



ISLA PERTTULA CORPORATION

2022

Annual Report

Financial Highlights

(in millions, except per share and employees)	2022	2021
Revenue	7,940	5,800
Adjusted EBITDA	1,580	960
Operating income	1,088	600
Net income (loss)	710	280
Diluted earnings (loss) per share	\$4.17	\$1.65
Dividends declared per share	\$0.80	\$0.72
Capital expenditures	461	336
Cash from operating activities	1,171	616
Total assets	10,808	8,240
Total debt	4,250	4,250
Employees at year end	10,900	10,400

To Our Shareholders

2022 was a year in which your Company grew. Revenue was \$7,940 million, compared with \$5,800 million in 2021, and net income was \$710 million. Adjusted EBITDA was \$1,580 million.

Advanced Materials contributed most to the year's result, with revenue up \$920 million. The balance of our portfolio is deliberate: when chemicals are weak, power and storage are usually not, and the port earns in both.

Among the year's milestones: to Acquire Lakeline Magnetics.

We invested \$461 million in capital projects and returned \$136 million to shareholders in dividends, which we have now paid without interruption since 1989. Our first call on capital remains the integrity of the Perttula site: the levee, the jetties, the cell house and the caverns.

Our total recordable incident rate was 0.44. Nothing we report matters more than that number. We employed 10,900 people at year end, a great many of them in a town this Company laid out in 1919 and still serves with power, water and housing.

Thank you for your continued confidence in Isla Perttula Corporation.

Carolyn M. Strand
President and Chief Executive Officer

Review of Operations

Revenue by segment	2022	2021
Advanced Materials	2,330	1,410
Chemicals	2,210	1,830
Energy & Storage	1,120	930
Logistics	2,170	1,520
Corporate & Community	110	110
Total revenue	7,940	5,800

Advanced Materials

Advanced Materials separates mixed rare-earth concentrate into high-purity oxides at the Perttula Separation Facility and, since 2022, produces finished sintered magnets at Lakeline Magnetics. Concentrate is supplied from the Company's 51 percent interest in the Gamkarab project in southern Namibia and by third parties, and is discharged at the Port of Perttula. Segment revenue was 2,330 million.

Chemicals

Chemicals produces chlorine, caustic soda and ethylene dichloride at Perttula Works, drawing brine from the Perttula Dome and power and steam from Perttula Power Station, together with Gulf Crescent Chlorine at Lake Charles, Louisiana, barite through Sabine Barytes Company and oilfield chemicals through Borealis Oilfield Chemicals. Segment revenue was 2,210 million.

Energy & Storage

Energy & Storage comprises merchant power sales from Perttula Power Station, a 1,140-megawatt gas-fired cogeneration facility, and hydrocarbon storage in solution-mined caverns in the Perttula Dome. Segment revenue was 1,120 million.

Logistics

Logistics comprises the Port of Perttula, a private deepwater terminal on the 45-foot Perttula Ship Channel; Perttula Marine Towing; Cardwell Field; and Isla Perttula Air, Inc. Isla Perttula Air has operated continuously since 1947, when the Company's Aviation Department began scheduled service to Perttula Shoal. Segment revenue was 2,170 million.

Corporate & Community

Corporate & Community comprises Perttula Community Services LLC, Perttula Realty Holdings LLC and IPC Health Services LLC, which together provide electric, water, wastewater and solid waste service, housing and primary health care to the approximately 4,100 residents of our Perttula community. Segment revenue was 110 million.

Five-Year Selected Financial Data

(in millions, except per share)	2018	2019	2020	2021	2022
Revenue	5,140	5,370	4,170	5,800	7,940
Adjusted EBITDA	920	980	410	960	1,580
Net income (loss)	290	310	(420)	280	710
Diluted EPS	\$1.72	\$1.83	\$-2.48	\$1.65	\$4.17
Dividends per share	\$0.80	\$0.88	\$0.52	\$0.72	\$0.80
Total assets	7,448	7,724	6,284	8,240	10,808
Employees	10,600	10,900	10,100	10,400	10,900

Management's Discussion and Analysis

Results of Operations

Revenue of 7,940 million increased 2,140 million, or 36.9 percent, from 5,800 million in 2021. The change was driven principally by Advanced Materials (+920 million) and Logistics (+650 million). Adjusted EBITDA was 1,580 million, compared with 960 million in the prior year, and net income was 710 million, or \$4.17 per diluted share.

Depreciation and amortization was 492 million, reflecting the capital intensity of the Perttula site. Interest expense was 166 million on average total debt of 4,250 million. The effective tax rate was 23.0 percent.

Liquidity and Capital Resources

Cash provided by operating activities was 1,171 million. Capital expenditures of 461 million were directed principally to sustaining capital at Perttula Works, debottlenecking at the Perttula Separation Facility, and dock and channel maintenance at the Port of Perttula. The Company paid dividends of 136 million. At year end, cash and equivalents were 389 million and total debt was 4,250 million.

Critical Accounting Estimates

The Company's most significant estimates relate to asset retirement and environmental remediation obligations, the useful lives of long-lived assets, and the recoverability of capitalized development costs at mineral properties. Changes in regulatory requirements or in the expected timing of remediation could materially affect the recorded liability.

Consolidated Statements of Operations

(in millions, except per share)	2022	2021
Revenue	7,940	5,800
Cost of sales	5,884	4,492
Selling, general and administrative	476	348
Depreciation and amortization	492	360
Operating income (loss)	1,088	600
Interest expense, net	166	237
Income (loss) before income taxes	922	364
Income tax expense (benefit)	212	84
Net income (loss)	710	280

Consolidated Balance Sheets

(in millions)	2022	2021
Cash and cash equivalents	389	368
Accounts receivable, net	858	626
Inventories	1,048	766
Property, plant and equipment, net	7,543	5,510
Goodwill and intangible assets	620	620
Other assets	350	350
Total assets	10,808	8,240
Accounts payable	730	534
Accrued liabilities	326	238
Current portion of long-term debt	250	250
Long-term debt	4,000	4,000
Asset retirement and environmental obligations	310	310
Pension and other long-term liabilities	440	440
Total liabilities	6,056	5,771
Total shareholders' equity	4,752	2,469

Consolidated Statements of Cash Flows

(in millions)	2022	2021
Net income (loss)	710	280
Depreciation and amortization	492	360
Changes in working capital	(32)	(23)
Cash provided by operating activities	1,171	616
Capital expenditures	(461)	(336)
Cash used in investing activities	(461)	(336)
Dividends paid	(136)	(122)
Cash used in financing activities	(186)	(172)

Notes to Consolidated Financial Statements

1. Basis of Presentation

The consolidated financial statements include the accounts of Isla Perttula Corporation and its majority-owned subsidiaries. Intercompany accounts and transactions have been eliminated. Amounts are stated in millions of United

States dollars unless otherwise noted, and may not sum due to rounding.

2. Segment Information

The Company manages its operations through five reportable segments. Substantially all long-lived assets are located in the United States, other than the Company's interest in the Gamkarab project in Namibia and its interest in the Qaqqaq project in Greenland.

3. Aircraft

At December 31, 2022, Isla Perttula Air operated the following aircraft:

Type	Owned	Leased	Total
Airbus A220-100	4	0	4
Airbus A220-300	4	6	10
Airbus A350-1000	0	1	1
Airbus A330-200F	2	0	2
Airbus A340-500	2	0	2

The Company's two A340-500 aircraft remain in service on the Perttula–Gamkarab sector pending certification of certain specialized lower-deck equipment for successor types, and in view of pavement classification limits at the destination airfield.

4. Asset Retirement and Environmental Obligations

The Company records obligations for the retirement of long-lived assets and for environmental remediation where a liability is probable and reasonably estimable. The recorded obligation at year end was 310 million. Residues from rare-earth separation, which contain naturally occurring radioactive material, are managed at the South Shore Residue Management Area on the south shore of Company property at Perttula (former Portilla Beach tract; public access restricted since 2014), where the Company maintains 38 groundwater monitoring wells and reports results to state regulators.

5. Related Party Transactions

Perttula Community Services LLC, a wholly owned subsidiary, provides electric, water, wastewater and solid waste service to the City of Perttula and its residents under franchise, and provides payroll and information technology services to the City under a shared services agreement. Perttula Realty Holdings LLC leases residential property to employees of the Company and to other residents of the community. Amounts transacted with the City were not material to the consolidated financial statements.

6. Debt

Total debt at year end was 4,250 million, consisting principally of senior notes and a revolving credit facility. The Company was in compliance with all financial covenants.

7. Commitments and Contingencies

The Company is party to various legal proceedings arising in the ordinary course of business. In the opinion of management, the outcome of these matters will not have a material adverse effect on the consolidated financial position of the Company.

Selected Items from the Annual Report on Form 10-K

Item 2. Properties

The Company's principal operations are located on approximately 14,200 acres at Perttula, Matagorda County, Texas, including Perttula Works, the Perttula Separation Facility, Perttula Power Station, Perttula Dome Storage and the Port of Perttula. Cardwell Field, a private airport owned and operated by Cardwell Field Airport Company, a wholly owned subsidiary, serves the Company's aviation operations and has a primary runway of 11,200 feet. The Company also owns or leases approximately 1,020 residential units in the Perttula community through Perttula Realty Holdings LLC.

Item 1A. Risk Factors (summary)

- The Company's operations are concentrated at a single site on the Texas Gulf Coast and are exposed to hurricanes and storm surge.
- Demand and pricing for the Company's products are cyclical and outside its control.
- Rare-earth separation depends on concentrate supplied from a limited number of sources, including projects in Namibia and Greenland subject to foreign regulation.
- The Company's residue management activities are subject to extensive environmental and radiological regulation.
- The Company provides utilities, housing and health care to a community in which it is the principal employer and landowner, which exposes it to reputational and regulatory risk.
- Holders of Class B Common Stock control the election of three of nine directors.

Directors and Officers

Name	Position
Walter H. Cardwell III	Executive Chairman
Carolyn M. Strand	President and Chief Executive Officer
Peter J. Halvorsen	Executive Vice President and Chief Financial Officer
Anil Raghunathan	Executive Vice President; President, Advanced Materials
Lorena Villarreal Moss	Executive Vice President, General Counsel and Corporate Secretary
Chester R. Barrow	Senior Vice President, Logistics; Chairman, Isla Perttula Air, Inc.
Deborah A. Kline	Vice President, Community Services; President, Perttula Community Services LLC
Mara Teague	President and Chief Executive Officer, Isla Perttula Air, Inc.

Shareholder Information

Class A Common Stock is listed on the New York Stock Exchange under the symbol IPC. Class B Common Stock, which carries ten votes per share, is not listed. Transfer agent: Southwestern Stock Transfer Co., Dallas, Texas. Independent registered public accounting firm: Pruettt Lyle LLP, Houston, Texas. Investor inquiries: investor.relations@islaperttula.com, (713) 555-0142.

Amounts in this report may not sum due to rounding. Figures for prior periods have been recast to conform to the current segment presentation.