5 September 2023

EUROCELL PLC (Symbol: ECEL)

HALF YEAR REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2023

Actions taken position the business well for when markets recover

Eurocell plc, the market leading, vertically integrated UK manufacturer, distributor and recycler of innovative window, door and roofline PVC products, today announces its half year results for the six months ending 30 June 2023.

Summary

- Challenging market backdrop, with particularly severe decline in new build housing
- First half profits down as expected
- Further deterioration in market conditions since July Trading Update means full year performance now anticipated to be below our previous expectations
- Early and decisive action on cost taken in response to lower volumes and to position the business well for when markets recover
- Efficient inventory management driving good cash flow performance, maintaining strong balance sheet and liquidity

Key financial performance measures (1)	**H1 2023**	**H1 2022**	**Change**
Revenue (£ million)	184.4	188.8	(2)%
Underlying measures (2)			
Adjusted operating profit (£ million)	7.6	17.1	(9.5)
Adjusted profit before tax (£ million)	6.0	15.7	(9.7)
Adjusted basic earnings per share (pence)	4.3	11.6	(7.3)
Reported measures			
Operating profit (£ million)	5.1	17.1	(12.0)
Profit before tax (£ million)	3.5	15.7	(12.2)
Basic earnings per share (pence)	2.6	11.6	(9.0)
Capital investment (£ million)	3.8	6.4	(2.6)
Net cash generated from operating activities (£ million)	20.9	18.1	2.8
Net debt (£ million) (3)	75.8	71.9	(3.9)
Net debt, pre-IFRS 16 (£ million) (3)	15.2	15.0	(0.2)
Interim dividend per share (pence)	2.0	3.5	(1.5)

Financial headlines

- Group sales down 2% vs H1 2022, including:
  - Profiles down 1%: reduced RMI(4) and weaker new build activity, partially offset by benefit of market share gains
  - Building Plastics down 3%: RMI volume in our branches steady but subdued
  - Price remains a significant component of sales, with overall Group volumes down 6%
- Increased competition for limited demand leading to pressure on margins in the branch network
- Continue to offset input cost inflation with selling price increases where possible
  - Particularly labour and electricity, where we operate a rolling 12-month forward hedging policy
  - PVC resin prices fell back slightly in H1 and anticipate some easing on input cost pricing in H2
- Recycling feedstock prices 66% higher than H1 2022
- Adjusted profit before tax from continuing operations down 62% vs H1 2022
  - Lower sales volumes, margin pressure in the branches and higher recycling feedstock prices
- Net cash generated from operating activities up 15% vs H1 2022

- Efficient stock management driving a net working capital inflow of £4.2 million (H1 2022: net outflow £9.6 million)

- Strong balance sheet and liquidity, with pre-IFRS 16 net debt of £15.2 million (31 December 2022: £14.4 million)
  - Average pre-IFRS 16 net debt of £16.2 million in H1 (H1 2022: £16.5 million)
- Interim dividend of 2.0 pence per share

Operational and sustainability headlines

- Early and decisive action taken on operating costs in response to lower volumes
  - Q4 2022 restructuring reduced operating costs by £5 million per annum from the start of 2023
  - Further headcount reduction in Q2 2023 to deliver savings of c.£2 million in the second half and c.£4 million per annum thereafter, with the related redundancy costs (£1.8 million) included as a non-underlying item in H1
- Strong on sustainability as the leading UK-based recycler of PVC windows, with the proportion of recycled material used improving to 32% (H1 2022: 28%)

Darren Waters, Chief Executive of Eurocell plc said:

"Market conditions in H1 2023 became more challenging than we had anticipated, on the back of a sluggish new build housing market and lower RMI activity, with the CPA(5) July update forecasting declines of 19% and 11% respectively in these sectors. Against this backdrop and an exceptionally strong comparative period, we delivered some resilience in the Group's sales performance in the first half, with volumes down 6%, and improved cash flow.

"As expected, H1 profits were down on the prior period. Lower market volumes have resulted in an increasingly competitive environment and margin pressure in the branch network. First half profits were further impacted by recycling feedstock prices, which were significantly higher than H1 2022.

"With the decline in market volumes and a tough outlook for the balance of 2023 and 2024, we acted quickly to lower operating costs and focused on efficient working capital management. In addition, we continue to seek operational efficiencies, for profit and cash flow improvement, the benefits of which we should start to see next year.

"We anticipate that profits in H2 will benefit from lower input prices as well as the operational cost savings already secured. However, with another base rate increase implemented and the prospect of more to come further impacting upon consumer confidence, market conditions have deteriorated since the beginning of August, meaning that we now anticipate full year performance will be below our previous expectations.

"On becoming CEO in May, I initiated a review of our strategy, including the future size and shape of the branch network, customer proposition and other business structures, and I expect this will identify more opportunities for growth and efficiencies. In addition, our pipeline for new fabricator account wins remains positive, supported by a net reduction in UK capacity following the announcement that Duraflex intends to exit the market in September.

"Looking further ahead, the UK construction market continues to have attractive medium and long-term growth prospects, driven by the structural deficit in new build housing and an ageing housing stock that requires increased repair and maintenance. Overall, I believe the actions we are now taking leave the business well positioned to benefit from a recovery in our markets which will, over the medium-term, drive sustainable growth in shareholder value."

Notes

(1) Stated on a continuing basis i.e. excluding discontinued operations.

(2) Non-underlying items of £2.5 million in 2023 include restructuring costs of £1.8 million and £0.7 million of costs relating to a new HR information system which are classified as an expense as it uses cloud computing. There were no non-underlying items in H1 2022.

(3) Net debt is bank overdrafts, borrowings and lease liabilities less cash and cash equivalents and deferred consideration. Pre-IFRS 16 net debt excludes lease liabilities and is provided as our financial covenants are measured on this basis.

(4) RMI is repair, maintenance and improvement.

(5) Construction Products Association Forecasts 2023-25, published July 2023, predicting declines in the RMI and new build markets of 11% and 19% respectively for 2023.

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014.

Analyst presentation

There will be an audiocast presentation for analysts and investors at 10am today. The presentation can be accessed remotely via a live audiocast link as follows: https://streamstudio.world-television.com/782-2007-36856/en

Alternatively, you can join via conference call as follows:

United Kingdom	+44 (0) 33 0551 0200
United Kingdom (toll free)	0808 109 0700
Participant access code	Eurocell

A copy of the presentation will be made available from 7am on 5 September on the Group's web site: https://investors.eurocell.co.uk/investors/

Following the presentation, a recording of the audiocast will also be made available on the Group's web site (link above).

CHIEF EXECUTIVE'S REVIEW

INTRODUCTION

With demand softening towards the end of last year, we completed a restructuring programme in Q4 to lower our cost base and therefore entered 2023 prepared for tougher market conditions.

However, so far this year our markets have been weaker than anticipated, with the Construction Products Association (CPA) July update predicting declines in the repair, maintenance and improvement (RMI) market of 11% and new build market of 19% for 2023, before both begin to recover in 2024.

In the Profiles division, reduced RMI activity and a weaker new build housing market resulted in lower sales volumes, partially offset by the benefit of recent market share gains. We have continued to acquire new fabricator accounts, and our pipeline of potential new fabricator customers remains positive, supported by a net reduction in UK capacity following the announcement by UK Windows & Doors Group that it intends to shut its Duraflex extrusion business in September.

In Building Plastics, RMI volumes in the branch network remained steady but subdued, with increased competition for limited demand leading to pressure on margins.

We have experienced persistent input cost inflation, particularly for labour and electricity (where we operate a rolling 12-month forward hedging policy), but we continue to offset this with selling price increases where possible. PVC resin prices fell back slightly in the first half, and while we anticipate some easing of input cost pricing in H2, recycling feedstock prices remain significantly higher than the comparative period in 2022.

With end markets further weakening in H1, we have focused on efficient cash and working capital management. In addition, given the more challenging outlook for the remainder of the year, we completed a further headcount reduction in Q2, to lower operating costs from July.

FINANCIAL RESULTS

Against this very challenging backdrop and an exceptionally strong 2022 comparative period, we delivered some resilience in the Group's sales performance in the first half. Sales for H1 were £184.4 million, down 2% on H1 2022, with volume 6% lower.

As expected, adjusted profit before tax for H1 was £6.0 million, down 62% on H1 2022, with the reduction on a net basis driven by lower volumes, margin pressure in the branches and higher recycling feedstock prices.

Reflecting our focus on cash management, we delivered improved net cash generated from operations of £20.9 million, up 15% on H1 2022, including an inflow from working capital of £4.2 million, compared to an outflow of £9.6 million in the first half of last year.

Further information on our financial performance is included in the Divisional and Chief Financial Officer's Reviews.

SUSTAINABILITY

We have a defined suite of environmental and social targets and KPIs against which to measure our progress, with the results set out in our Annual Reports. We are also in the process of transitioning to reporting further information under the Sustainability Accounting Standards Board (SASB) standards, with performance in respect of a selected number of relevant metrics included for the first time in our 2022 Annual Report.

Towards the end of 2022, our Social Values and ESG Committee was formed to provide formal and transparent oversight of the Group's ESG programme. This includes sustainability, employee welfare and responsible business practices, as well as our contribution to the societies we operate in. The committee also monitors progress against our sustainability KPIs. It is comprised of four independent Non-executive Directors; Alison Littley (Chair), Kate Allum, Iraj Amiri and Will Truman, as well as the Group's Sustainability Manager, Simon Drury, and Human Resources Director, Bruce Stephen.

Looking forward, we expect the committee to drive the development and strengthening of our sustainability related KPIs, with the work focused on four key themes as follows:

- Carbon, energy and water – defining our pathway to carbon neutrality and net zero, which will be driven primarily by reducing Scope 1 and 2 emissions in extrusion and recycling.
- Waste minimisation and circularity – further strengthening materials recovery and process optimisation.
- People and places – becoming a regional employer of choice and stepping up community engagement.
- Governance – reporting progress against published ESG targets and aligning with sustainability indices.

As a measure of commitment to achieving our goals, our £75 million sustainable Revolving Credit Facility contains annual recycling, emissions and waste reduction targets, with modest adjustments to the margin based upon performance.

OPERATIONAL PERFORMANCE

Production

Overall Equipment Effectiveness ('OEE', a measure which takes into account machine availability, performance and yield) was 78% in H1 2023, a significant improvement on the 71% reported for FY 2022, and ahead of our target of 75%, reflecting the benefit of improving manufacturing efficiencies and a tighter conformance to production planning. As a result, having built inventories to mitigate the impact of supply chain disruption in 2021, we delivered reductions of c.£5 million in the second half of 2022 and a further c.£6 million in H1 2023, including benefit from lower input costs.

Recycling

We are the leading UK-based recycler of PVC windows, now saving the equivalent of c.3 million window frames from landfill each year. We have made further progress in H1 2023, with usage increasing to 32% (9.1k tonnes) of materials consumed in production, compared to 28% (8.3k tonnes) in H1 2022, driving lower carbon emissions and cost savings compared to the use of virgin material.

A weaker RMI market and less window replacements has restricted feedstock availability for our recycling business, resulting in a significant increase in purchase prices (66%) compared to H1 2022. However, we are making good progress securing additional sources of feedstock, which alongside reduced demand and lower virgin resin prices, may push feedstock prices down in the future. So far in H2, we have seen signs that prices are beginning to ease.

Furthermore, we are finding more ways of using all the waste product generated by our plants and expect to progressively reduce waste sent to landfill to less than 5% in the near term.

Health & safety

The safety and well-being of our employees and contractors is our first priority. Our Lost Time Injury Rate ('LTIR') was 0.7 in H1 2023, compared to 1.0 in 2022 (full year). Our RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013) performance remains better than the industry average. There were no major injuries and 6 minor injuries reported under RIDDOR in the period (full year 2022: no major injuries and 23 minor injuries). We have enhanced the reporting of near misses and unsafe acts and conditions, as part of a proactive approach to risk management, with the aim of reducing the likelihood of future workplace injuries. This, when combined with the effective and timely implementation of corrective and preventive action, supports our positive and improving safety culture.

PROFILES DIVISION REVIEW

Overview

In 2018 we became the leading supplier of rigid PVC profile to the UK market. We continue to consolidate our position and expect to further reinforce it over the medium term.

The demand created by our specification and marketing teams, together with continuing new product introductions, have supported growth for our existing fabricator customers over the last few years. Our pipeline of potential new fabricator customers remains positive, supported by the announcement by UK Windows & Doors Group that it intends to shut its Duraflex extrusion business in September.

Looking forward, there is an opportunity to capitalise on our recent investments in warehousing and production plant, to exploit spare operational capacity and continue to grow market share in Profiles. Our plans to achieve this are sector-led, with initiatives focused primarily on the trade / retail and new build sectors, which together represent c.90% of Profiles sales (c.55% for trade and c.35% for new build).

The case for larger trade fabricators switching to Eurocell includes a strong product range and continued product development, including better aesthetics (such as flush windows), a more contemporary look to roofing and door products and improved environmental characteristics. In addition, the benefits of pull-through profile specifications and opportunities to supply our branches, all delivered via excellent service, remain attractive to prospective fabricator accounts.

Expanding our share of the new build market has been key to recent growth, driven by sales of cavity closures where we are the market leader. Looking forward, building regulations for windows are becoming increasingly complicated and our technical teams are working with our larger customers to enable them to conform, including development of new product applications to meet changing requirements.

This includes the Future Homes Standard, which will complement the existing Building Regulations to ensure new homes built from 2025 produce 75-80% less carbon emissions than homes delivered under the old regulations. The housebuilders have already taken significant steps to reduce emissions through walls, floors and roofs. However, to comply with the proposed new regulations, solutions to reduce emissions through windows and doors are likely to be required. This plays well to Eurocell's technical expertise and we are working with the housebuilders and our customers to design a fit-for-purpose solution.

Summary income statement

	H1 2023 £m	H1 2022 £m	Change %
Third-party revenue	**79.5**	**80.1**	**(1)%**
Inter-segmental revenue	34.9	37.9	(8)%
Total revenue	**114.4**	**118.0**	**(3)%**
Adjusted(1) operating profit	**4.9**	**12.2**	**(60)%**
Operating profit	**3.4**	**12.2**	**(72)%**

(1) Adjusted performance measures are stated before non-underlying items.

Third-party revenue for H1 was £79.5 million, 1% lower than H1 2022, with volumes down 5% reflecting subdued RMI activity and weaker new build markets, partially offset by the benefit of recent market share gains.

Cost of living pressures, successive interest rate increases and house prices beginning to fall have all had a significant adverse impact on demand for our products. However, we have continued to take market share. Since 2017 we have won over 100 new Profiles accounts. A futher 18 smaller accounts were added in H1 2023, which we expect to come on line progressively over the next 6-12 months.

Adjusted operating profit for H1 was £4.9 million, compared to £12.2 million in H1 2022, reflecting lower sales volumes and significantly higher recycling feedstock and other input costs. Reported operating profit of £3.4 million is stated after non-underlying restructuring costs totalling £1.5 million. Further information on non-underlying items is included in the Chief Financial Officer's Review.

BUILDING PLASTICS (BRANCH NETWORK) DIVISION REVIEW

Overview

Our objective for Building Plastics is to achieve sector-leading operations from our UK-wide branch network. Our aim is to be the number one choice for relevant trades across the UK, by creating the market-leading proposition and being recognised as first for service to the tradesperson.

A review is underway to determine the future size and shape of the network and customer proposition, including optimisation of the current estate. This review includes a deep dive to better understand the key characteristics of our best performing branches, with a view to replicating these across the network and improving returns on invested capital. This includes consideration of branch format, scale and infrastructure costs (including rent), product range and new product development, labour turnover (and other people metrics), value added services and operational efficiencies.

We have two branch formats: standard (204 branches), and large (10 branches), the latter with bigger display areas and a wider product range available. We believe there is an opportunity to sell more high-value items, such as windows and doors, through the existing network. Both current and potential future formats are part of the review.

Customer-centric new product development is fundamental to growing revenues in the branch network. Over the last 18 months, we have developed our conservatory and roofs proposition, launched a new flat roof lantern and expanded our outdoor living product range to include pergolas and verandas. We are also excited to be launching our new "Extension-in-a-box" product in H2 2023, which provides an alternative and affordable method for homeowners to add space at a fraction of the cost, time and inconvenience when compared to traditional extensions or moving house.

Our best performing branches are generally those with the lowest rates of labour turnover. Our initiatives to reduce labour attrition across the network are focused on four key drivers: systems and processes; environment and engagement; pay and reward; and training.

We also believe we can drive further growth in the network by developing value added services for our customers. For example, we expect our recently established Select Installer scheme for conservatory roofs to create a nationwide network of Eurocell advocates, as we channel customer leads through the installer community.

Overall, we expect growth of the network will come mostly by taking market share from independent operators, who currently have more than 60% market share (measured by number of sites).

Summary income statement

	H1 2023 £m	H1 2022 £m	Change %
Third-party revenue	**104.9**	**108.7**	**(3)%**
Inter-segmental revenue	0.2	0.1	100%
Total revenue	**105.1**	**108.8**	**(3)%**
Adjusted(1) operating profit	**3.4**	**7.1**	**(52)%**
Operating profit	**2.4**	**7.1**	**(66)%**

(1) Adjusted performance measures are stated before non-underlying items.

Third-party revenue for H1 was £104.9 million, 3% lower than H1 2022, with volume down 6%. Demand in the branches has been steady but subdued, as home owners have pulled back on discretionary expenditure, most likely in response to higher costs of living and interest rates. However, we still see reasonable volumes of high-value project work (such as our roof lanterns, conservatory roofs, windows and bi-fold doors) and sales in our outdoor living range (fencing, decking and garden rooms) of £6.1 million remain broadly consistent with H1 2022.

Our total of 214 branches provides national coverage across the UK, which offers a significant competitive advantage. We are also making progress reducing the time taken to reach break-even in new stores. The 12 new branches opened in 2021 continue to mature and added sales of £4.4 million in H1 2023 (H1 2022: £3.6 million).

Adjusted operating profit for H1 was £3.4 million, compared to £7.1 million in H1 2022. Increased competition for limited demand has led to pressure on margins in the network. Reported operating profit of £2.4 million is stated after non-underlying restructuring costs totalling £1.0 million.

BOARD CHANGES

As previously announced, following our AGM in May, I assumed the position of Chief Executive Officer and Mark Kelly retired. In addition, Martyn Coffey stood down from the Board and Will Truman was appointed as an independent Non-executive Director and member of the Audit and Risk, Nomination and ESG and Social Values Committees.

SUMMARY AND OUTLOOK

Market conditions in H1 2023 became more challenging than we had anticipated, on the back of a sluggish new build housing market and lower RMI activity, with the CPA July update forecasting declines of 19% and 11% respectively in these sectors. Against this backdrop and an exceptionally strong comparative period, we delivered some resilience in the Group’s sales performance in the first half, with volumes down 6%, and improved cash flow.

As expected, H1 profits were down on the prior period. Lower market volumes have resulted in an increasingly competitive environment and margin pressure in the branch network. First half profits were further impacted by recycling feedstock prices, which were significantly higher than H1 2022.

With the decline in market volumes and a tough outlook for the balance of 2023 and 2024, we acted quickly to lower operating costs and focused on efficient working capital management. In addition, we continue to seek operational efficiencies, for profit and cash flow improvement, the benefits of which we should start to see next year.

We anticipate that profits in H2 will benefit from lower input prices as well as the operational cost savings already secured. However, with another base rate increase implemented and the prospect of more to come further impacting upon consumer confidence, market conditions have deteriorated since the beginning of August, meaning that we now anticipate full year performance will be below our previous expectations.

On becoming CEO in May, I initiated a review of our strategy, including the future size and shape of the branch network, customer proposition and other business structures, and I expect this will identify more opportunities for growth and efficiencies. In addition, our pipeline for new fabricator account wins remains positive, supported by a net reduction in UK capacity following the announcement that Duraflex intends to exit the market in September.

Looking further ahead, the UK construction market continues to have attractive medium and long-term growth prospects, driven by the structural deficit in new build housing and an ageing housing stock that requires increased repair and maintenance. Overall, I believe the actions we are now taking leave the business well positioned to benefit from a recovery in our markets which will, over the medium-term, drive sustainable growth in shareholder value.

Darren Waters
Chief Executive Officer

CHIEF FINANCIAL OFFICER'S REVIEW

	H1 2023 £m	H1 2022 £m
Revenue	**184.4**	**188.8**
Gross profit	84.8	95.8
Gross margin %	46.0%	50.7%
Overheads	(65.1)	(66.8)
Adjusted[(2)] EBITDA	**19.7**	**29.0**
Depreciation and amortisation	(12.1)	(11.9)
Adjusted[(2)] operating profit	**7.6**	**17.1**
Finance costs	(1.6)	(1.4)
Adjusted[(2)] profit before tax	**6.0**	**15.7**
Taxation	(1.2)	(2.8)
Adjusted[(2)] profit after tax	**4.8**	**12.9**
Adjusted[(2)] basic earnings per share (pence)	**4.3**	**11.6**
Non-underlying items	(2.5)	–
Tax on non-underlying items	0.6	–
Reported operating profit	**5.1**	**17.1**
Reported profit before tax	**3.5**	**15.7**
Reported profit after tax	**2.9**	**12.9**
Loss after tax from discontinued operations	–	(0.4)
Reported basic earnings per share (pence)	**2.6**	**11.6**
Profit for the year	**2.9**	**12.5**

(1) Results are stated on a continuing basis i.e. excluding the impact of Security Hardware, which was sold in December 2022.
(2) See alternative performance measures.

INTRODUCTION

Market conditions deteriorated progressively through the first half of the year, driven by on-going cost inflation, successive base rate increases and falling real wages, all of which put unprecedented pressure on household budgets, resulting in lower levels of activity in the private housing RMI market and reduced demand for new build housing. These challenges in our two key end markets impacted the financial performance of the business in H1.

As expected, profits were down compared to the first half of 2022, driven on a net basis by lower volumes, margin pressure in the branches and higher recycling feedstock prices.

In the face of declining volumes, we acted quickly to reduce our cost base, securing savings of £7 million for the full year of 2023. We also focused on working capital management to drive a good improvement in cash flow generation.

We believe that the medium and long-term prospects for our markets remain attractive and that the actions we are taking leave us well placed to benefit from a recovery when it comes.

REVENUE

Revenue for H1 was £184.4 million, 2% down on H1 2022 (£188.8 million). Sales include the significant impact of selling price increases to offset persistent input cost inflation (see below), with volumes down 6% against an exceptionally strong comparative period in 2022, reflecting weak market condions.

GROSS MARGIN

Gross margin was 46.0% in H1, down from 50.7% in H1 2022, which includes the impact of lower volumes. In the branch network, increased competition for limited demand has led to pressure on margins.

We also experienced ongoing input cost inflation, particularly for electricity (where we operate a rolling 12-month forward hedging policy, so were paying rates locked in during H1 2022, when wholesale energy prices peaked). Where possible we have recovered higher electricity costs with selling price increases, but there is a dilutive impact upon gross margin percentage.

However, recycling feedstock prices were significantly higher (66%) than H1 2022. As described in the Chief Executive's Review, we are making good progress securing additional sources of feedstock, which alongside reduced demand and lower virgin prices, may push feedstock prices down in the future.

PVC resin prices fell back slightly in the first half, and we do anticipate some easing of input cost pricing in H2.

DISTRIBUTION AND ADMINISTRATIVE EXPENSES (OVERHEADS)

Underlying overheads for H1 were £65.1 million, 3% lower than H1 2022 (£66.8 million), reflecting our cost reduction initiatives.

As demand has softened, we acted quickly to lower our cost base. We completed a restructuring programme in Q4 2022 which reduced operating costs by £5 million per annum from the start of 2023. With end markets continuing to weaken in H1, and given the more challenging outlook for the remainder of the year, we completed a further headcount reduction in Q2 2023, which will lower operating costs by c.£2 million in H2 and by c.£4 million per annum thereafter. Costs associated with this restructuring have been presented as non-underlying items (see below).

We experienced general overhead and wage inflation in H1 2023, but this was also recovered via selling prices increases, as described above.

DEPRECIATION AND AMORTISATION (D&A)

D&A for H1 was £12.1 million, compared to £11.9 million in H1 2022.

ALTERNATIVE PERFORMANCE MEASURES

Alternative performance measures are used alongside statutory measures to facilitate a better understanding of financial performance and comparison with prior periods, and in order to provide audited financial information against which the Group's bank covenants, which are all measured on a pre-IFRS 16 basis, can be assessed.

Adjusted EBITDA, adjusted operating profit and adjusted profit before tax all exclude non-underlying items. Adjusted profit after tax and adjusted earnings per share exclude non-underlying items and the related tax effect. Pre-IFRS 16 EBITDA is stated inclusive of operating lease rentals under IAS 17 Leases. Pre-IFRS 16 net debt is defined as total borrowings and lease liabilities less cash and cash equivalents, excluding the impact of IFRS 16 Leases.

We classify some material items of income and expense as non-underlying when the nature and infrequency merit separate presentation. Alongside statutory measures, this facilitates a better understanding of financial performance and comparison with prior periods.

NON-UNDERLYING ITEMS

Non-underlying items for 2023 of £2.5 million included restructuring costs of £1.8 million, comprising redundancy payments and related employee benefit termination costs. Also included are £0.7 million of cloud computing costs incurred on strategic IT projects involving 'Software as a Service' arrangements, which are expensed as incurred rather than being capitalised as intangible assets. Such items are considered to be non-underlying in nature because they relate to multi-year programmes to deliver strategic IT implementations which are material in size, with overall spend estimated to be in the region £7-9 million over the next three years. Our strategic IT projects comprise a new customer-facing website, an employee management system and, most significantly, the upgrade or replacement of our Enterprise Resource Planning (ERP) system.

No non-underlying items were recognised in H1 2022.

FINANCE COSTS AND TAXATION

Finance costs for H1 were £1.6 million (H1 2022: £1.4 million).

The underlying tax charge for H1 2023 was £1.2 million (H1 2022: £2.8 million). The effective tax rate on underlying profit before tax for H1 2023 of 19% (H1 2022: 18%) is lower than the blended standard corporation tax rate of 23.5% for the period due to the benefit of Patent Box relief.

PROFIT BEFORE TAX AND EARNINGS PER SHARE

Adjusted profit before tax for H1 was £6.0 million, compared to profit before tax of £15.7 million in H1 2022, with the reduction driven on a net basis substantially by lower volumes, margin pressure in the branches and higher recycling feedstock prices. Reported profit before tax was £3.5 million. Adjusted basic earnings per share for H1 2023 were 4.3 pence (H1 2022: 11.6 pence). Adjusted diluted earnings per share were 4.3 pence (H1 2022: 11.5 pence). Total basic earnings per share were 2.6 pence (H1 2022: 11.6 pence), and total diluted earnings per share were 2.6 pence (H1 2022: 11.5 pence).

DIVIDENDS

On 4 September 2023, the Board approved an interim dividend for the six months ended 30 June 2023 of 2.0 pence per share (£2.2 million), representing a decrease of 43% compared to H1 2022. The interim dividend will be paid on 6 October 2023 to shareholders on the register at the close of business at 15 September 2023 and shares will be marked ex-dividend on 14 September 2023.

CAPITAL EXPENDITURE

Capital expenditure for H1 2023 was £3.8 million (H1 2022: £6.4 million). 2023 includes £0.7 million to improve staff welfare facilities across the branch network. Other capital expenditure in the period is largely maintenance capex.

CASH FLOW

Net cash generated from operating activities was £20.9 million for the period, compared to £18.1 million in H1 2022, reflecting our focus on efficient working capital management.

This includes a net inflow from working capital for H1 2023 of £4.2 million, comprised of a decrease in stocks (£6.4 million), an increase in trade and other receivables (£4.5 million) and an increase in trade and other payables (£2.3 million). This compares to a net outflow from working capital of £9.6 million in H1 2022, which reflected the significant impact of inflation and the final stages of a stock build to protect the business from supply chain disruption. In H2 2022, with supply chain security restored, we commenced a stock optimisation programme, delivering a reduction of £5 million in that period, and we have continued to drive down inventories through the first half of 2023. The increase in receivables and payables since December 2022 reflects a seasonal uplift in volumes and higher prices.

Net cash generated from operating activities also includes net tax paid of £1.4 million (H1 2022: £1.7 million).

Other cash flow items comprise payments for capital investments of £4.1 million, including the net movement in our capital creditor of £0.3 million (H1 2022: £7.4 million) and financing costs of £1.7 million (H1 2022: £1.2 million), including £0.7 million for Eurocell shares purchased to settle employee share options and £0.2m of arrangement fees and other costs incurred to extend the Group’s Revolving Credit Facility. The principal elements of lease payments of £7.0 million (H1 2022: £6.3 million) are presented within cash flows arising from financing activities. The finance elements of lease payments were £0.8 million (H1 2022: £0.6 million).

Dividends of £8.1 million were paid to shareholders during the period (H1 2022: £7.2 million).

NET DEBT

Net debt on a pre-IFRS 16 basis at 30 June 2023 was £15.2 million (30 June 2022: £15.0 million, 31 December 2022: £14.4 million). Reported net debt on a post-IFRS 16 basis at 30 June 2023 was £75.8 million (30 June 2022: £71.9 million, 31 December 2022: £78.1 million).

BANK FACILITIES

In May, we completed a one-year extension to our £75 million unsecured, sustainable Revolving Credit Facility, which now matures in 2027. The facility is provided by Barclays, NatWest and Bank of Ireland, and is competitively priced with the key terms remaining unchanged. In terms of sustainability, modest adjustments to the margin are applied based on our achievement against annual targets for usage of recycled material in our products, waste recycled and carbon emissions. We operate comfortably within the terms of the facility and in compliance with our financial covenants, which are measured on a pre-IFRS 16 basis.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties faced by the Group are set out in the 2022 Annual Report (pages 70-77). These risks remain unchanged and are as follows:

- Macroeconomic conditions
- Cyber security
- Regulatory risks, including health & safety
- Raw material, traded goods and recycling feedstock supply and pricing
- Customer credit risk
- Sustainability, climate change and natural disaster
- Manufacturing, warehousing and distribution capacity constraints
- Unplanned plant downtime
- Ability to attract and retain key personnel and highly skilled individuals
- Shortages or increased costs of appropriately skilled labour
- Failure to develop new products
- Competitor activity
- Failure to identify, complete and integrate acquisitions
- Digital and IT systems development
- Fraud

Michael Scott
Chief Financial Officer

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE HALF YEAR REPORT

We confirm that to the best of the Directors' knowledge:

- The condensed set of financial statements has been prepared in accordance with UK-adopted International Accounting Standard 34 and;
- The interim management report includes a fair review of the information required by:

  (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

  (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last Annual Report that could do so.

By Order of the Board

Darren Waters
Chief Executive Officer
4 September 2023

Michael Scott
Chief Financial Officer
4 September 2023

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2023

		Six months ended 30 June 2023 (Unaudited)			Six months ended 30 June 2022 (Unaudited)			Year ended 31 December 2022 (Audited)		
	Note	Underlying £m	(1) Non-underlying £m	Total £m	Underlying £m	(1) Non-underlying £m	Total £m	Underlying £m	(1) Non-underlying £m	Total £m
Revenue	6	**184.4**	**–**	**184.4**	**188.8**	**–**	**188.8**	**381.2**	**–**	**381.2**
Cost of sales		(99.6)	–	(99.6)	(93.0)	–	(93.0)	(196.7)	–	(196.7)
Gross profit		**84.8**	**–**	**84.8**	**95.8**	**–**	**95.8**	**184.5**	**–**	**184.5**
Distribution costs		(12.6)	–	(12.6)	(12.0)	–	(12.0)	(23.9)	(0.4)	(24.3)
Administrative expenses		(64.9)	(2.5)	(67.4)	(66.7)	–	(66.7)	(130.4)	(1.8)	(132.2)
Other income (2)		0.3	–	0.3	–	–	–	1.1	–	1.1
Operating profit	6	**7.6**	**(2.5)**	**5.1**	**17.1**	**–**	**17.1**	**31.3**	**(2.2)**	**29.1**
Finance expense		(1.6)	–	(1.6)	(1.4)	–	(1.4)	(2.6)	(0.3)	(2.9)
Profit before tax from continuing operations		**6.0**	**(2.5)**	**3.5**	**15.7**	**–**	**15.7**	**28.7**	**(2.5)**	**26.2**
Taxation	7	(1.2)	0.6	(0.6)	(2.8)	–	(2.8)	(4.7)	0.5	(4.2)
Profit after tax from continuing operations		**4.8**	**(1.9)**	**2.9**	**12.9**	**–**	**12.9**	**24.0**	**(2.0)**	**22.0**
Discontinued operations										
Loss after tax from discontinued operations				–			(0.4)			(2.3)
Profit for the period and total comprehensive income				**2.9**			**12.5**			**19.7**
Basic earnings per share from continuing operations	8	**4.3p**		**2.6p**	**11.6p**		**11.6p**	**21.4p**		**19.6p**
Diluted earnings per share from continuing operations	8	**4.3p**		**2.6p**	**11.5p**		**11.5p**	**21.3p**		**19.5p**

(1) Non-underlying items are detailed in Note 5.

(2) Other income is amounts received under the Group's cyber insurance policy, net of excess paid, in respect of business interruption to the Group's continuing trading activities as a result of a cyber incident in July and August 2022.

(3) The prior year comparatives have been re-presented to remove the results of Security Hardware, which have been presented as discontinued operations following the sale of the business in December 2022.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2023

	Note	30 June 2023 (Unaudited) £m	30 June 2022 (Unaudited) £m	31 December 2022 (Audited) £m
Assets				
Non-current assets				
Property, plant and equipment	9	60.5	61.0	61.7
Right-of-use assets	9	56.8	52.8	59.7
Intangible assets	9	16.0	17.9	16.9
Total non-current assets		**133.3**	**131.7**	**138.3**
Current assets				
Inventories		53.5	66.0	59.9
Trade and other receivables		54.5	55.2	50.0
Corporation tax		1.0	0.3	0.2
Deferred consideration		–	–	0.8
Cash and cash equivalents		2.1	9.0	5.1
Total current assets		**111.1**	**130.5**	**116.0**
Total assets		**244.4**	**262.2**	**254.3**
Liabilities				
Current liabilities				
Trade and other payables		(49.2)	(59.0)	(47.4)
Lease liabilities		(13.2)	(11.8)	(13.0)
Bank overdrafts		–	(2.7)	–
Provisions		(0.2)	(0.5)	(0.2)
Total current liabilities		**(62.6)**	**(74.0)**	**(60.6)**
Non-current liabilities				
Borrowings		(17.3)	(21.3)	(20.3)
Trade and other payables		–	(0.3)	–
Lease liabilities		(47.4)	(45.1)	(50.7)
Provisions		(1.0)	(1.1)	(1.0)
Deferred tax		(6.8)	(7.9)	(6.8)
Total non-current liabilities		**(72.5)**	**(75.7)**	**(78.8)**
Total liabilities		**(135.1)**	**(149.7)**	**(139.4)**
Net assets		**109.3**	**112.5**	**114.9**
Equity attributable to equity holders of the Parent				
Share capital		0.1	0.1	0.1
Share premium account		22.2	22.1	22.2
Treasury shares		(0.7)	–	–
Share-based payment reserve		1.2	1.8	0.9
Retained earnings		86.5	88.5	91.7
Total equity		**109.3**	**112.5**	**114.9**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the period ended 30 June 2023

	Note	Six months ended 30 June 2023 (Unaudited) £m	Six months ended 30 June 2022 (Unaudited) £m	Year ended 31 December 2022 (Audited) £m
Cash generated from operations	11	**22.3**	**19.8**	**38.7**
Income taxes paid		(1.4)	(1.7)	(3.6)
Net cash generated from operating activities		**20.9**	**18.1**	**35.1**
Investing activities				
Purchase of property, plant and equipment		(4.0)	(7.2)	(11.9)
Purchase of intangible assets		(0.1)	(0.2)	(0.5)
Net cash flow arising on sale of business		0.8	–	0.3
Net cash used in investing activities		**(3.3)**	**(7.4)**	**(12.1)**
Financing activities				
Proceeds from issue of ordinary share capital		–	0.2	0.2
Purchase of own shares held as treasury shares		(0.7)	–	–
Repayment of bank borrowings		(3.0)	(22.0)	(22.0)
Proceeds from bank borrowings		–	32.0	31.0
Bank borrowings arrangement costs		(0.2)	(0.7)	(0.8)
Principal elements of lease payments		(7.0)	(6.3)	(13.3)
Finance elements of lease payments		(0.8)	(0.6)	(1.4)
Finance expense paid		(0.8)	(0.5)	(1.2)
Dividends paid to equity Shareholders		(8.1)	(7.2)	(11.1)
Net cash used in financing activities		**(20.6)**	**(5.1)**	**(18.6)**
Net (decrease)/increase in cash and cash equivalents		**(3.0)**	**5.6**	**4.4**
Cash and cash equivalents at beginning of period		5.1	0.7	0.7
Cash and cash equivalents at end of period		**2.1**	**6.3**	**5.1**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023 (Unaudited)	Share capital £m	Share premium account £m	Treasury shares £m	Share-based payment reserve £m	Retained earnings £m	Total equity £m
Balance at 1 January 2023	**0.1**	**22.2**	**–**	**0.9**	**91.7**	**114.9**
Comprehensive income for the period						
Profit for the period	–	–	–	–	2.9	2.9
Total comprehensive income for the period	**–**	**–**	**–**	**–**	2.9	2.9
Contributions by and distributions to owners						
Share-based payments	–	–	–	0.3	–	0.3
Purchase of own shares	–	–	(0.7)	–	–	(0.7)
Dividends paid	–	–	–	–	(8.1)	(8.1)
Total transactions with owners recognised directly in equity	–	–	(0.7)	0.3	(8.1)	(8.5)
Balance at 30 June 2023	**0.1**	**22.2**	**(0.7)**	**1.2**	**86.5**	**109.3**

For the six months ended 30 June 2022 (Unaudited)	Share capital £m	Share premium account £m	Treasury shares £m	Share-based payment reserve £m	Retained earnings £m	Total equity £m
Balance at 1 January 2022	**0.1**	**21.9**	**–**	**1.1**	**83.1**	**106.2**
Comprehensive income for the period						
Profit for the period	–	–	–	–	12.5	12.5
Total comprehensive income for the period	**–**	**–**	**–**	**–**	12.5	12.5
Contributions by and distributions to owners						
Share-based payments	–	–	–	0.8	–	0.8
Exercise of share options	–	0.2	–	(0.1)	0.1	0.2
Dividends paid	–	–	–	–	(7.2)	(7.2)
Total transactions with owners recognised directly in equity	–	0.2	–	0.7	(7.1)	(6.2)
Balance at 30 June 2022	**0.1**	**22.1**	**–**	**1.8**	**88.5**	**112.5**

For the year ended 31 December 2022 (Audited)	**Share capital £m**	**Share premium account £m**	**Treasury shares £m**	**Share-based payment reserve £m**	**Retained earnings £m**	**Total equity £m**
Balance at 1 January 2022	**0.1**	**21.9**	**–**	**1.1**	**83.1**	**106.2**
Comprehensive income for the year						
Profit for the year	–	–	–	–	19.7	19.7
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**19.7**	**19.7**
Contributions by and distributions to owners						
Exercise of share options	–	0.3	–	–	–	0.3
Share-based payments	–	–	–	(0.2)	–	(0.2)
Dividends paid	–	–	–	–	(11.1)	(11.1)
Total transactions with owners recognised directly in equity	**–**	**0.3**	–	**(0.2)**	**(11.1)**	**(11.0)**
Balance at 31 December 2022	**0.1**	**22.2**	**–**	**0.9**	**91.7**	**114.9**

EXPLANATORY NOTES

1 GENERAL INFORMATION AND BASIS OF PREPARATION

Eurocell plc (the ‘Company’) and its subsidiaries (together the ‘Group’) is a publicly listed company incorporated and domiciled in England, United Kingdom. The registered office is Eurocell Head Office and Distribution Centre, High View Road, South Normanton, Alfreton, Derbyshire, DE55 2DT.

The Group is principally engaged in the extrusion of PVC window and building products to the new and replacement window market and the sale of building materials across the UK.

The half year report for the six months ended 30 June 2023 reflects the results of the Company and its subsidiaries. It has been prepared in accordance with UK-adopted IAS 34 Interim Financial Reporting and the Disclosure and Transparency rules of the United Kingdom’s Financial Conduct Authority, and includes the condensed consolidated interim financial statements (the ‘interim financial statements’).

The interim financial statements do not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. They do not include all the information required for full financial statements and should be read in conjunction with the 2022 Annual Report, which was prepared in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006.

The comparative figures for the year ended 31 December 2022 have been extracted from the Group’s audited financial statements for that year. Those financial statements are included in the 2022 Annual Report and have been delivered to the Registrar of Companies. The auditor’s report was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their audit report, and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

The interim financial statements are unaudited, but have been reviewed by the auditors in accordance with the Auditing Practices Board guidance on Review of Interim Financial Information.

The Group is affected by seasonality. Demand in the second half of the year is usually higher than in the first half, with September to November typically representing the peak sales period for the Group in the RMI market. In addition, the Group’s sales to the new build market are usually slower during the first quarter of the year. In 2022 increasing macroeconomic uncertainties, driven by high inflation and the events in Ukraine, meant that demand was more evenly balanced. In 2023 seasonality is expected to follow a similar pattern due to the decline in new build activity.

The half year report was approved by the Board of Directors on 4 September 2023.

2 GOING CONCERN

The interim financial statements have been prepared on a going concern basis.

The Group funds its activities through a £75 million Revolving Credit Facility, provided by Barclays, NatWest and Bank of Ireland, which matures in May 2027. The facility includes two key financial covenants, which are tested at 30 June and 31 December on a pre-IFRS 16 basis. These are that net debt should not exceed 3 times adjusted EBITDA (Leverage), and that adjusted EBITDA should be at least 4 times the interest charge on the debt (Interest Cover).

At 30 June 2023 the Group has complied with all of its covenants, and it expects to do so for the next measurement period, being 31 December 2023, and going forward.

In assessing going concern, the Directors have considered financial projections for the period to December 2025, which is consistent with the Board’s strategic planning horizon and reflects a period of at least 12 months from the date of approval of these interim financial statements. These forecasts have been compiled based on the best estimates of our commercial and operational teams. The various scenarios take into consideration a wide range of severe but plausible downside risk factors, such as a sustained period of lower sales and severe cost price inflation that cannot be recovered in the form of price increases. In all scenarios tested, the Group operates with significant headroom on its Revolving Credit Facility and remains compliant with its covenants.

After reviewing the Group’s projected financial performance and financing arrangements, the Directors consider that the Group has adequate resources to continue operating and that it is therefore appropriate to continue to adopt the going concern basis in preparing this half year report.

3 ACCOUNTING POLICIES AND ESTIMATES

The interim financial statements have been prepared in accordance with the accounting policies and presentation that were applied in the Group’s audited financial statements for the year ended 31 December 2022.

A number of new or amended accounting standards became applicable for the current reporting period. The adoption of these standards did not lead the Group to change its accounting policies or make retrospective adjustments. The Group does not intend to adopt any standard, revision or amendment before the required implementation date.

Critical accounting estimates and judgements

The preparation of the interim 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. The significant judgements, estimates and assumptions relevant to the preparation of the interim financial statements are consistent with those described on page 143 of the 2022 Annual Report.

4 FINANCIAL INSTRUMENTS

The Group is exposed to financial risks through its use of the following financial instruments:

- Trade and other receivables;
- Cash and cash equivalents;
- Deferred consideration;
- Trade and other payables;
- Bank overdrafts;
- Floating-rate bank loans; and
- Lease liabilities

The relevant financial risks are: credit risk, market risk, foreign exchange risk and liquidity risk.

The Group estimates that the fair value of these financial assets and liabilities is approximate to their carrying amount. Further information in relation to the Group's exposure to financial risks is included on pages 143 to 146 of the 2022 Annual Report.

5 NON-UNDERLYING ITEMS

Amounts included in the Consolidated Statement of Comprehensive Income are as follows:

	Six months ended 30 June 2023 (Unaudited) £m	**Six months ended 30 June 2022 (Unaudited) £m**	**Year ended 31 December 2022 (Audited) £m**
Restructuring costs	1.8	–	1.6
Asset impairment charges	–	–	0.6
Cloud computing expenses	0.7	–	–
Non-underlying operating expenses	**2.5**	**–**	**2.2**
Finance expense	–	–	0.3
Total non-underlying expenses	**2.5**	**–**	**2.5**
Taxation	(0.6)	–	(0.5)
Impact on profit after tax	**1.9**	**–**	**2.0**

Restructuring costs

Restructuring costs relate to redundancies, with approximately 100 roles impacted at a one-off cost of £2.0 million. These costs are classified as non-underlying as they relate to roles that no longer exist within the organisation and therefore would not re-occur in future reporting periods. Also included is a credit of £0.2 million in respect of the release of a provision relating to a restructuring exercise announced in 2022 and completed in early 2023.

Cloud computing expenses

Cloud computing expenses relate to costs incurred on strategic IT projects involving 'Software as a Service' arrangements which are expensed as incurred rather than being capitalised as intangible assets.

Such items are considered to be non-underlying in nature because they relate to multi-year programmes to deliver strategic IT implementations which are material in size, with overall spend estimated to be in the region £7-9 million over the next three years. Our strategic IT projects comprise a new customer-facing website, an employee management system and, most significantly, the upgrade or replacement of the Group's Enterprise Resource Planning (ERP) system.

Prior year non-underlying items

There were no non-underlying items during the first half of 2022.

In the second half of 2022 the Group recognised non-underlying items amounting to £2.5 million, which included restructuring costs of £2.2 million, comprising £1.6 million of redundancy payments and £0.6 million of asset impairment charges. Also, following a refinancing of the Group's Revolving Credit Facility, £0.3 million of unamortised arrangement fees relating to the old facility were expensed to the Consolidated Income Statement.

Impact on cash flow

Of the £2.5 million non-underlying expenses recognised in H1 2023, £1.3 million was settled in cash at 30 June 2023, and £1.1 million will be settled within 12 months of the balance sheet date. The remaining £0.1 million relates to non-cash asset impairment charges.

Of the £2.5 million non-underlying expenses recognised in the second half of 2022, £1.4 million had been settled in cash at 30 June 2023, and £0.2 million had been credited to the income statement. The remaining £0.9 million relates to non-cash asset impairment charges.

6 SEGMENTAL INFORMATION

The Group organises itself into a number of operating segments that offer different products and services. They are managed separately because each business requires different technology and marketing strategies. Internal reporting provided to the chief operating decision-maker, which has been identified as the executive management team including the Chief Executive Officer and the Chief Financial Officer, reflects this structure.

The Group has aggregated its operating segments into three reported segments, as these business units have similar products, production processes, types of customer, methods of distribution, regulatory environments and economic characteristics:

- Profiles – extrusion and sale of PVC window and building products to the new and replacement window market across the UK. This segment includes Vista Panels, S&S Plastics and Eurocell Recycle North.
- Building Plastics – sale of building plastic materials across the UK. This segment includes Kent Building Plastics and Trimseal.
- Corporate – represents costs relating to the ultimate parent company and includes the assets and related amortisation in respect of acquired intangible assets.

Inter-segmental sales, which are eliminated on consolidation, are transacted on an arm's-length basis and relate to manufactured products distributed by the Building Plastics division.

Six months ended 30 June 2023 (Unaudited)	**Profiles £m**	**Building Plastics £m**	**Corporate £m**	**Total £m**
Revenue				
Total revenue	114.4	105.1	–	219.5
Inter-segmental revenue	(34.9)	(0.2)	–	(35.1)
Total revenue from external customers	**79.5**	**104.9**	**–**	**184.4**
Adjusted EBITDA	**11.5**	**7.6**	**0.6**	**19.7**
Amortisation of intangible assets	–	–	(0.8)	(0.8)
Depreciation of property, plant and equipment	(3.6)	(0.6)	(0.4)	(4.6)
Depreciation of right-of-use assets	(3.0)	(3.6)	(0.1)	(6.7)
Adjusted operating profit/(loss)	**4.9**	**3.4**	**(0.7)**	**7.6**
Non-underlying operating expenses	(1.5)	(1.0)	–	**(2.5)**
Operating profit/(loss)	**3.4**	**2.4**	**(0.7)**	**5.1**
Finance expense				(1.6)
Profit before tax from continuing operations				**3.5**

Six months ended 30 June 2022 (Unaudited)	**Profiles £m**	**Building Plastics £m**	**Corporate £m**	**Total £m**
Revenue				
Total revenue	118.0	108.8	–	226.8
Inter-segmental revenue	(37.9)	(0.1)	–	(38.0)
Total revenue from external customers	**80.1**	**108.7**	**–**	**188.8**
EBITDA	**18.2**	**11.6**	**(0.8)**	**29.0**
Amortisation of intangible assets	–	–	(0.9)	(0.9)
Depreciation of property, plant and equipment	(3.4)	(0.6)	(0.4)	(4.4)
Depreciation of right-of-use assets	(2.6)	(3.9)	(0.1)	(6.6)
Operating profit/(loss)	**12.2**	**7.1**	**(2.2)**	**17.1**
Finance expense				(1.4)
Profit before tax from continuing operations				**15.7**

Year ended 31 December 2022 (Audited)	**Profiles £m**	**Building Plastics £m**	**Corporate £m**	**Total £m**
Revenue				
Total revenue	234.0	219.8	–	453.8
Inter-segmental revenue	(72.3)	(0.3)	–	(72.6)
Total revenue from external customers	**161.7**	**219.5**	–	**381.2**
Adjusted EBITDA	**32.7**	**21.0**	**1.5**	**55.2**
Amortisation of intangible assets	–	–	(1.8)	(1.8)
Depreciation of property, plant and equipment	(7.0)	(1.1)	(0.7)	(8.8)
Depreciation of right-of-use assets	(5.5)	(7.7)	(0.1)	(13.3)
Adjusted operating profit/(loss)	**20.2**	**12.2**	**(1.1)**	**31.3**
Non-underlying operating expenses	(0.9)	(1.3)	–	(2.2)
Operating profit/(loss)	**19.3**	**10.9**	**(1.1)**	**29.1**
Finance expense				(2.9)
Profit before tax from continuing operations				**26.2**

As at 30 June 2023 (Unaudited)	**Profiles £m**	**Building Plastics £m**	**Corporate £m**	**Total £m**
Segment assets	**139.2**	**87.4**	**17.8**	**244.4**
Segment liabilities	(59.9)	(48.1)	(3.0)	(111.0)
Borrowings				(17.3)
Deferred tax				(6.8)
Total liabilities				**(135.1)**
Total net assets				**109.3**

As at 30 June 2022 (Unaudited)	**Profiles £m**	**Building Plastics £m**	**Corporate £m**	**Total £m**
Segment assets	**146.3**	**101.5**	**14.4**	**262.2**
Segment liabilities	(63.7)	(47.3)	(9.5)	(120.5)
Borrowings				(21.3)
Deferred tax				(7.9)
Total liabilities				**(149.7)**
Total net assets				**112.5**

As at 31 December 2022 (Audited)	**Profiles £m**	**Building Plastics £m**	**Corporate £m**	**Total £m**
Segment assets	**145.1**	**89.4**	**19.8**	**254.3**
Segment liabilities	(61.3)	(43.2)	(7.8)	(112.3)
Borrowings				(20.3)
Deferred tax liability				(6.8)
Total liabilities				**(139.4)**
Total net assets				**114.9**

Geographical information

	Six months ended 30 June 2023 (Unaudited)		**Six months ended 30 June 2022 (Unaudited)**		**Year ended 31 December 2022 (Audited)**	
	Revenue £m	**Non-current assets £m**	**Revenue £m**	**Non-current assets £m**	**Revenue £m**	**Non-current assets £m**
United Kingdom	183.5	133.3	187.8	131.7	379.3	138.3
Republic of Ireland	0.9	–	1.0	–	1.9	–
Total	**184.4**	**133.3**	**188.8**	**131.7**	**381.2**	**138.3**

As at 30 June 2023 the Group employed 1,951 people in the UK, and 8 people in the Republic of Ireland.

7 TAXATION

	Six months ended 30 June 2023 (Unaudited) £m	Six months ended 30 June 2022 (Unaudited) £m	Year ended 31 December 2022 (Audited) £m
Current tax			
Current tax on profit for the period	0.6	1.4	3.2
Adjustments in respect of prior years	–	–	0.3
Total current tax	**0.6**	**1.4**	**3.5**
Deferred tax			
Origination and reversal of temporary differences	0.2	1.2	0.7
Adjustment in respect of change in rates	–	0.1	0.2
Adjustment in respect of prior years	(0.2)	–	(0.7)
Total deferred tax	**–**	**1.3**	**0.2**
Total tax expense	**0.6**	**2.7**	**3.7**

	Six months ended 30 June 2023 (Unaudited) £m	Six months ended 30 June 2022 (Unaudited) £m	Year ended 31 December 2022 (Audited) £m
Continuing operations	0.6	2.8	4.2
Discontinued operations	–	(0.1)	(0.5)
Total current tax	**0.6**	**2.7**	**3.7**

The reasons for the difference between the actual tax charge for the period and the standard rate of corporation tax in the United Kingdom applied to profits for the period are as follows:

	Six months ended 30 June 2023 (Unaudited) £m	Six months ended 30 June 2022 (Unaudited) £m	Year ended 31 December 2022 (Audited) £m
Profit before tax from continuing operations	3.5	15.7	26.2
Loss before tax from discontinued operations	–	(0.5)	(2.8)
Profit before tax	**3.5**	**15.2**	**23.4**
Expected tax expense based on the standard rate of corporation tax in the UK of 23.5% (2022: 19%)	0.8	2.9	4.4
Expenses not deductible for tax purposes	0.2	–	0.2
Capital allowance super-deduction utilised	–	(0.4)	(0.3)
Patent Box claim	(0.2)	(0.2)	(0.4)
Adjustments to tax charge in respect of prior years	(0.2)	–	(0.4)
Impact of change in rate on deferred tax in prior year	–	0.4	0.2
Total tax expense	**0.6**	**2.7**	**3.7**

Changes in tax rates and factors affecting the future tax charge

The mainstream rate of UK corporation tax was increased from 19% to 25% in April 2023.

In calculating the half year tax charge, the expected effective tax rate for the full year has been applied to the half year underlying profit, with the exception of the remeasurement of deferred tax liabilities, which has been applied in full.

There are no material uncertain tax provisions.

Tax included in Other Comprehensive Income

The tax credit arising on share-based payments within Other Comprehensive Income is £nil (2022: £nil).

Based on the current investment plans of the Group, and assuming the rates of capital allowances on capital expenditure continue into the future, there is little prospect of any significant part of the deferred tax liability becoming payable over the next three years.

Tax residency

Eurocell plc and its subsidiaries are all registered in the United Kingdom and are resident in the UK for tax purposes. The Group has two branches in the Republic of Ireland, with combined annual revenues of c.£2.0 million (2022: £1.9 million), total assets of less than £50,000 (2022: less than £50,000) and eight (2022: eight) full time employees. For tax purposes these two trading locations form a single branch within Eurocell Building Plastics Limited, and therefore any profits generated are subject to tax in the Republic of Ireland.

The tax charge in relation to the Group's Republic of Ireland operations in 2022 was €nil and no tax payments were made during the year. This is due to utilisation of losses brought forward. No deferred tax assets are recognised on unutilised losses due to the uncertainty of future profits in the Republic of Ireland.

8 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. Adjusted earnings per share excludes the impact of non-underlying items. Earnings per share from continuing operations excludes the impact of discontinued operations.

Diluted earnings per share is calculated by adjusting the earnings and number of shares for the effects of dilutive options. In the event that a loss is recorded for the period, share options are not considered to have a dilutive effect.

	Six months ended 30 June 2023 (Unaudited) £m	**Six months ended 30 June 2022 (Unaudited) £m**	**Year ended 31 December 2022 (Audited) £m**
Profit from continuing operations attributable to ordinary shareholders excluding non-underlying items	4.8	12.9	24.0
Profit from continuing operations attributable to ordinary shareholders	2.9	12.9	22.0
Loss from discontinued operations	–	(0.4)	(2.3)
Profit attributable to ordinary shareholders	**2.9**	**12.5**	**19.7**

	Number	**Number**	**Number**
Weighted average number of shares – basic	112,059,272	112,030,859	112,036,668
Dilutive impact of share options granted	101,200	740,529	747,137
Weighted average number of shares – diluted	**112,160,472**	**112,771,388**	**112,783,805**

	Six months ended 30 June 2023 (Unaudited) Pence	Six months ended 30 June 2022 (Unaudited) Pence	Year ended 31 December 2022 (Audited) Pence
Continuing operations			
Basic earnings per share	2.6	11.6	19.6
Adjusted basic earnings per share	4.3	11.6	21.4
Diluted earnings per share	2.6	11.5	19.5
Adjusted diluted earnings per share	4.3	11.5	21.3
Discontinued operations			
Basic earnings per share	–	(0.4)	(2.0)
Diluted earnings per share	–	(0.4)	(2.0)
Total			
Basic earnings per share	2.6	11.2	17.6
Diluted earnings per share	2.6	11.1	17.5

9 NON-CURRENT ASSETS (Unaudited)

	Property, plant and equipment £m	Right-of-use assets £m	Intangible assets £m
At 31 December 2022	**61.7**	**59.7**	**16.9**
Additions	3.7	3.9	0.1
Disposals	(0.3)	–	(0.2)
Depreciation and amortisation	(4.6)	(6.7)	(0.8)
Impairment charges	–	(0.1)	–
At 30 June 2023	**60.5**	**56.8**	**16.0**

10 DIVIDENDS

	Six months ended 30 June 2023 (Unaudited) £m	Six months ended 30 June 2022 (Unaudited) £m	Year ended 31 December 2022 (Audited) £m
Dividends paid during the period			
Interim dividend for 2022 of 3.5p per share	–	–	3.9
Final dividend for 2022 of 7.2p per share (2021: 6.4p per share)	8.1	7.2	7.2
	8.1	**7.2**	**11.1**
Dividends proposed			
Interim dividend for H1 2023 of 2.0p per share (H1 2022: 3.5p per share)	2.2	3.9	–
Final dividend for 2022 of 7.2p per share	–	–	8.1
	2.2	**3.9**	**8.1**

11 RECONCILIATION OF PROFIT AFTER TAX TO CASH GENERATED FROM OPERATIONS

	Six months ended 30 June 2023 (Unaudited) £m	Six months ended 30 June 2022 (Unaudited) £m	Year ended 31 December 2022 (Audited) £m
Profit after tax from continuing operations	2.9	12.9	22.0
Loss after tax from discontinued operations	–	(0.4)	(2.3)
Profit after tax	**2.9**	**12.5**	**19.7**
Taxation	0.6	2.7	3.7
Finance expense	1.6	1.4	2.9
Operating profit	**5.1**	**16.6**	**26.3**
Adjustments for:			
Depreciation of property, plant and equipment	4.6	4.4	8.8
Depreciation of right-of-use assets	6.7	6.6	13.3
Amortisation of intangible assets	0.8	0.9	1.8
Impairment of tangible and right-of-use assets	0.1	–	0.6
Prepaid cloud computing costs now expensed	0.5	–	–
Loss on disposal of business	–	–	1.5
Share-based payments	0.3	0.8	(0.2)
Decrease/(increase) in inventories	6.4	(10.1)	(5.7)
Increase in trade and other receivables	(4.5)	(10.7)	(5.6)
Increase/(decrease) in trade and other payables	2.3	11.2	(1.8)
Increase/(decrease) in provisions	–	0.1	(0.3)
Cash generated from operations	**22.3**	**19.8**	**38.7**

12 LOSS AFTER TAX FROM DISCONTINUED OPERATIONS

As part of a restructuring exercise, on 2 December 2022 the Group completed the sale of the trade and assets of its Security Hardware business for a total consideration of £1.2 million. Security Hardware was a separate operating segment which had previously been aggregated and presented as part of the Building Plastics reported segment.

	Six months ended 30 June 2022 (Unaudited) £m	Year ended 31 December 2022 (Audited) £m
Revenue	**1.7**	**2.9**
Cost of sales	(1.0)	(2.2)
Gross profit	**0.7**	**0.7**
Distribution costs	(0.5)	(0.8)
Administrative expenses	(0.7)	(1.2)
Operating loss	**(0.5)**	**(1.3)**
Finance expense	–	–
Loss before tax from discontinued operations	**(0.5)**	**(1.3)**
Taxation	0.1	0.2
Loss after tax from discontinued operations	**(0.4)**	**(1.1)**
Loss on sale of trade and assets after tax	–	(1.2)
Loss from discontinued operations	**(0.4)**	**(2.3)**

The loss on sale of £1.2 million is comprised of the following:

	2022 £m
Consideration received	
Cash	0.4
Deferred consideration	0.8
Total consideration	**1.2**
Carrying value of net assets sold	(2.6)
Transaction costs	(0.1)
Loss on sale before tax	**(1.5)**
Taxation	0.3
Loss on sale after tax	**(1.2)**

The carrying values of assets and liabilities as at 2 December 2022 were as follows:

	£m
Property, plant and equipment	0.4
Right-of-use assets	0.3
Intangible assets	0.3
Inventories	1.9
Lease liabilities	(0.3)
Carrying value of net assets sold	**2.6**

The net cash flows arising were as follows:	Six months ended 30 June 2022 (Unaudited) £m	Year ended 31 December 2022 (Audited) £m
Net cash outflow from operating activities	(0.3)	(0.2)
Net cash inflow from investing activities	–	0.1
Net cash outflow from financing activities	–	–
Net decrease in cash generated by discontinued operations	**(0.3)**	**(0.1)**

Losses per share were as follows:

	Six months ended 30 June 2022 (Unaudited) Pence	Year ended 31 December 2022 (Audited) Pence
Basic losses per share from discontinued operations	(0.4)	(2.0)
Diluted losses per share from discontinued operations	(0.4)	(2.0)

13 RELATED PARTY TRANSACTIONS

The remuneration of Executive and Non-executive Directors is disclosed in the 2022 Annual Report.

Transactions with key management personnel

Kellmann Recruitment Limited is controlled by T Kelly, a close family member of M Kelly who was a Director of Eurocell plc until 11 May 2023. The fees paid to Kellman Recruitment Limited relate to recruitment services, and are agreed on an arms' length basis, at rates that are consistent with other similar suppliers of recruitment services to the Group.

The following amounts were paid to Kellman Recruitment for services provided during the periods below, up to 11 May 2023:

	Six months ended 30 June 2023 (Unaudited) £000	**Six months ended 30 June 2022 (Unaudited) £000**	**Year ended 31 December 2022 (Audited) £000**
Kellmann Recruitment Limited – recruitment services	109	121	211

Amounts outstanding at the period end were £nil (H1 2022: £nil; 31 December 2022: £nil).

14 CAPITAL COMMITMENTS

The Group is committed to a further c.£4 million of capital investment in 2023.

15 EVENTS AFTER THE BALANCE SHEET DATE

The Directors are not aware of any material events that have occurred after 30 June 2023 which would require disclosure under IAS 10.

Independent Review Report to Eurocell plc
Report on the Condensed Consolidated Interim Financial Statements

Our conclusion
We have reviewed Eurocell plc's condensed consolidated interim financial statements (the "interim financial statements") in the Half Year Report of Eurocell plc for the 6 month period ended 30 June 2023 (the "period").

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

The interim financial statements comprise:

- The condensed consolidated statement of financial position as at 30 June 2023;
- The condensed consolidated statement of comprehensive income for the period then ended;
- The condensed consolidated cash flow statement for the period then ended;
- The condensed consolidated statement of changes in equity for the period then ended; and
- The explanatory notes to the interim financial statements.

The interim financial statements included in the Half Year Report of Eurocell plc have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Basis for conclusion
We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Financial Reporting Council for use in the United Kingdom ("ISRE (UK) 2410"). A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.
We have read the other information contained in the Half Year Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

Conclusions relating to going concern
Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed. This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the group to cease to continue as a going concern.

Responsibilities for the interim financial statements and the review
Our responsibilities and those of the Directors
The Half Year Report, including the interim financial statements, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the Half Year Report in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. In preparing the Half Year Report, including the interim financial statements, the directors are responsible for assessing the group'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 group or to cease operations, or have no realistic alternative but to do so.

Our responsibility is to express a conclusion on the interim financial statements in the Half Year Report based on our review. Our conclusion, including our Conclusions relating to going concern, is based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants
Birmingham
4 September 2023