tea, health & wellness and fruit & vegetables) in recent years; and it is encouraging to see momentum continue across these categories in the Period.

Although it remains early days, coffee sales growth is promising and provides optimism for the breadth of opportunities in this category. The good performance in H1 came as we focused on the premium cold brew coffee and ready-to-drink (RTD) markets. We continue to see growth in sales and in our pipeline across these markets. We expect to optimise our manufacturing platform further which will enable us to attract more customers in US and Europe.

China continues to be an important strategic region for the Group and our China subsidiary is making encouraging progress, with sales into the region increasing by 38.6% in H1 following the country re-opening post Covid lockdowns. Citrus is a key driver for medium term growth and we had customer wins with 3 of the 4 largest beverage brands in the country. We have recently invested in technical lab equipment in China to further accelerate sales growth and we will look to evolve our local operational partnerships.

## Category developments

### Citrus

The Group's strategy to diversify away from minimally processed citrus towards more value-added ingredients continued to drive a strong performance from our largest category. Citrus, which represented 54.2% of Group revenue in the Period (H1 2022: 46.8%), grew by 32.6% as we benefitted from the execution of our procurement and pricing strategies and increased our value-added citrus sales to existing FMCG beverage customers. Volumes in our lower margin products were actively managed downwards given our strategic focus.

### Synthetic aroma

Synthetic aromas, which relates primarily to food ingredients, represented 13.5% of Group revenue in the Period (H1 2022: 19.9%), and has declined in volume due to customer destocking of products used to flavour savoury snacks and alternative proteins foods. However, sales volumes were largely offset by sales price increases and a lower cost to serve, maintaining the contribution level from this product category. Volumes are anticipated to normalise in H2.

### Herbs, spices & florals (HSF)

The HSF category consists of a wide range of traded and manufactured essential oils including key beverage ingredients, representing 7.7% of revenue in the Period (H1 2022: 9.7%). Sales declined 9.5% in the Period reflecting raw material quality constraints which are expected to normalise in H2, however, price increases mitigated any impact on the value of product margins which remained consistent with H1 2022.

### Health & wellness

Our health & wellness category continues to perform well, representing 7.0% of Group revenue (H1 2022: 7.9%), with modest growth of 2.7% compared with H1 2022. Our technical expertise in delivering solutions in the complex area of sugar reduction science continues to drive growth alongside sustained demand from consumers for healthy-living products, in particular, reducing the calorific content in beverages.

### Fruit & vegetables

The fruit & vegetables category is a range of natural extracts which lend themselves very well to a wide range of largely premium beverage applications and the demand from health-conscious consumers favouring products that promote clean-label ingredients. This category reported strong growth of 23.1% compared with H1 2022 and represented 10.2% of revenue in the Period (H1 2022: 9.5%), with passion fruit and watermelon performing particularly strongly.

### Tea

Revenue performance in the tea category was, as expected, consistent with the prior year with our natural and authentic tea solutions represented 4.8% of Group revenue in the Period (H1 2022: 5.6%). We anticipate a stronger performance from this category in H2 driven by RTD tea consumption in North America which is seasonally stronger in the summer months.

### Coffee

Our investment in coffee innovation continues, and we have seen encouraging demand for our premium natural coffee extracts with the category reporting sales of £2.0m in the Period (H1 2021: £0.4m), representing 2.6% of Group revenue (H1 2022: 0.6%). Current opportunities are focussed on the premium cold brew coffee and ready-to-drink (RTD) markets, where we continue to see growth in sales and in our pipeline.

## Geographical markets

Our largest region, the US, accounted for 37.2% of Group revenue in the Period (H1 2022: 35.9%) and has grown 18.9% (6.5% in constant currency) mainly as a result of higher prices to recover raw material inflation and favourable citrus mix Fruit & vegetables and coffee volumes improved in the Period driven by demand in premium and authentic FMCG brands and cold brew coffee with a large US retailer.

Europe, excluding UK, has continued to perform well, representing 26.6% of Group revenue (H1 2022: 25.5%), with growth of 19.9% in the Period driven by strong citrus performance.

Revenue attributable to UK customers which represented 5.1% of Group revenue (H1 2022: 7.4%) has reduced by 21.1% impacted particularly by a decline in synthetic aroma volumes.

China continues to offer a significant geographical opportunity for the Group, contributing 6.5% of Group revenue (H1 2022: 5.4%), with growth of 38.6% against the comparable period. Our China team are committed to developing innovative solutions relevant to consumer beverage demands and positioning Treatt with the leading manufacturers. We continue to invest in the capability of our China business, both in terms of technical lab equipment and headcount, enabling new business wins and building our sustained confidence in the longer-term outlook for the region.

## Capital Investment Programme

The final transition to the new UK facility is on course to be completed by the end of the current financial year. We estimate that the final costs incurred in relation to the UK site investment and relocation will be approximately £46m-£47m in line with the original management expectations. Three years post completion, we expect to be generating a 10-15% return on investment ('ROI') from this site, with process efficiencies and initial headcount savings already taking effect. Having secured our foundations, we are looking to optimise our increased global capacity and create the platform to deliver Treatt's ambitious growth plans.

## Environmental, Social and Corporate Governance (ESG)

We remain committed to embedding sustainability throughout our business and our value chain. Around 80% of our sales, and over 90% of our purchases, are natural products and our largest product category, Citrus, is entirely derived from by-products which might otherwise go to waste. For us, it is about continuous improvement and moving at a pace which ensures we are acting responsibly and transparently whilst operating successfully and sustainably. Further to setting incremental carbon reduction targets we have started our net zero transition planning, alongside continuing to deliver of our global sustainability strategy. This includes the roll out of our responsible and sustainable sourcing policy which is bringing us enhanced visibility across our supply chain; invaluable in delivering our ESG goals.

## Financial review

Group revenue grew by 14.6% to an H1 record of £76.0m (H1 2022: £66.3m), with profit before tax and exceptionals increasing by 15.0% to £7.3m (H1 2022: £6.3m). In constant currency terms, revenue increased by 8.5%[1]. The diversity across our product categories, our particular strength in citrus and relevance of our innovative range of solutions continues to result in sizeable opportunities with both new and existing customers. Gross margin increased by 70 bps to 28.2% during the Period as a result of price increases offsetting raw material cost inflation.

Operating costs increased by 17.4% (10.7% in constant currency) to £13.7m (H1 2022: £11.7m) with increased depreciation in the UK of £0.5m and general cost inflation being key drivers. After substantial investment in our people and production facilities in the past 18 months to support the Group's next phase of expansion, we do not anticipate any significant increase in administrative expenses in the short to medium term above the normal rate of inflation. Group headcount has reduced by 7.1% since September 2022 with the benefits of relocating to our new UK facility beginning to show the expected efficiencies.

Exceptional costs in the Period totalled £0.7m (H1 2022: £2.6m net gain, including £3.3m profit on the sale of the previous UK facility) related to one-off expenses in respect of the UK site relocation and restructuring costs.

Having implemented a revised hedging and currency management strategy, providing increased visibility and controls over our currency exposures, foreign exchange impacts during the Period were successfully managed with a net loss of £0.2m (H1 2022: £0.6m loss).

Reported profit for the Period of £4.9m represents a 35.6% decline against the comparable period last year, however, on a like-for-like basis (excluding the gain on disposal in H1 2022) profit for the Period saw 13.6% growth, with basic adjusted earnings per share increasing to 9.04p (H1 2022: 8.21p).

## Cash flow

The Group generated cash of £2.1m in the Period. Net cash generated from operations was £9.4m (H1 2022: £6.8m outflow) while net capital expenditure of £2.4m was incurred (H1 2022: £6.7m), £0.5m of which related to the new UK facility.

The working capital inflow for the Period of £0.6m (H1 2022: £15.1m outflow) was driven by a decrease in trade and other receivables, and a reduction in inventory despite higher raw material prices, in particular orange oil, which is at an all-time high. This was offset by a decrease in trade and other payables with the FY2022 closing balance carrying a higher value of inventory-in-transit accruals.

## Balance sheet

The Group ended the half year with net debt of £17.7m (FY22: £22.4m) despite the normal working capital build in the first half. This was made up of bank loans and borrowings of £19.8m, gross cash of £2.5m, and net lease liabilities of £0.4m.

During the Period the Group embarked on the refinancing of bilateral facilities for the UK and US entities with headroom to support future investment. The US refinancing of a $25m facility with Bank of America is now complete and we are in the final stages of completing a £25m UK facility with HSBC, having obtained credit approval. We anticipate the UK facility being operational by end-May 2023. Both facilities have a minimum term of three years.

The UK final salary pension scheme has been closed to both new entrants and future accruals for many years. The scheme's funding position has recently benefitted from an increase in the discount rate applied to the liabilities of the scheme and is currently in an accounting surplus. Under accounting standard IAS 19, the post-employment benefits surplus in the balance sheet increased from £1.8m to £1.9m in the Period. Despite the surplus, the Company has agreed with the trustees to maintain the current level of annual contributions at £0.45m.

## Dividend

The Board has declared an interim dividend of 2.55 pence per share (2022 interim: 2.50 pence per share). This reflects a balance of the Board's understanding of the importance of dividend payments to shareholders, effective financial discipline and transitioning towards a healthy long term dividend cover of up to 3 times. The interim dividend will be payable on 10 August 2023 to shareholders on the register at close of business on 30 June 2023.

## Outlook

We are pleased with the strong performance year to date and we have good confidence in Treatt's proposition and its ability to deliver growth, supported by positive market dynamics. Q2 momentum was particularly encouraging and we enter H2 with a strong order book and sales pipeline and trading continues in line with the Board's expectations for the full year.

[1] Constant currency revenue growth is calculated on the movement from prior period comparative restated at the current period average exchange rate.

TREATT PLC

HALF YEAR FINANCIAL STATEMENTS

CONDENSED GROUP INCOME STATEMENT

for the six months ended 31 March 2023

| | Notes | Six months to 31 March 2023 (unaudited) Before exceptional items £'000 | Exceptional items £'000 | Total £'000 | Six months to 31 March 2022 (unaudited) Before exceptional items £'000 | Exceptional items £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|
| Revenue | 7 | 75,951 | - | 75,951 | 66,283 | - | 66,283 |
| Cost of sales | | (54,550) | - | (54,550) | (48,036) | - | (48,036) |
| Gross profit | | 21,401 | - | 21,401 | 18,247 | - | 18,247 |
| Administrative expenses | | (13,695) | (119) | (13,814) | (11,668) | - | (11,668) |
| Gain on property sale | 8 | - | - | - | - | 3,323 | 3,323 |
| Relocation expenses | 8 | - | (544) | (544) | - | (709) | (709) |
| Operating profit[1] | | 7,706 | (663) | 7,043 | 6,579 | 2,614 | 9,193 |
| Finance income | | - | - | - | 9 | - | 9 |
| Finance costs | | (417) | - | (417) | (250) | - | (250) |
| Profit before taxation | | 7,289 | (663) | 6,626 | 6,338 | 2,614 | 8,952 |
| Taxation | 9 | (1,801) | 121 | (1,680) | (1,384) | 109 | (1,275) |
| Profit for the period attributable to owners of the Parent Company | | 5,488 | (542) | 4,946 | 4,954 | 2,723 | 7,677 |

| Earnings per share attributable to equity holders of the Parent Company | | Adjusted[2] | | Statutory | Adjusted[2] | | Statutory |
|---|---|---|---|---|---|---|---|
| Basic | 11 | 9.04p | | 8.15p | 8.21p | | 12.72p |
| Diluted | 11 | 9.00p | | 8.11p | 8.12p | | 12.59p |

[1] Operating profit is calculated as profit before net finance costs and taxation.

[2] All adjusted measures exclude exceptional items and the related tax effect, details of which are given in note 8.

Notes 1 - 12 form part of these condensed half year financial statements.

# CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

## for the six months ended 31 March 2023

| | Six months to 31 March 2023 (unaudited) £'000 | Six months to 31 March 2022 (unaudited) £'000 |
|---|---|---|
| Profit for the period attributable to owners of the Parent Company | 4,946 | 7,677 |
| | | |
| Items that may be reclassified subsequently to profit or loss: | | |
| Currency translation differences on foreign currency net investments | (6,889) | 1,325 |
| Current tax on foreign currency translation differences | (64) | 7 |
| Fair value movement on cash flow hedges | 432 | 149 |
| Deferred tax on fair value movement | (85) | (28) |
| | (6,606) | 1,453 |
| Items that will not be reclassified subsequently to profit or loss: | | |
| Actuarial (loss)/gain on defined benefit pension scheme | (109) | 2,729 |
| Current tax on pension liability | - | - |
| Deferred tax on actuarial gain or loss | - | (682) |
| | (109) | 2,047 |
| | | |
| Other comprehensive (expense)/income for the period | (6,715) | 3,500 |
| | | |
| Total comprehensive (expense)/income for the period attributable to owners of the Parent Company | (1,769) | 11,177 |

Notes 1 - 12 form part of these condensed half year financial statements.

## CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

### for the six months ended 31 March 2022 (unaudited)

| | Share capital £'000 | Share premium account £'000 | Own shares in share trusts £'000 | Hedging reserve £'000 | Foreign exchange reserve £'000 | Retained earnings £'000 | Total equity £'000 |
|---|---|---|---|---|---|---|---|
| 1 October 2021 | 1,208 | 23,484 | (4) | (292) | 1,820 | 80,083 | 106,299 |
| Profit for the period | | | | | | 7,677 | 7,677 |
| Exchange differences | - | - | - | - | 1,325 | - | 1,325 |
| Fair value movement on cash flow hedges | - | - | - | 149 | - | - | 149 |
| Actuarial gain on defined benefit pension scheme | - | - | - | - | - | 2,729 | 2,729 |
| Taxation relating to items above | - | - | - | (28) | 7 | (682) | (703) |
| Total comprehensive income | - | - | - | 121 | 1,332 | 9,724 | 11,177 |
| Transactions with owners: | | | | | | | |
| Dividends | - | - | - | - | - | (3,322) | (3,322) |
| Share-based payments | - | - | - | - | - | 616 | 616 |
| Issue of new shares | 1 | - | (1) | - | - | - | - |
| Movement in own shares in share trusts | - | - | 4 | - | - | - | 4 |
| Gain on release of shares in share trusts | - | - | - | - | - | 214 | 214 |
| Total transactions with owners | 1 | - | 3 | - | - | (2,492) | (2,488) |
| As at 31 March 2022 | 1,209 | 23,484 | (1) | (171) | 3,152 | 87,315 | 114,988 |

### for the six months ended 31 March 2023 (unaudited)

| | Share capital £'000 | Share premium account £'000 | Own shares in share trusts £'000 | Hedging reserve £'000 | Foreign exchange reserve £'000 | Retained earnings £'000 | Total equity £'000 |
|---|---|---|---|---|---|---|---|
| 1 October 2022 | 1,217 | 23,484 | (5) | (311) | 13,383 | 96,082 | 133,850 |
| Profit for the period | - | - | - | - | - | 4,946 | 4,946 |
| Exchange differences | - | - | - | - | (6,889) | - | (6,889) |
| Fair value movement on cash flow hedges | - | - | - | 432 | - | - | 432 |
| Actuarial loss on defined benefit pension scheme | - | - | - | - | - | (109) | (109) |
| Taxation relating to items above | - | - | - | (85) | (64) | - | (149) |
| Total comprehensive income | - | - | - | 347 | (6,953) | 4,837 | (1,769) |
| Transactions with owners: | | | | | | | |
| Dividends | - | - | - | - | - | (3,250) | (3,250) |
| Share-based payments | - | - | - | - | - | 646 | 646 |
| Issue of new shares | 1 | - | (1) | - | - | - | - |
| Movement in own shares in share trusts | - | - | - | - | - | - | - |
| Gain on release of shares in share trusts | - | - | - | - | - | 208 | 208 |
| Total transactions with owners | 1 | - | (1) | - | - | (2,396) | (2,396) |
| As at 31 March 2023 | 1,218 | 23,484 | (6) | 36 | 6,430 | 98,523 | 129,685 |

Notes 1 - 12 form part of these condensed half year financial statements.

## CONDENSED GROUP BALANCE SHEET

### as at 31 March 2023

| | As at 31 March 2023 (unaudited) £'000 | As at 30 September 2022 (audited) £'000 |
|---|---|---|

| | | |
|---|---|---|
| ASSETS | | |
| Non-current assets | | |
| Intangible assets | 3,035 | 3,206 |
| Property, plant and equipment | 70,242 | 74,281 |
| Right-of-use assets | 457 | 375 |
| Post-employment benefits | 1,898 | 1,782 |
| | 75,632 | 79,644 |
| Current assets | | |
| Inventories | 60,688 | 68,351 |
| Trade and other receivables | 33,381 | 37,113 |
| Current tax assets | 499 | 719 |
| Derivative financial instruments | 181 | - |
| Cash and bank balances | 2,511 | 2,354 |
| | 97,260 | 108,537 |
| Total assets | 172,892 | 188,181 |
| LIABILITIES | | |
| Current liabilities | | |
| Bank overdrafts | (4,227) | (6,174) |
| Borrowings | (13,745) | (15,861) |
| Provisions | (289) | (397) |
| Trade and other payables | (16,588) | (22,903) |
| Lease liabilities | (103) | (105) |
| Current tax liabilities | (1,012) | (223) |
| Derivative financial instruments | - | (666) |
| | (35,964) | (46,329) |
| Net current assets | 61,296 | 62,208 |
| Non-current liabilities | | |
| Borrowings | (1,800) | (2,342) |
| Lease liabilities | (340) | (291) |
| Deferred tax liabilities | (5,103) | (5,369) |
| | (7,243) | (8,002) |
| Total liabilities | (43,207) | (54,331) |
| Net assets | 129,685 | 133,850 |

## CONDENSED GROUP BALANCE SHEET (continued)

### as at 31 March 2023

| | As at 31 March 2023 (unaudited) £'000 | As at 30 September 2022 (audited) £'000 |
|---|---|---|
| EQUITY | | |
| Share capital | 1,218 | 1,217 |
| Share premium account | 23,484 | 23,484 |
| Own shares in share trusts | (6) | (5) |
| Hedging reserve | 36 | (311) |
| Foreign exchange reserve | 6,430 | 13,383 |
| Retained earnings | 98,523 | 96,082 |
| Total equity attributable to owners of the Parent Company | 129,685 | 133,850 |

Notes 1 - 12 form part of these condensed half year financial statements.

# CONDENSED GROUP STATEMENT OF CASH FLOWS
## for the six months ended 31 March 2023

| | Six months to 31 March 2023 (unaudited) £'000 | Six months to 31 March 2022 (unaudited) £'000 |
|---|---|---|
| Cash flow from operating activities | | |
| Profit before taxation including discontinued operations | 6,626 | 8,952 |
| Adjusted for: | | |
| Depreciation of property, plant and equipment | 2,031 | 1,100 |
| Amortisation of intangible assets | 205 | 81 |
| Loss/(gain) on disposal of property, plant and equipment | 86 | (3,323) |
| Net finance costs excluding pensions cost | 417 | 172 |
| Employer contributions to defined benefit pension scheme | (225) | (225) |
| Share-based payments | 688 | 603 |
| (Increase)/decrease in fair value of derivatives | (416) | 43 |
| Increase in post-employment benefit obligations | - | 69 |
| Operating cash flow before movements in working capital | 9,412 | 7,472 |
| Movements in working capital: | | |
| Decrease/(increase) in inventories | 3,732 | (9,749) |
| Decrease/(increase) in receivables | 2,339 | (5,498) |
| (Decrease)/increase in payables | (5,440) | 197 |
| Cash generated from operations | 10,043 | (7,578) |
| Taxation (paid)/received | (681) | 811 |
| Net cash from operating activities | 9,362 | (6,767) |
| Cash flow from investing activities | | |
| Proceeds on disposal of property, plant and equipment | 1,103 | 5,597 |
| Purchase of property, plant and equipment | (2,318) | (6,231) |
| Purchase of intangible assets | (64) | (474) |
| Interest received | - | 9 |
| Net cash used in investing activities | (1,279) | (1,099) |

## CONDENSED GROUP STATEMENT OF CASH FLOWS (continued)
### for the six months ended 31 March 2023

| | Six months to 31 March 2023 (unaudited) £'000 | Six months to 31 March 2022 (unaudited) £'000 |
|---|---|---|
| Cash flow from financing activities | | |
| Increase of bank loans | - | 9,649 |
| Repayment of bank loans | (2,223) | (461) |
| Interest paid | (417) | (181) |
| Repayment of lease liabilities | (96) | (33) |
| Dividends paid | (3,250) | (3,322) |
| Proceeds on issue of shares | 1 | 1 |
| Net sale of own shares by share trusts | 207 | 217 |
| Net cash (used in)/generated from financing activities | (5,778) | 5,870 |
| Net increase in cash and cash equivalents | 2,305 | (1,996) |
| Effect of foreign exchange rates | (201) | 18 |
| Movement in cash and cash equivalents in the period | 2,104 | (1,978) |
| Cash and cash equivalents at beginning of period | (3,820) | 247 |
| Cash and cash equivalents at end of period | (1,716) | (1,731) |
| | | |
| Cash and cash equivalents comprise: | | |
| Cash and bank balances | 2,511 | 4,875 |
| Bank overdrafts | (4,227) | (6,606) |
| | (1,716) | (1,731) |

Notes 1 - 12 form part of these condensed half year financial statements.

# CONDENSED GROUP RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

## for the six months ended 31 March 2023

| | Six months to 31 March 2023 (unaudited) £'000 | Six months to 31 March 2022 (unaudited) £'000 |
|---|---|---|
| Movement in cash and cash equivalents in the period | 2,104 | (1,978) |
| Increase of bank loans | - | (9,649) |
| Repayment of bank loans | 2,223 | 461 |
| (Increase)/decrease of lease liabilities | (47) | 641 |
| Cash outflow from changes in net cash in the period | 4,280 | (10,525) |
| Effect of foreign exchange rates | 435 | (148) |
| Movement in net cash in the period | 4,715 | (10,673) |
| Net debt at beginning of period | (22,419) | (9,114) |
| Net debt at end of period | (17,704) | (19,787) |

Notes 1 - 12 form part of these condensed half year financial statements.

## Responsibility statement

We confirm that to the best of our knowledge:

(a) the condensed set of financial statements for the six months ended 31 March 2023 has been prepared in accordance with IAS 34
(b) the half year report and condensed financial statements includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year)
(c) the half year report and condensed financial statements includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

By order of the Board

RYAN GOVENDER
Chief Financial Officer
9 May 2023

# NOTES TO THE UNAUDITED HALF YEAR FINANCIAL STATEMENTS

## 1. Basis of preparation

The Group has prepared its condensed half year financial statements in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority and the reporting requirements of IAS 34, 'Interim Financial Reporting'.

The information relating to the six months ended 31 March 2023 and 31 March 2022 is unaudited and does not constitute statutory accounts. The statutory accounts for the year ended 30 September 2022 have been reported on by the Group's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498 of the Companies Act 2006. These condensed half year financial statements for the six months ended 31 March 2023 have neither been audited nor formally reviewed by the Group's auditors.

## 2. Accounting policies

These condensed half year financial statements have been prepared on the basis of the same accounting policies and methods of computation as set out in the Group's 30 September 2022 annual report.

There were no new standards, or amendments to standards, which are mandatory and relevant to the Group for the first time for the financial year ending 30 September 2023 which have had a material effect on these condensed half year financial statements.

## 3. Accounting estimates

The preparation of the condensed half year financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. In preparing these condensed half year financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the audited consolidated financial statements as at, and for the year ended, 30 September 2022.

## 4. Going concern

As at the date of this report, the Directors have a reasonable expectation that the Group has adequate resources to continue in business for the foreseeable future. Accordingly, the condensed half year financial statements have been prepared on the going concern basis.

## 5. Risks and uncertainties

The Group's operations involve a series of risks and uncertainties across a range of strategic, commercial, operational and financial areas and a process is in place to identify and assess their potential impact on the Group's business, which is regularly updated. The principal risks and uncertainties for the remainder of the financial year are not expected to change materially from those included on pages 62 - 67 of the 2022 Annual Report and Financial Statements.

## 6. Russian invasion of Ukraine

The Group has considered the impact on its business of Russia's invasion of Ukraine, which commenced on 24 February 2022, and does not expect there to be any adverse consequences to its trading performance in the immediate future. On 4 March 2022 the Group suspended all offers, orders, and shipments to Russia.

## 7. Segmental information

### Business segments

IFRS 8 requires operating segments to be identified on the basis of internal financial information reported to the Chief Operating Decision Maker (CODM). The Group's CODM has been identified as the Board of Directors who are primarily responsible for the allocation of resources to the segments and for assessing their performance. The disclosure in the Group accounts of segmental information is consistent with the information used by the CODM in order to assess profit performance from the Group's operations. The Group operates one global business segment engaging in the manufacture and supply of innovative ingredient solutions for the beverage, flavour, fragrance and consumer product industries with manufacturing sites in the UK and the US. Many of the Group's activities, including sales, manufacturing, technical, IT and finance, are managed globally on a Group basis.

### Geographical segments

The following table provides an analysis of the Group's revenue by geographical market for continuing operations.

| Revenue by destination | | Six months to 31 March 2023 (unaudited) £'000 | Six months to 31 March 2022 (unaudited) £'000 | Year on Year Growth (unaudited) % | Year on Year Growth - constant currency (unaudited) % |
|---|---|---|---|---|---|
| United Kingdom | | 3,850 | 4,882 | -21.1% | -21.1% |
| Rest of Europe | - Germany | 3,414 | 3,910 | -12.7% | -14.3% |
| | - Ireland | 10,059 | 5,244 | 91.8% | 85.3% |
| | - Other | 6,766 | 7,724 | -12.4% | -13.5% |
| The Americas | - USA | 28,280 | 23,781 | 18.9% | 6.5% |
| | - Other | 6,546 | 6,529 | 0.3% | -5.5% |
| Rest of the World | - China | 4,919 | 3,549 | 38.6% | 37.2% |
| | - Other | 12,117 | 10,664 | 13.6% | 11.9% |
| | | 75,951 | 66,283 | 14.6% | 8.5% |

## 8. Exceptional items

The exceptional items referred to in the income statement can be categorised as follows:

| | Six months to 31 March 2023 (unaudited) £'000 | Six months to 31 March 2022 (unaudited) £'000 |
|---|---|---|
| Disposal of Northern Way premises | | |
| Gain on disposal of land and buildings | - | 3,323 |
| Less: tax effect of property sale | - | - |
| UK relocation project | | |
| Relocation expenses | (544) | (709) |
| Less: tax effect of relocation expenses | 102 | 109 |
| Restructuring costs | | |
| Restructuring costs | (119) | - |
| Less: tax effect of restructuring costs | 19 | - |
| | (542) | 2,723 |

The exceptional items all relate to non-recurring items.

On 28 February 2022, the Group successfully disposed of its former UK premises at Northern Way, Bury St. Edmunds. The proceeds of the sale, net of selling costs were £5,597,000 and the associated gain on disposal was £3,323,000. The gain on the sale of property is not expected to be taxable as indexation allowances are available which fully offset the taxable gain.

Relocation expenses relate to one-off costs incurred in connection with the relocation of the Group's UK operations that do not fall to be capitalised.

Restructuring costs relate to expenses arising from a significant change in the senior management structure that was largely executed in FY2022.

## 9. Taxation

The effective tax rate for the six months ended 31 March 2023 has been estimated at 21.5% (H1 2022: 21.8%).

## 10. Dividends

### Equity dividends on ordinary shares

| | Six months to 31 March 2023 (unaudited) £'000 | Six months to 31 March 2022 (unaudited) £'000 |
|---|---|---|
| Final dividend for the year ended 30 September 2022 of 5.35p per share (2021: 5.50p per share) | 3,250 | 3,322 |

## 11. Earnings per share

### Basic earnings per share

Basic earnings per share is based on the weighted average number of ordinary shares in issue and ranking for dividend during the year. The weighted average number of shares excludes shares held by the Treatt Employee Benefit Trust (EBT), together with shares held in respect of the Treatt Share Incentive Plan (SIP) which do not rank for dividend.

| | Six months to 31 March 2023 (unaudited) | Six months to 31 March 2022 (unaudited) |
|---|---|---|
| Profit after taxation attributable to owners of the Parent Company (£'000) | 4,946 | 7,677 |
| Weighted average number of ordinary shares in issue (No: '000) | 60,681 | 60,334 |
| Basic earnings per share (pence) | 8.15p | 12.72p |

### Diluted earnings per share

Diluted earnings per share is based on the weighted average number of ordinary shares in issue and ranking for dividend during the year, adjusted for the effect of all dilutive potential ordinary shares. The number of shares used to calculate earnings per share (EPS) have been derived as follows:

| | Six months to 31 March 2023 (unaudited) No ('000) | Six months to 31 March 2022 (unaudited) No ('000) |
|---|---|---|
| Weighted average number of shares | 60,902 | 60,442 |
| Weighted average number of shares held in the EBT and SIP | (221) | (108) |
| Weighted average number of shares for calculating basic EPS | 60,681 | 60,334 |
| Executive share option schemes | 287 | 495 |
| All-employee share options | 40 | 171 |
| Weighted average number of shares for calculating diluted EPS | 61,008 | 61,000 |
| Diluted earnings per share (pence) | 8.11p | 12.59p |

### Adjusted earnings per share

Adjusted earnings per share measures are calculated based on profits for the year attributable to owners of the Parent Company before exceptional items as follows:

| | Six months to 31 March 2023 (unaudited) £'000 | Six months to 31 March 2022 (unaudited) £'000 |
|---|---|---|
| Profit after taxation attributable to owners of the Parent Company | 4,946 | 7,677 |
| Adjusted for exceptional items (see note 8): | | |
| - Gain on property sale | - | (3,323) |
| - Relocation costs | 544 | 709 |
| - Restructuring costs | 119 | 709 |
| - Taxation thereon | (121) | (109) |
| Adjusted earnings from continuing operations | 5,488 | 4,954 |
| Adjusted basic earnings per share (pence) | 9.04p | 8.21p |
| Adjusted diluted earnings per share (pence) | 9.00p | 8.12p |

## 12. Capital commitments

The Group has entered into material contracts in connection with the UK relocation project totaling £1,164,000 (H1 2022: £2,762,000), with a further £276,000 and £216,000 (H1 2022: £1,874,000) committed to capital projects in the UK and US respectively, all of which was unprovided for at the period end

## CAUTIONARY STATEMENT ABOUT FORWARD-LOOKING STATEMENTS

This announcement contains forward-looking statements that are subject to risk factors associated with, among other things, the economic and business circumstances occurring from time to time in the countries, sectors and markets in which the Group operates. It is believed that the expectations reflected in these statements are reasonable, but they may be affected by a wide range of variables which could cause actual results to differ materially from those currently anticipated. No assurances can be given that the forward-looking statements in this announcement will be realised. The forward-looking statements reflect the knowledge and information available at the date of preparation of this announcement and the Group undertakes no obligation to update these forward-looking statements. Nothing in this announcement should be construed as a profit forecast.