Zotefoams plc

Interim Report for the Six Months Ended 30 June 2021

Strong trading performance in a difficult environment

10 August 2021 - Zotefoams plc ("Zotefoams", the "Company" or the "Group"), a world leader in cellular materials technology, today announces its interim results for the six months ended 30 June 2021.

Results highlights

- Group revenue of £48.2m, 39% above the same period last year (HY 2020: £34.6m) and 14% ahead of the comparative period for 2019:
  - High-Performance Products (HPP) sales up 66% to £19.6m
  - Polyolefin foams sales up 24% to £27.3m
  - MuCell Extrusion LLC (MEL) sales up 50% to £1.3m
- At constant currency, Group revenue was 46% ahead of prior year at £50.7m
- Favourable operational leverage from higher sales volumes was partially offset by gross margin pressures:
  - Significant supply chain inflationary pressures, particularly in polyolefin raw materials and freight, with selective pricing actions taken to mitigate
  - Commissioning of the Poland plant, with expected low initial utilisation
  - Reversal of some short-term cost savings, implemented to conserve cash in 2020
- Profit before tax (PBT) increased 49% to £4.0m (HY 2020: £2.7m). FX headwinds impacted PBT by £1.2m, with constant currency PBT increasing 93% to £5.2m
- Strong cash and profit performance reduced the period-end leverage ratio to 1.9x (net debt: EBITDA), down from 2.1x at year-end and retaining significant covenant headroom
- Interim dividend of 2.10p per share declared (HY 2020: 2.03p per share), reflecting strong growth and positive outlook

Strategic highlights

- Broad-based recovery in most polyolefin foam markets and territories provides good momentum leading into H2
- Poland, our third major manufacturing site, commissioned on time and budget in Q1 2021
- HPP footwear market now accounts for 34% of Group revenue, with strong order pipeline and good visibility
- T-FIT® insulation demonstrated continued growth, despite significant COVID-19 related disruption to the Indian market
- ReZorce® recyclable packaging technology validation progressing as planned

Financial summary

	Six months ended 30 June 2021	Six months ended 30 June 2020	Change
	£m	£m	%
Group revenue	48.2	34.6	39
Operating profit	4.7	3.1	49
Profit before tax	4.0	2.7	49
Basic EPS (p)	6.52	4.48	46
Cash generated from operations	5.6	6.0	(6)
Leverage ratio (multiple)	1.9	2.6	-
Interim dividend (p)	2.10	2.03	3
Net debt	35.6	36.2	

Commenting on the results and the outlook, David Stirling, Group CEO, said:

“We are delighted to have produced such a strong trading performance across most regions and markets**.** The Group has responded well operationally to the strong demand recovery despite challenging supply-chain conditions from Brexit and COVID-19.

“In the second six months of 2021 we expect further positive momentum in sales, with a strong order book underpinned by improving economic conditions. Product mix is anticipated to be slightly more favourable, with good growth in HPP products and recent sales price rises in polyolefin foams. FX headwinds are expected to continue. Gross margin, benefitting from strong sales and better mix, is expected to remain steady despite cost inflation, predominantly in polyolefin raw materials, the price of which increased sharply during the first six months and is now, we believe, at its peak. We anticipate these raw material price levels and operational disruption to freight to persist for the remainder of this year before seeing a return towards more normal conditions early in 2022.

“We are mindful of the high level of uncertainty in the current economic climate, with supply chain challenges and COVID-related risks of operational disruption remaining high, so these expectations must be tempered with caution. Overall, we are pleased to have delivered another solid performance in difficult conditions and remain optimistic about our future.”

Enquiries:

Zotefoams plc David Stirling, Group CEO Gary McGrath, Group CFO	**+44 (0) 208 664 1600**
IFC Advisory (Financial PR & IR) Graham Herring Tim Metcalfe Zach Cohen	**+44 (0) 203 934 6630**

About Zotefoams plc

Zotefoams plc (LSE - ZTF) is a world leader in cellular materials technology delivering optimal material solutions for the benefit of society. Utilising a variety of unique manufacturing processes, including environmentally friendly nitrogen expansion for lightweight AZOTE® polyolefin and ZOTEK® high-performance foams, Zotefoams sells to diverse markets worldwide. Zotefoams uses its own cellular materials to manufacture T-FIT® advanced insulation for demanding industrial markets. Zotefoams also owns and licenses patented microcellular foam technology to reduce plastic use in extrusion applications and for ReZorce® mono-material recyclable barrier packaging. Zotefoams is headquartered in Croydon, UK, with additional manufacturing sites in Kentucky, USA and Brzeg, Poland (foam manufacture), Oklahoma, USA (foam products manufacture and conversion), Massachusetts, USA (MuCell Extrusion) and Jiangsu Province, China (T-FIT).

www.zotefoams.com

AZOTE®, ZOTEK®, ReZorce® and T-FIT® are registered trademarks of Zotefoams plc.

Results overview
Group revenue increased 39% to £48.2m (HY 2020: £34.6m) and 14% versus the comparative period for 2019, with strong demand across most regions and markets. At constant currency, Group revenue was up 46% to £50.7m.

Gross profit increased 16% to £13.9m (HY 2020: £12.0m), with gross margin reducing to 28.9% (HY 2020 34.8%). The Group has responded well operationally to the strong demand recovery, overcoming challenging supply-chain conditions from Brexit and COVID-19. In addition, significant inflationary pressures, particularly in polyolefin raw materials and logistics, have depressed gross margins in the period, as have the added costs of our recently commissioned facility in Poland and the strengthening of sterling, partly mitigated by the Group's hedging activities which are recorded under administrative expenses.

The operational gearing benefit from the revenue growth more than offset these higher costs and increased operating profit for the period by 49% to £4.7m (HY 2020: £3.1m). Profit before tax increased 49% to £4.0m (HY 2020: £2.7m) and basic earnings per share increased 46% to 6.52p (HY 2020: 4.48p). At constant currency, profit before tax increased 93% to £5.2m, representing a £1.2m headwind and arising predominantly from the Group's invoicing of most High-Performance Products (HPP) sales in US dollars.

Cash generated from operations remained strong, with increased profitability versus the previous period offset by the impact of working capital growth from higher levels of business activity, resulting in a 6% decline to £5.6m (HY 2020: £6.0m). Closing net debt for the period was unchanged at £35.6m (31 December 2020: £35.6m). Adjusting for the impact of IFRS 2 and IFRS 16, net debt under the Group's banking definition was flat at £34.3m (31 December 2020: £34.2m), with leverage (net borrowings to EBITDA) at 1.9x (31 December 2020: 2.1x), well below the 3.0x covenant.

The Board remains confident in the cash generation of the business and an interim dividend of 2.10p per share has been approved by the Board (HY 2020: 2.03p per share).

Business unit review

Markets
Zotefoams' speciality materials are used in a wide variety of applications globally. Our main markets are footwear, where we have an exclusive agreement to supply Nike, product protection and transportation, which includes aviation and aerospace, automotive and rail. Building and construction is the only other market segment traditionally representing over 10% of sales, while we also supply to medical, industrial and other markets.

The first half of 2021 and the comparative period in 2020 were characterised by large swings in both the total demand for, and mix of, products across a number of our markets. The impact of COVID-19 initially increased uncertainty and reduced demand, leading to destocking along supply chains. Zotefoams' customers are often two or three steps away from the final product, with changes in end-user demand impacting short-term demand for our products in an amplified manner as supply chains adjust inventory, particularly in sectors such as aviation and automotive. Over the course of the past 18 months, we have been able to adapt our commercial focus effectively to target growth niches against a changing backdrop. During 2020, this saw us capitalise on short-term opportunities in sectors with elevated short-term demand, such as personal protective equipment ("PPE"), while also meeting the anticipated ramp-up in footwear and delivering to more traditional AZOTE® markets with shorter lead times. In 2021, with demand returning strongly to a number of these markets, we have been able to pivot to much higher levels of supply to these customers as their demand, including some inventory rebuilding, increased to levels last seen in early 2019.

In the first six months of 2021, our footwear business has performed extremely well and accounted for 34% of Group sales (HY 2020: 19%). Demand in most other markets also showed strong growth against the prior period, although aviation, which had remained resilient early in 2020, fell from 12% of Group sales in the first half of 2020 to 3% in the current period and, as anticipated, demand from PPE was negligible (HY 2020: 5% of sales).

The performance of our business by geography was significantly influenced by product mix, with footwear driving strong growth of sales to Asia and the decline in aviation, where demand is primarily in the USA, depressing this region. Demand in continental Europe, which is primarily from product protection and industrial markets, rebounded strongly in line with the wider AZOTE business, although again a lack of activity in aviation negatively impacted mix and average selling prices. In the UK, which accounted for almost all PPE sales in 2020, the broader market recovered well, while there was negligible PPE demand in the period.

Polyolefin Foams
Polyolefin Foams represented 57% of Group revenue (HY 2020: 64%), with sales increasing 24% to £27.3m (HY 2020: £22.0m) and sales volumes increasing 31% against the previous period to levels slightly above those achieved in 2019. Product mix, with lower aviation sales in particular, negatively impacted the average selling price in the period, although it was pleasing to see a return of strong demand in most markets as supply chains were rebuilt. In continental Europe, our largest market, sales increased 51% versus the comparative period, with all markets and geographies performing strongly. In the UK, sales decreased 6%, with the previous year benefitting from the first shipments of PPE for a significant short-term UK government contract won by our largest UK customer. Excluding this, sales for the period increased 34%. In North America, sales increased 8%, with growth impacted by semiconductor availability issues in the automotive industry and continuing subdued aviation demand. In Asia, where volumes are significantly lower, sales also grew strongly, up 37% with high demand across most sectors.

Segment profit declined to £1.3m (HY 2020: £2.0m), yielding a segment profit margin of 5% (HY 2020: 9%), with a number of factors contributing to this. Within our direct control were the incremental costs associated with our newly commissioned Poland facility, which is currently operating as planned at lower utilisation levels, and some mix and efficiency headwinds as our North American business grows. The price of our major raw materials, particularly low-density polyethylene ("LDPE"), increased significantly during the period, from the very low levels seen in 2020 to peak prices in June 2021 that were approximately 60% higher than the average price of the five years preceding the pandemic. Zotefoams implemented price increases effective 1 May 2021 for our Polyolefin Foams business with, in some cases, freight surcharges and speciality materials surcharges. The intent of these price increases is to recover margin consistent with higher levels of polymer pricing in the market but not to recover polymer peak pricing. Our sales prices are therefore expected to hold when polymer prices return to more normal levels, while surcharges will be removed when the pricing of freight and speciality materials realigns to lower levels. Foreign exchange rates did not have a major impact on our Polyolefin Foams business unit sales or profitability.

High-Performance Products ("HPP")
HPP represented 41% of Group revenue in the period (HY 2020: 34%), with sales increasing 66% to £19.6m (HY 2020: £11.8m). At constant currency, sales increased 81%. Sales of our largest application, footwear, continued the momentum of H2 2020 and increased 147% in the period to £16.5m (HY 2020: £6.7m). Sales of ZOTEK® F, which primarily services the aviation market, declined 67% to £1.1m (HY 2020: £3.5m and HY 2019: £4.2m). While there are promising early signs of recovery in this sector, we expect sales to remain subdued for the remainder of this year. T-FIT® advanced insulation, which is mainly used for cleanrooms in pharmaceutical, biotech and semiconductor manufacturing, grew 30% in the period despite very difficult conditions, particularly in India, one of our main markets, which was materially affected by COVID-19. As we develop the T-FIT brand, supported by clear evidence of the performance and value to the customer across a range of installations, we are increasing our marketing spend to accelerate the adoption of the product range. Our HPP team has focused its resources on developing new applications and extending our product offering in aviation interiors, where new opportunities are emerging as a result of the current pandemic, and in capturing more business outside the core cleanroom offering in T-FIT technical insulation.

The segment profit in HPP reflects a mix of products and markets at different stages of development. Within this portfolio ZOTEK PEBA and ZOTEK F foams, mainly used for footwear and aviation respectively, have both reached a scale that makes them profitable. T-FIT technical insulation, which has attractive underlying margin potential, has a mixture of profitable lines and earlier stage products, and the Group has continued to invest in operational and sales capability, mainly in China and India and more recently in the USA and Poland. We intend to continue with both this investment and that in other technical foams, such as the recently launched ZOTEK T thermoplastic elastomer foam, which we believe offer good potential to support our long-term ambition.

Segment profit in HPP was £3.9m (HY 2020: £2.8m), delivering a 20% segment profit margin for the period (HY 2020: 23%). At constant currency, segment profit increased 42% to £5.5m, reflecting a £1.6m negative impact from the weaker US dollar in which most of our HPP sales are invoiced. Supply chain and logistics costs, including unplanned freight costs of £0.4m to compensate for supply chain disruptions mainly as a result of Brexit, negatively impacted margins in the period. Investment in selling and distribution costs increased, reflecting management's confidence in and intent for the HPP products. Raw materials costs increased only modestly, with these mainly being passed on to customers.

MuCell Extrusion LLC ("MEL")
MEL, which licenses microcellular foam technology and sells related machinery, accounted for 3% (HY 2020: 3%) of Group revenue in the period with sales of £1.3m (HY 2020: £0.9m).

During the period we have allocated more resources to deliver the business opportunity offered by our ReZorce® barrier materials products. ReZorce is a mono-material, and hence easily recyclable, barrier packaging solution which offers the possibility to replace difficult-to-recycle cartons and pouches with a system that can not only be easily recycled but also uses recycled material to deliver a circular packaging solution. ReZorce, therefore, offers a potential improvement in carbon footprint and recyclability to an industry currently worth multiple billions of pounds.

It continues to be extremely difficult to progress our traditional MEL licensing business model under the travel restrictions imposed as a result of COVID-19 and we have redeployed resources to deliver the ReZorce opportunity while continuing to support existing and in-progress MEL licensing clients.

We have increased the scope of ReZorce capital projects to not only invest £0.7m in a pilot extrusion line to produce sheet material but also invest £0.7m (of which, at HY 2021, we had incurred £0.3m) to demonstrate downstream sterile processing and packaging of cartons, such as those used for fruit juice, enabling a more rapid development with potential customers. To support this, we have completed an initial downstream validation of waste processing and life-cycle analysis, both of which resulted in very positive outcomes. The next steps are to complete our pilot processing facility and validate with branded goods partners our carton technology, initially for juice and alcohol, and pouch technology for foodstuffs. These partners are already heavily engaged. The flexibility of the ReZorce technology lends itself to multiple business models on a global scale and detailed assessments of these are in progress and dependent on the outcome of the validation trials.

MEL reported a segment loss after amortisation costs of £0.1m (HY 2020: loss £0.7m), with a small profit in the core business of MEL, benefitting from increased licence income, more than offset by £0.3m of costs relating to the development of our ReZorce product lines. We also capitalised £0.3m of operating costs in line with IAS 38 'Intangible Assets'.

Financial review

Currency review
As a predominantly UK-based exporter, over 80% of Zotefoams' sales are denominated in US dollars and euros. Most costs are incurred in sterling, other than the main raw materials processed at the Croydon, UK site, which are in euros, and the operating costs of the Group's North American activities, which are in US dollars. As a result, movements in foreign exchange rates can have a significant impact on the Group's results. The Group also incurs operating costs at the Poland facility in Polish zloty and operating costs at its China T-FIT processing plant in Chinese yuan, but any fluctuations here are immaterial to the Group.

The exchange rates used to translate the key flows and balances were:

	6 months to 30 Jun 21	6 months to 30 Jun 20	12 months to 31 Dec 20
GBP to euro – period average	0.88	0.87	0.88
GBP to euro – period-end spot	0.86	0.91	0.90
GBP to USD – period average	0.73	0.79	0.78
GBP to USD – period-end spot	0.72	0.81	0.73

The Group uses forward exchange contracts to hedge its foreign currency transaction risk and hedges its exposure to foreign currency denominated assets, where possible, by offsetting them with same-currency liabilities, primarily through borrowing in the relevant currency. These foreign currency denominated assets, which are translated on a mark to market basis every month with the movement being taken to the income statement, include loans made by the Company to, and intercompany trading balances with, its overseas subsidiaries, the effect of which is cash neutral. They also include non-sterling accounts receivable, held on the Company's balance sheet, the impact of which should reverse through forward currency contracts but are subject to the timing difference between accounts receivable recording and cash received. The Group does not currently hedge for the translation of its foreign subsidiaries' assets or liabilities. This policy is kept under regular review and is formally approved by the Board on an annual basis.

In the period, net FX movements had a negative impact on sales and profitability. Reported net sales were £2.6m below those adjusted at constant currency. The net profit effect of this on the Group prior to any hedging activity was a loss of approximately £1.8m (HY 2020 benefit: £0.4m). Offsetting this, and included in administrative expenses, our transactional hedging from forward exchange contracts generated a gain of £1.0m (HY 2020 loss: £0.4m) and we recorded a non-cash translation loss of £0.4m (HY 2020 gain: £0.4m) on foreign currency denominated net assets. The combined adverse impact of movements in foreign currency on profitability in the period was £1.2m.

Operating costs
Gross profit increased 16% in the period to £13.9m (HY 2020: £12.0m), benefitting from the operational gearing effect of higher sales but adversely impacted by inflationary pressures and the movement in sterling. Average low density polyethylene raw material prices in the UK increased significantly, almost doubling in the six months to June 21, with six-month average prices for the period being approximately 40% higher than the equivalent period in 2020, while freight prices into Europe and Asia also showed sizeable increases. In addition, the commissioning of the Poland manufacturing facility in February, completing the Group's recent global capacity expansion programme, added £0.6m of manufacturing-related fixed cost and depreciation, which will be margin diluting until utilisation rates reach target levels. The average US dollar rate against sterling fell 8% against the previous period. This devaluation, given that most of the Group's global HPP sales as well as AZOTE® polyolefin foam sales at our US subsidiary are invoiced in US dollars, further impacted gross margin by £1.8m, £1.0m of which was recovered by the Group's forward exchange contract hedging activities, recorded under administrative expenses. The impact of these cost pressures in the period was to decrease gross profit margin to 28.9% (HY 2020: 34.8%).

Sales price increases from May will help offset the higher average polymer prices and continued higher freight costs of H2 2021. We do not anticipate any meaningful reduction in polymer prices before the end of the year as supply in the industry increases to match demand and freight prices return to more familiar levels in the medium term.

Included within distribution expenses in the Group's income statement are sales, marketing, despatch and warehousing costs. These costs increased 11% to £3.6m (HY 2020: £3.2m) as a result of higher shipping activity and storage levels and a return to more normal levels of marketing spend following significantly curtailed activity in Q2 2020 at the height of COVID-19 uncertainty.

Included within administrative expenses are technical development, finance, information systems and administration costs as well as the impact of foreign exchange hedges maturing in the period and non-cash foreign exchange translation expenses. In the period, these costs were unchanged at £5.7m (HY 2020: £5.7m), with £0.6m of FX-related credit variances offsetting an equivalent increase in underlying costs related to variable compensation against a low comparative.

The Group continues to pursue an expansion strategy, founded on proprietary cellular-materials technology and an increasing portfolio of differentiated products. Organic growth at the rate the Group is targeting has required investment in manufacturing, processing and engineering capability to deliver the required capacity around the world. Some of this, mostly in the USA and Poland, remains work-in-progress. In addition, investment in distribution and administrative expenses is expected to continue as opportunities to pursue mix enrichment develop.

Finance Costs
Finance costs increased to £0.6m (HY 2020: £0.5m) and include £0.1m (HY 2020: £0.1m) of interest on the Company's Defined Benefit Scheme pension obligation. The Group capitalised £nil (HY 2020: £0.4m) of interest on qualifying assets under IAS 23 'Capitalisation of Borrowing Costs', in relation to the financing of its capacity expansion projects still under construction.

Taxation
Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year. Zotefoams' estimated average annual tax rate used for the period to 30 June 2021 is 21.04% (estimated average annual tax rate for the year used at 30 June 2020: 19.89%), which reflects the profits expected in higher tax rate jurisdictions such as India and China.

Cash flow
Cash generated from operations was £5.6m (HY 2020: £6.0m). Included in this was a net increase in working capital in the period of £3.0m (HY 2020: net increase of £2.7m). Accounts receivable increased £4.1m in the period (HY 2020: decreased £1.0m), reflecting significantly higher levels of sales activity than in the heavily COVID-disrupted prior year period. Inventories increased £3.9m in the period (HY 2020: increased £6.0m), reflecting higher levels of business activity and some supply chain disruption. PVDF raw materials, used in aviation applications, remain at high levels as a consequence of lower consumption levels in this currently subdued market. Accounts payable increased £5.0m (HY 2020: increased £2.3m), reflecting significantly higher levels of activity compared with the previous COVID-19 impacted period.

Capital expenditure in the period was £3.4m (HY 2020: £7.4m), with some minor timing delays in certain planned expenditure for H1 and, for the most part, the end of the Group's recent capacity expansion programme and return to more normalised levels of investment. A final dividend of £2.1m was paid during the period, following suspension of the final dividend in the previous year.

Net debt and covenants
Net debt (cash less bank borrowings and lease liabilities) was unchanged from the start of the period at £35.6m (31 December 2020: £35.6m). Under the definition of the bank facility agreement, which adjusts for the impact of IFRS 2 and the introduction of IFRS 16, net debt was £34.3m (31 December 2020: £34.2m).

Throughout the first half of the year and at the period-end, the Group remained comfortably within its bank facility covenants. As at 30 June 2021, the ratio of EBITDA to net finance charges was 21x (31 December 2020: 23x; 30 June 2020: 30x), against a covenant minimum of 4x, and the ratio of net borrowings to EBITDA (leverage) was 1.86x (31 December 2020: 2.12x; 30 June 2020: 2.61x), against a covenant maximum of 3.0x.

Post-employment benefits
A full actuarial valuation of the Defined Benefit Pension Scheme ("DB Scheme") was completed as at 5 April 2020 in line with the requirement to have a triennial valuation. As part of the actuarial valuation, the Statutory Funding Objective ("SFO") deficit was calculated to be £7.8m as at 5 April 2020. Given the deficit, a Recovery Plan was put in place with the aim of being fully funded by 31 October 2026 (the same timeframe as agreed under the previous actuarial valuation as at 5 April 2017). As the funding level of the Scheme improved significantly from the effective date of the valuation to the date of signing the Recovery Plan, the improved funding position was taken into account when determining the contributions required to meet the SFO deficit. As a result, the Company has agreed with the Trustees to increase its deficit-related contributions to the DB Scheme

from £0.70m to £0.86m per year. These contributions also cover death-in-service insurance premiums, the expenses of administering the Scheme and Pension Protection Fund levies.

At the previous year-end of 31 December 2020, the IAS19 deficit disclosed in the Company accounts was calculated to be £8.9m. Over the period to 30 June 2021, the Scheme's invested assets have increased by around £0.4m while the liabilities have reduced due to the significant increase in long dated corporate bond yields. After taking these factors into account, the IAS19 deficit is estimated to have reduced by around £2.8m (i.e. from £8.9m as at 31 December 2020 to around £6.1m as at 30 June 2021).

Going Concern
At 30 June 2021, the Group's gross finance facilities were £48.0m (31 December 2020: £53.8m), comprising a multi-currency term loan of £20.0m (31 December 2020: £25.0m), a multi-currency revolving credit facility of £25.0m (31 December 2020: £25.0m) and a remaining balance of £3.0m (31 December 2020: £3.8m) of a further £7.5m sterling annually renewable term loan, repayable in equal quarterly instalments. In line with the bank financing agreement, a repayment of £5.0m was made on 30 June 2021. The bank facility is for a five-year period and expires in May 2023. At the balance sheet date, £6.7m was undrawn on the facility (31 December 2020: £10.7m). At the same date, the Group also held £6.7m (31 December 2020: £8.5m) of cash and cash equivalents. The facility is subject to two covenants, which are tested semi-annually: net debt to EBITDA (leverage) and EBITDA to net finance charges.

The Directors believe that the Group is well placed to manage its business risks and, after making enquiries including a review of forecasts and predictions, taking account of reasonably possible changes in trading performance and considering the existing banking facilities, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the next 12 months following the date of approval of this interim report. The Directors have also drawn upon the experiences of 2020 and the Group's success in reacting to the challenges of COVID-19 through its safety protocols and cost and cash management, all of which could be replicated in a similar scenario. After due consideration of the range and likelihood of potential outcomes, the Directors continue to adopt the going concern basis of accounting in preparing these interim financial statements.

Employees and talent management

Hiring and retaining employees with the right skills, and managing and further developing these talented people, is very important to Zotefoams as it grows and evolves globally. We have a wide scope of opportunities and need to identify and develop the right people to define and deliver our potential. After putting our recruitment plans temporarily on hold in the previous period in order to manage the business through the pandemic, we returned in the period to recruiting the staff required to achieve our business objectives. This mostly involved recruitment in the UK and the USA. We currently employ 551 people globally (HY 2020: 461 people), 35% (HY 2020: 33%) of whom are outside the UK.

On behalf of the Board, we would like to thank all our employees for their continued contributions and commitment to Zotefoams, as well as their ongoing flexibility during these challenging times.

Dividend

An interim dividend of 2.10p per share (HY 2020: 2.03p per share) will be paid on 8 October 2021 to shareholders on the Company's register at the close of business on 10 September 2021.

Principal risks and uncertainties

Zotefoams' business and share price may be affected by a number of risks, not all of which are within its control. The process Zotefoams has in place for identifying, assessing and managing risks is set out in the Risk Management and Principal Risks section, on pages 33 to 42 of the 2020 Annual Report.

In the opinion of the Board, the specific principal risks (which could impact Zotefoams' sales, profits and reputation) and relevant mitigating factors, as currently identified by Zotefoams' risk management process, have not changed significantly since the publication of the last Annual Report, which was prepared at a time when we had a reasonably clear view of the impact of the pandemic, our ability to mitigate these risks and a reasonable expectation of the consequences of an effective vaccination roll-out. Detailed explanations of these risks can be found in the 2020 Annual Report. Broadly, these risks include COVID-19, operational disruption, sustainability and climate change, global capacity management, technology displacement, scaling-up international operations, loss of a key customer and external.

At the time of this report, there continues to be concerns over new waves of COVID-19 and, particularly in the UK, the consequences of the release of most measures on 19 July 2021. The Group remains prepared to implement appropriate mitigation strategies to minimise any potential business disruption, is continuing with its effective working-from-home practices and effective social-distancing practices in the UK post 19 July 2021 until it considers the risk to be manageable and will continue to carry out a regular and robust assessment and management of the Group's risks.

Current trading and prospects

Zotefoams' business is well diversified both within AZOTE polyolefin foams and in our HPP and MEL businesses, the latter two being structurally high-growth opportunities.

In Polyolefin Foams, we anticipate the strong demand experienced in the first six months of the year to continue for the remainder of the year, partially augmented by some additional customer restocking and improvement in mix from an anticipated strengthening in aviation sales in Q4. Polymer prices, which rose quickly through H1 to a peak in June, have stabilised and price rises implemented on our polyolefin foams will be in place throughout the remainder of the year.

In HPP, we enter the second half of the year with a strong order book for footwear and a good pipeline of business in other areas. We therefore anticipate further sequential growth in HPP for the remainder of the year, even though visibility over both the growth rates for T-FIT insulation products, where demand is normally final-quarter weighted, and over the timing of the recovery in aviation sales, remains limited.

In MEL, we expect sales in the second six months of the year to be at similar levels to the first half, albeit with a mix more oriented to equipment sales.

Outlook

In the second six months of 2021 we expect further positive momentum in sales, with a strong order book underpinned by improving economic conditions. Product mix is anticipated to be slightly more favourable, with good growth in HPP products and recent sales price rises in polyolefin foams. FX headwinds are expected to continue. Gross margin, benefitting from strong sales and better mix, is expected to remain steady despite cost inflation, predominantly in polyolefin raw materials, the price of which increased sharply during the first six months and is now, we believe, at its peak. We anticipate these raw material price levels and operational disruption to freight to persist for the remainder of this year before seeing a return towards more normal conditions early in 2022.

We are mindful of the high level of uncertainty in the current economic climate, with supply chain challenges and COVID-related risks of operational disruption remaining high, so these expectations must be tempered with caution. Overall, we are pleased to have delivered another solid performance in difficult conditions and remain optimistic about our future.

S P Good	D B Stirling
Chairman	Group CEO
10 August 2021	10 August 2021

ZOTEK®, AZOTE®, ReZorce® and T-FIT® are registered trademarks of Zotefoams plc.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors confirm that these condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting' as adopted by the United Kingdom and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months 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 financial year; and

- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

The Directors of Zotefoams plc are listed in the Zotefoams plc 2020 Annual Report as well as on the Zotefoams plc website: www.zotefoams.com.

By order of the Board:

S P Good	G C McGrath
Chairman	Group CFO
10 August 2021	10 August 2021

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

		Six months ended		Year Ended
		30-Jun-21	30-Jun-20	31-Dec-20
		(Unaudited)	(Unaudited)	(Audited)
	Notes	**£'000**	£'000	£'000
Revenue	6	**48,164**	34,627	82,652
Cost of sales		**(34,233)**	(22,588)	(54,874)
Gross profit		**13,931**	12,039	27,778
Distribution costs		**(3,583)**	(3,235)	(6,793)
Administrative expenses		**(5,695)**	(5,672)	(11,876)
Operating profit		**4,653**	3,132	9,109
Finance costs		**(617)**	(454)	(872)
Finance income		**4**	16	26
Share of (loss)/profit from joint venture		**(36)**	1	38
Profit before income tax		**4,004**	2,695	8,301
Income tax expense	7	**(842)**	(536)	(1,138)
Profit for the period/year		**3,162**	2,159	7,163
Profit attributable to:				
Equity holders of the Company		**3,162**	2,159	7,163
		3,162	2,159	7,163
Earnings per share:				
Basic (p)	9	**6.52**	4.48	14.87
Diluted (p)	9	**6.40**	4.40	14.63

The notes below form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Six months ended		Year ended
	30-Jun-21	30-Jun-20	31-Dec-20
	(Unaudited)	(Unaudited)	(Audited)
	£'000	£'000	£'000
Profit for the period/year	**3,162**	2,159	7,163
Other comprehensive income/(expense)			
Items that will not be reclassified to profit or loss			
Actuarial gains/(losses) on defined benefit pension schemes	**2,554**	(2,466)	(2,460)
Tax relating to items that will not be reclassified	**(528)**	469	467
Total items that will not be reclassified to profit or loss	**2,026**	(1,997)	(1,993)
Items that may be reclassified subsequently to profit or loss			
Foreign exchange translation gains/(losses) on investment in foreign subsidiaries	**(623)**	2,666	(583)
Change in fair value of hedging instruments	**570**	(1,338)	952
Hedging (losses)/gains reclassified to profit or loss	**(995)**	430	82
Tax relating to items that may be reclassified	**(155)**	169	(256)
Total items that may be reclassified subsequently to profit or loss	**(1,203)**	1,927	195
Other comprehensive income/(expense) for the period/year, net of tax	**823**	(70)	(1,798)
Total comprehensive income for the period/year	**3,985**	2,089	5,365
Profit attributable to:			
Equity holders of the Company	**3,985**	2,089	5,365
Total comprehensive income for the period/year	**3,985**	2,089	5,365

The notes below form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Notes	**30-Jun-21 (Unaudited) £'000**	30-Jun-20 (Unaudited) £'000	31-Dec-20 (Audited) £'000
Non-current assets				
Property, plant and equipment	10	**91,505**	93,914	92,925
Right-of-use assets		**1,353**	1,027	1,397
Intangible assets		**5,617**	6,810	5,888
Investments in joint venture		**147**	146	183
Trade and other receivables		**35**	45	54
Deferred tax assets		**460**	486	509
Total non-current assets		**99,117**	102,428	100,956
Current assets				
Inventories		**26,817**	24,961	23,033
Trade and other receivables		**26,112**	22,951	22,150
Derivative financial instruments	13	**868**	31	1,580
Cash and cash equivalents		**6,738**	12,207	8,503
Total current assets		**60,535**	60,150	55,266
Total assets		**159,652**	162,578	156,222
Current liabilities				
Trade and other payables		**(12,639)**	(11,328)	(7,851)
Derivative financial instruments	13	**(156)**	(742)	(53)
Current tax liability		**-**	(631)	(101)
Lease liabilities		**(503)**	(357)	(420)
Interest-bearing loans and borrowings	11	**(26,717)**	(27,873)	(23,430)
Total current liabilities		**(40,015)**	(40,931)	(31,855)
Non-current liabilities				
Lease liabilities		**(870)**	(673)	(986)
Interest-bearing loans and borrowings	11	**(14,272)**	(19,535)	(19,263)
Deferred tax liabilities		**(1,760)**	(372)	(891)
Post-employment benefits		**(6,050)**	(9,150)	(8,851)
Total non-current liabilities		**(22,952)**	(29,730)	(29,991)
Total liabilities		**(62,967)**	(70,661)	(61,846)
Total net assets		**96,685**	91,917	94,376
Equity				
Issued share capital		**2,431**	2,431	2,431
Share premium		**44,178**	44,178	44,178
Own shares held		**(10)**	(24)	(23)
Capital redemption reserve		**15**	15	15
Translation reserve		**1,701**	5,573	2,324
Hedging reserve		**329**	(608)	909
Retained earnings		**48,041**	40,352	44,542
Total equity		**96,685**	91,917	94,376

The notes below form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Six months ended		Year ended
	30-Jun-21	30-Jun-20	31-Dec-20
	(Unaudited)	(Unaudited)	(Audited)
	£'000	£'000	£'000
Cash flows from operating activities			
Profit for the period/year	**3,162**	2,159	7,163
Adjustments for:			
Depreciation and amortisation	**3,783**	3,158	6,746
Disposal of assets	**88**	2	40
Finance costs	**612**	438	846
Share of (profit)/loss from joint venture	**36**	(1)	(38)
Net exchange differences	**121**	2,497	(133)
Equity-settled share-based payments	**342**	220	300
Taxation	**842**	536	1,138
Operating profit before changes in working capital and provisions	**8,986**	9,009	16,062
Decrease/(increase) in trade and other receivables	**(4,084)**	982	1,199
Increase in inventories	**(3,899)**	(5,964)	(4,536)
Increase in trade and other payables	**4,956**	2,303	980
Employee defined benefit contributions	**(350)**	(350)	(700)
Cash generated from operations	**5,609**	5,980	13,005
Interest paid	**(405)**	(216)	(456)
Income taxes paid	**(443)**	(21)	(1,113)
Net cash flows generated from operating activities	**4,761**	5,743	11,436
Cash flows from investing activities			
Interest received	**4**	16	26
Interest paid	**(33)**	(369)	(604)
Purchases of intangibles	**(328)**	(239)	(346)
Purchases of property, plant and equipment	**(3,069)**	(7,161)	(12,363)
Net cash used in investing activities	**(3,426)**	(7,753)	(13,287)
Cash flows from financing activities			
Proceeds from options exercised and issue of share capital	**26**	-	-
Repayment of borrowings	**(5,489)**	(3,803)	(8,053)
Proceeds from borrowings	**4,618**	11,429	13,180
Lease payments	**(270)**	(199)	(433)
Dividends paid	**(2,058)**	-	(977)
Net cash (used)/generated from financing activities	**(3,173)**	7,427	3,717
Net increase/(decrease) in cash and cash equivalents	**(1,838)**	5,417	1,866
Cash and cash equivalents at start of period/year	**8,503**	6,656	6,656
Exchange gains/(losses)	**73**	134	(19)
Cash and cash equivalents at end of period/year	**6,738**	12,207	8,503

Cash and cash equivalents comprise cash at bank and short-term highly liquid investments with a maturity date of less than three months.

The notes below form an integral part of these condensed consolidated interim financial statements.

During the period, the Group paid interest of £438k (June 2020: £585k, December 2020: £1,060k) of which it capitalised £33k (June 2020: £369k, December 2020: £604k) on qualifying assets under IAS 23 'Capitalisation of Borrowing Costs'. The interest paid has been split between operating activities and investing activities to reflect the Group's utilisation on interest paid.

The net exchange differences of £121k (June 2020: £2,497k, December 2020: (£133k)) within operating activities relate to the foreign exchange movement on borrowings.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Share capital £`000	Share premium £`000	Own shares held £`000	Capital redemption reserve £`000	Translation reserve £`000	Hedging reserve £`000	Retained earnings £`000	Total equity £`000
Balance as at 1 January 2021	**2,431**	**44,178**	**(23)**	**15**	**2,324**	**909**	**44,542**	**94,376**
Foreign exchange translation gains on investment in subsidiaries	-	-	-	-	(623)	-	-	(623)
Change in fair value of hedging instruments recognised in other comprehensive income	-	-	-	-	-	570	-	570
Reclassification to income statement - administrative expenses	-	-	-	-	-	(995)	-	(995)
Tax relating to effective portion of changes in fair value of cash flow hedges net of recycling	-	-	-	-	-	(155)	-	(155)
Actuarial gain on Defined Benefit Pension Scheme	-	-	-	-	-	-	2,554	2,554
Tax relating to actuarial gain on Defined Benefit Pension Scheme	-	-	-	-	-	-	(528)	(528)
Profit for the period	-	-	-	-	-	-	3,162	3,162
Total comprehensive income/(expenditure) for the period	-	-	-	-	(623)	(580)	5,188	3,985
Transactions with owners of the Parent:								
Options exercised	-	-	13	-	-	-	27	40
Proceeds of shares issued, net of expenses	-	-	-	-	-	-	-	-
Equity-settled share-based payments net of tax	-	-	-	-	-	-	342	342
Dividends paid	-	-	-	-	-	-	(2,058)	(2,058)
Total transactions with owners of the Parent	-	-	13	-	-	-	(1,689)	(1,676)
Balance as at 30 June 2021 (Unaudited)	**2,431**	**44,178**	**(10)**	**15**	**1,701**	**329**	**48,041**	**96,685**

	Share capital £`000	Share premium £`000	Own shares held £`000	Capital redemption reserve £`000	Translation reserve £`000	Hedging reserve £`000	Retained earnings £`000	Total equity £`000
Balance as at 1 January 2020	**2,415**	**44,178**	**(9)**	**15**	**2,907**	**131**	**40,003**	**89,640**
Foreign exchange translation gains on investment in subsidiaries	-	-	-	-	2,666	-	-	2,666
Change in fair value of hedging instruments recognised in other comprehensive income	-	-	-	-	-	(1,338)	-	(1,338)
Reclassification to income statement - administrative expenses	-	-	-	-	-	430	-	430
Tax relating to effective portion of changes in fair value of cash flow hedges net of recycling	-	-	-	-	-	169	-	169
Actuarial loss on Defined Benefit Pension Scheme	-	-	-	-	-	-	(2,466)	(2,466)
Tax relating to actuarial loss on Defined Benefit Pension Scheme	-	-	-	-	-	-	469	469
Profit for the period	-	-	-	-	-	-	2,159	2,159
Total comprehensive income/(expenditure) for the period	-	-	-	-	2,666	(739)	162	2,089
Transactions with owners of the Parent:								
Options exercised	-	-	1	-	-	-	(1)	-
Proceeds of shares issued, net of expenses	16	-	(16)	-	-	-	-	-
Equity-settled share-based payments net of tax	-	-	-	-	-	-	188	188
Total transactions with owners of the Parent	16	-	(15)	-	-	-	187	188
Balance as at 30 June 2020 (Unaudited)	**2,431**	**44,178**	**(24)**	**15**	**5,573**	**(608)**	**40,352**	**91,917**

During the six months period ended 30 June 2021, 262,313 (June 2020: 28,260) shares vested and were issued from the Zotefoams Employee Benefit Trust (‘EBT’) following the exercise of these options.

During the six months period ended 30 June 2021, no shares were issued to the Zotefoams Employee Benefit Trust (‘EBT’) at par (June 2020: 320,000).

The notes below form an integral part of these condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

1. GENERAL INFORMATION

Zotefoams plc ('the 'Company') and its subsidiaries and joint venture (together, 'the Group') manufacture and sell high-performance foams and license related technology for specialist markets worldwide.

The Group has manufacturing sites in the UK, USA, Poland and China, with the Poland manufacturing facility being commissioned in February 2021.

The Company is a public limited company which is listed on the London Stock Exchange and incorporated and domiciled in the UK. The address of the registered office is 675 Mitcham Road, Croydon, CR9 3AL.

These condensed consolidated interim financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2020 were approved by the Board of Directors on 7 April 2021 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

These condensed consolidated interim financial statements have been reviewed, not audited.

These condensed consolidated interim financial statements for the six months ended 30 June 2021 have been prepared in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority and with IAS 34, 'Interim financial reporting' as adopted by the United Kingdom. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2020, which have been prepared in accordance with IFRSs as adopted by the European Union.

Forward-looking statements

Certain statements in this condensed set of consolidated interim financial statements are forward-looking. Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, we can give no assurance that these expectations will prove to be correct. As these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements.

We undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

2. BASIS OF PREPARATION

ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period except for income taxes. Taxes on income in the interim condensed consolidated financial statements are accrued using the tax rate that would be applicable to the expected full financial year results for the Group.

GOING CONCERN

At 30 June 2021, the Group's gross finance facilities were £48.0m (31 December 2020: £53.8m), comprising a multi-currency term loan of £20.0m (31 December 2020: £25.0m), a multi-currency revolving credit facility of £25.0m (31 December 2020: £25.0m) and a remaining balance of £3.0m (31 December 2020: £3.8m) of a further £7.5m sterling annually renewable term loan, repayable in equal quarterly instalments. In line with the bank financing agreement, a repayment of £5.0m was made on 30 June 2021. The bank facility is for a five-year period and expires in May 2023. At the balance sheet date, £6.7m was undrawn on the facility (31 December 2020: £10.7m). At the same date, the Group also held £6.7m (31 December 2020: £8.5m) of cash and cash equivalents. The facility is subject to two covenants, which are tested semi-annually: net debt to EBITDA (leverage) and EBITDA to net finance charges.

The Directors believe that the Group is well placed to manage its business risks and, after making enquiries including a review of forecasts and predictions, taking account of reasonably possible changes in trading performance and considering the existing banking facilities, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the next 12 months following the date of approval of the interim report and financial statements. The Directors have also drawn upon the experiences of 2020 and the Group's success in reacting to the challenges of COVID-19 through its safety protocols and cost and cash management, all of which could be replicated in a similar scenario. After due consideration of the range and likelihood of potential outcomes, the Directors continue to adopt the going concern basis of accounting in preparing these interim financial statements.

3. ESTIMATES AND JUDGEMENTS

The preparation of 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 expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim 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 that applied to the consolidated financial statements for the year ended 31 December 2020, with the exception of changes in estimates that are required in determining the provision for income taxes.

4. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual financial statements as at 31 December 2020.

There have been no changes in any risk management policies since the year end.

5. SEASONALITY OF OPERATIONS

The seasonality of the Group's business has been largely eliminated, with most variability derived from order timing from HPP and MEL, and customer inventory management according to their specific business needs. There remains an underlying cyclical nature of our markets, over the longer macroeconomic business cycle, as the Group sells into a wide variety of business segments, many of which are themselves cyclical.

6. SEGMENT REPORTING

The Group's operating segments are reported in a manner consistent with the internal reporting provided to and regularly reviewed by the Group Chief Executive Officer, David Stirling, who is considered to be the 'chief operating decision maker' for the purpose of evaluating segment performance and allocating resources. The Group Chief Executive Officer primarily uses a measure of profit for the year (before exceptional items) to assess the performance of the operating segments.

The Group manufactures and sells high-performance foams and licenses related technology for specialist markets worldwide. Zotefoams' activities are categorised as follows:

- Polyolefin foams: these foams are made from olefinic homopolymer and copolymer resin. The most common resin used is polyethylene.
- High-Performance Products ('HPP'): these foams exhibit high-performance on certain key properties, such as improved chemical, flammability or temperature performance or energy management performance. Turnover in the segment is currently mainly derived from products manufactured from three main polymer types: PVDF fluoropolymer, polyamide (nylon) and polyether block amide (PEBA). Foams are sold under the brand name ZOTEK® while technical insulation products manufactured from certain materials are branded as T-FIT®.
- MuCell Extrusion LLC ('MEL'): licenses microcellular foam technology and sells related machinery. Recently, a variation of this technology has been used to create ReZorce®, a recyclable, mono-material barrier packaging solution.

	Polyolefin foams		HPP		MEL		Inter-segment adjustment		Consolidated	
Six Months ended (Unaudited)	**30-Jun-21**	30-Jun-20	**30-Jun-21**	30-Jun-20	**30-Jun-21**	30-Jun-20	**30-Jun-21**	30-Jun-20	**30-Jun-21**	30-Jun-20
	£'000	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000
Group revenue	**27,309**	22,026	**19,573**	11,780	**1,354**	902	**(72)**	(81)	**48,164**	34,627
Segment profit/(loss) pre-amortisation	**1,345**	2,049	**3,899**	2,755	**62**	(602)	**(72)**	-	**5,234**	4,202
Amortisation of acquired intangible assets	**-**	-	**-**	-	**(124)**	(128)	**-**	-	**(124)**	(128)
Segment profit/(loss)	**1,345**	2,049	**3,899**	2,755	**(62)**	(730)	**(72)**	-	**5,110**	4,074
Foreign exchange gains/ (losses)	**-**	-	**-**	-	**-**	-	**-**	-	**600**	(67)
Unallocated central costs	**-**	-	**-**	-	**-**	-	**-**	-	**(1,057)**	(875)
Operating profit	**1,345**	2,049	**3,899**	2,755	**(62)**	(730)	**(72)**	-	**4,653**	3,132
Financing costs	**-**	-	**-**	-	**-**	-	**-**	-	**(613)**	(438)
Share of loss from joint venture	**-**	-	**-**	-	**-**	-	**-**	-	**(36)**	1
Taxation	**-**	-	**-**	-	**-**	-	**-**	-	**(842)**	(536)
Profit for the period	**-**	-	**-**	-	**-**	-	**-**	-	**3,162**	2,159
Segment assets	**102,337**	111,361	**47,721**	42,128	**9,134**	8,603	**-**	-	**159,192**	162,092
Unallocated assets	**-**	-	**-**	-	**-**	-	**-**	-	**460**	486
Total assets									**159,652**	162,578
Segment liabilities	**(43,696)**	(55,647)	**(16,327)**	(13,087)	**(1,184)**	(924)	**-**	-	**(61,207)**	(69,658)
Unallocated liabilities	**-**	-	**-**	-	**-**	-	**-**	-	**(1,760)**	(1,003)
Total liabilities									**(62,967)**	(70,661)
Depreciation	**2,402**	2,064	**528**	459	**50**	60	**-**	-	**2,980**	2,583
Depreciation of right-of-use assets	**152**	158	**47**	31	**66**	-	**-**	-	**265**	189
Amortisation	**291**	200	**129**	39	**124**	147	**-**	-	**544**	386
Capital expenditure:										
Property, plant and equipment (PPE)	**2,039**	5,907	**447**	1,216	**479**	128	**-**	-	**2,965**	7,251
Intangible assets	**38**	93	**13**	18	**277**	128	**-**	-	**328**	239

Unallocated assets and liabilities are made up of prepayments, corporation tax and deferred tax assets and liabilities. Segment profit/(loss) is made up of operating profit/(loss) before foreign exchange gains/(losses) and unallocated central costs. Unallocated central costs are not directly attributable or cannot be allocated to a segment. Segment profit/(loss) pre-amortisation only excludes amortisation on acquired intangible assets.

Geographical segments

Polyolefin foams, HPP and MEL are managed on a worldwide basis but operate from the UK, Europe, US and Asian locations. In presenting information on the basis of geographical segments, segmental revenue is based on the geographical location of customers. Segment assets are based on the geographical location of assets.

	United Kingdom	Europe	North America	Rest of World	Total
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	£`000	£`000	£`000	£`000	£`000
For the period ended 30 June 2021					
Group revenue from external customers	**5,609**	**13,547**	**8,522**	**20,486**	**48,164**
Non-current assets	**43,982**	**20,476**	**34,196**	**463**	**99,117**
Capital expenditure - PPE	**1,160**	**568**	**1,231**	**6**	**2,965**
For the period ended 30 June 2020					
Group revenue from external customers	6,117	9,322	9,823	9,365	34,627
Non-current assets	45,050	18,619	38,303	456	102,428
Capital expenditure - PPE	2,022	4,336	848	44	7,250

Major customers

Revenue from one customer of the Group located in the United Kingdom contributed £2,280k (2020: £3,544k) to the Group's revenue. Revenue from one customer of the Group located in "Rest of World" contributed £16,496k (2020: £6,666k) to the Group's revenue.

Analysis of revenue by category

Breakdown of revenue by products and services for the Group:

	Six months ended	
	30-Jun-21	30-Jun-20
	(Unaudited)	(Unaudited)
	£'000	£'000
Sale of foam	46,793	33,725
Sale of equipment	462	232
Licence and royalty income	909	670
Group Revenue	**48,164**	**34,627**

7. INCOME TAX EXPENSE

	Six months ended	
	30-Jun-21	30-Jun-20
	(Unaudited)	(Unaudited)
	£'000	£'000
UK corporation tax	**259**	380
Overseas tax	**39**	11
Total current tax	**298**	391
Deferred tax	**544**	145
Income tax expense	**842**	536

Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the period to 30 June 2021 is 21.04% (the estimated average annual tax rate for the period ended 30 June 2020 was 19.89%).

8. DIVIDENDS

A dividend of £2,058k that relates to the period to 31 December 2020 was paid in May 2021 (2020: no dividend was paid during the period).

An interim dividend of 2.10 pence per share was approved by the Board of Directors on 9 August 2021 (2020: 2.03 pence per share). It is payable on 8 October 2021 to shareholders who are on the register at 10 September 2021. This interim dividend, amounting to £1,018k (2020: £977k), has not been recognised as a liability in this interim financial information. It will be recognised in shareholders' equity in the year to 31 December 2021.

9. EARNINGS PER SHARE

Earnings per ordinary share is calculated by dividing the consolidated profit after tax attributable to equity holders of the Parent Company of £3,162k (2020: £2,159k) by the weighted average number of shares in issue during the period, excluding own shares held by employee trusts which are administered by independent trustees. The number of shares held in the trust at 30 June 2021 was 196,888 (2020: 470,135). Distribution of shares from the trust is at the discretion of the trustees. Diluted earnings per ordinary share adjusts for the potential dilutive effect of share option schemes in accordance with IAS 33 Earnings per share.

	Six months ended	
	30-Jun-21	30-Jun-20
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares in issue[1]	**48,467,429**	48,166,555
Deemed issued for no consideration	**973,546**	849,897
Diluted number of ordinary shares issued	**49,440,975**	49,016,452

[1] Own shares held by employee trusts have already been deducted.

10. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £'000	Plant and equipment £'000	Fixtures and fittings £'000	Under construction £'000	Total £'000
Cost					
At 1 January 2021	32,793	99,037	4,031	24,733	160,594
Additions	-	266	38	2,661	2,965
Disposals	-	(88)	(1)	-	(89)
Transfers	12,766	9,277	38	(22,081)	-
Effect of movement in foreign exchange	(349)	(570)	(13)	(582)	(1,514)
At 30 June 2021	**45,210**	**107,922**	**4,093**	**4,731**	**161,956**
Accumulated depreciation					
At 1 January 2021	12,578	52,195	2,896	-	67,669
Depreciation charge	748	2,019	213	-	2,980
Transfers	47	(119)	72	-	-
Effect of movement in foreign exchange	(61)	(127)	(10)	-	(198)
At 30 June 2021	**13,312**	**53,968**	**3,171**	**-**	**70,451**
Net book value					
At 31 December 2020	20,215	46,842	1,135	24,733	92,925
At 30 June 2021	**31,898**	**53,954**	**922**	**4,731**	**91,505**

11. INTEREST-BEARING LOANS AND BORROWINGS

	30-Jun-21	31-Dec-20
	(Unaudited)	(Audited)
	£'000	£'000
Current bank borrowings	**26,717**	23,430
Non-current bank borrowings	**14,272**	19,263
	40,989	42,693

In May 2018, the Group completed a debt refinancing to enable it to continue to grow capacity and meet its expected demand growth. These facilities are secured against the property, plant and equipment and trade receivables of the Group. The bank facility is for a five-year period and expires in May 2023.

At 30 June 2021, the Group's gross finance facilities were £48.0m (31 December 2020: £53.8m) after having repaid £5.0m of the term loan and a further £0.8m of a sterling term loan repayable in quarterly instalments.

At 30 June 2021, the Group has utilised a multi-currency term loan of £19.4m (31 December 2020: £25.0m), a multi-currency revolving credit facility of £18.9m (31 December 2020: £14.8m) and has a remaining balance of £3m (31 December 2020: £3.8m) on the sterling annually renewable term loan. The total amount of £41.3m is gross of £0.3m origination fees paid up front, being amortised over the period of the loan.

12. RELATED PARTY TRANSACTIONS

There were no material related party transactions requiring disclosure for the periods ended 30 June 2021 and 30 June 2020.

13. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Fair value estimation
To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 30 June 2021 and 30 June 2020:

	Level 1	**Level 2**	**Level 3**	**Total**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
30-Jun-21	**£'000**	**£'000**	**£'000**	**£'000**
Assets				
Forward exchange contracts	-	868	-	**868**
Total assets	-	868	-	**868**
Liabilities				
Forward exchange contracts	-	(156)	-	**(156)**
Total liabilities	-	(156)	-	**(156)**

	Level 1	Level 2	Level 3	Total
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
30-Jun-20	£'000	£'000	£'000	£'000
Assets				
Forward exchange contracts	-	31	-	31
Total assets	-	31	-	31
Liabilities				
Forward exchange contracts	-	(742)	-	(742)
Total liabilities	-	(742)	-	(742)

The forward exchange contracts have been fair valued using forward exchange rates that are quoted in an active market.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted (unadjusted) market prices at the end of the reporting period. The quoted marked price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over–the–counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

Group's valuation process
Derivative financial instruments are valued using Handelsbanken and NatWest mid-market rates (2020: Handelsbanken and NatWest mid-market rates) at the Statement of Financial Position date.

The Group also has a number of financial instruments which are not measured at fair value in the Statement of Financial Position. For the majority of these instruments, the fair values are not materially different to their carrying amounts, since the interest receivable/payable is either close to current market rates or the instruments are short-term in nature. The fair value of the following financial assets and liabilities approximate to their carrying amount:

- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables

Fair value of financial assets and liabilities measured at amortised cost
The fair value of borrowings is as follows:

	30-Jun-21	30-Jun-20
	(Unaudited)	(Unaudited)
	£'000	£'000
Current	**26,717**	27,873
Non-current	**14,272**	19,535
Total	**40,989**	47,408

14. CAPITAL COMMITMENTS
Capital expenditure commitments of £1,540k (2020: £4,191k) have been contracted for at the end of the reporting period but not yet incurred, and are in respect of Property, Plant and Equipment.

15. EVENTS OCCURING AFTER THE REPORTING PERIOD
There are no material events occurring after the reporting period.