8 March 2017

EUROCELL PLC (Symbol: ECEL)

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

Good financial results, strong operational performance and a positive start to 2017

Eurocell plc is a market leading, vertically integrated UK manufacturer, distributor and recycler of innovative window, door and roofline PVC products

	2016	2015	Change
Key financial performance measures			
Revenue (£ million)	204.8	175.9	16%
Adjusted EBITDA (£ million) (1)	31.3	29.7	5%
Adjusted profit before tax (£ million) (2)	24.3	23.0	5%
Adjusted basic earnings per share (pence) (3)	20.0	18.6	7%
Total dividends per share (pence)	8.5	7.9	8%
Net debt (£ million) (4)	20.3	25.9	(£5.6m)
Other statutory accounting measures			
Profit before tax (£ million)	23.8	19.7	21%
Basic earnings per share (pence)	19.6	15.5	26%

Financial Highlights

- Strong sales growth of 11% (excluding acquisitions)
- Stable gross margin – mitigated raw material pricing pressure
- Strong cash flow – cash generated from underlying operations of £32.2 million (2015: £29.6 million) and net debt reduced by £5.6 million
- Total dividends for the year increased by 8%

Operational Highlights

- Investment in business expansion – 159 branches, with 18 new sites in 2016
- Increased use of recycled material in manufactured products to 14% (2015: 9%)
- Acquisition of Vista Panels in March 2016 and Security Hardware in February 2017
- Positive start to 2017 – trading in line with expectations

Mark Kelly, Chief Executive of Eurocell plc said:

“2016 was a successful year for Eurocell. We reported good financial results and delivered a strong operational performance. We have also made excellent progress with our strategic priorities and continued to invest in the growth of our business.

Looking forward, the markets in which we operate may be challenging, particularly if economic uncertainty undermines confidence. However, we have made a positive start to the new year and we are confident that continued delivery of our proven strategy will enable Eurocell to create value for our customers and shareholders throughout 2017 and beyond.”

NOTES FOR ANALYSTS AND EDITORS

Financial Review

- Revenue growth includes:
  - Profiles division organic sales growth of 4%
  - Building Plastics division like for like (6) sales growth of 10%
- Gross margin of 52.0% (2015: 51.7%)
  - Raw material pricing pressure mitigated by price increases implemented in the second half and assisted by continuing manufacturing efficiency gains
- Operating costs
  - Investment in new branches and business development teams
  - Costs of £1.3 million related to outsourced warehouse logistics operation
- Tax rate of 17.7% reflects impact on deferred tax of corporation tax rate reductions and adjustments to prior year taxes
- Capital investment of £7.2 million (2015: £6.4 million)
- Final dividend of 5.7 pence per share (2015: 5.2 pence per share)

Business Review

- Successful specifications team – providing customised, unique product solutions
- 500 new product lines – objective to become a one-stop shop for branch customers
- Growing sales of windows in branches and innovative products – Equinox and Skypod
- Warehouse operations back in-house from February 2017 to enhance customer service
- Vista Panels acquired March 2016 for consideration (net of cash acquired) of £6.3 million
  - Performing in line with expectations
- Security Hardware acquired February 2017 for consideration of £1.3 million
  - Supplier of locks, hardware and spares to the Repairs Maintenance and Improvement (“RMI”) market – annual sales of £3 million
  - Developing the spares proposition for our branches

Notes:

(1) Adjusted EBITDA represents earnings before interest, tax, depreciation, amortisation and non-recurring costs.

(2) Adjusted profit before tax represents profit before tax and non-recurring costs.

(3) Adjusted basic earnings per share excludes non-recurring costs and the related tax effect.

(4) Net debt is cash and cash equivalents less borrowings.

(5) Non-recurring costs for 2016 comprise duplicated costs of £0.5 million relating to the handover period during which the Company employed two CEO's, as well as professional fees related to the acquisition of Vista Panels Limited. Non-recurring costs for 2015 comprise professional fees incurred in connection with the company's IPO of £3.3 million.

(6) Like for like branch sales excludes branches opened in 2015 or 2016.

(7) The Company considers this announcement to contain inside information under the Market Abuse Regulations.

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CHAIRMAN'S STATEMENT

I am delighted to report a successful year for the business. We have reported good financial results, with higher underlying revenues and increased profits, and delivered a strong operational performance. In addition, we continued to make good progress with all of our strategic priorities and now have an experienced and settled management team.

Conditions in the markets in which we operate have been stable. There is some general economic uncertainty driven by the macro environment, but this has not been reflected in our sales or order books.

FINANCIAL AND OPERATING PERFORMANCE

Our sales grew by +16% (+11% excluding acquisitions), despite a broadly flat RMI market. This was driven by a number of self-help initiatives, including continued investment in the expansion of our branch network and a focus on specific customer groups to provide customised product solutions that are unique to Eurocell.

We have worked hard to maintain our gross margin, with raw material pricing pressure mitigated by price increases implemented in the second half and assisted by continuing manufacturing efficiency gains. Overheads were a little higher than expected, reflecting accelerated investment in the branch network and business development teams, as well as increased logistics costs.

As a result, we reported adjusted profit before tax of £24.3 million, up 5% on last year. Reported profit before tax of £23.8 million is up 21% on last year.

Cash flow generation remains strong, with underlying operating cash flow of £32.2 million (2015: £29.6 million) driving a reduction in net debt to £20.3 million (31 December 2015: £25.9 million). We have a strong balance sheet which provides flexibility and options for the future.

During 2016 we acquired Vista Panels Limited. Vista specialises in the manufacture of composite and PVC entrance doors. The integration is proceeding to plan and the business is performing in line with expectations. In February 2017, we completed the acquisition of Security Hardware Limited, a supplier of locks and hardware primarily to the RMI market, with annual sales of approximately £3 million.

STRATEGY

Following the Board changes (see Governance below), in January 2017 we conducted a full review of the Company's strategy and the fundamental elements of our markets and activities. At the conclusion of this process, we reaffirmed that our overall objective remains to deliver sustainable growth in shareholder value by increasing sales and profits at above market level growth rates.

We have five clear strategic priorities to help us achieve our overall objective:

- Target growth in market share
- Expand the branch network
- Develop innovative new products
- Increase the use of recycled materials
- Explore potential bolt-on acquisition opportunities

GOVERNANCE

As a Board, we are committed to promoting the highest standards of corporate governance and ensuring effective communication with shareholders.

During the year the Board has led the transition of the Executive leadership and has recruited two Executive Directors with the skills and enthusiasm to build upon our solid foundation and market position.

Mark Kelly joined the business as CEO in April, following Patrick Bateman's retirement. Matthew Edwards left the Group in June and was replaced by Michael Scott as CFO, who joined us in September. I would like to thank Patrick and Matthew for their contribution over many years of service. Since joining, I have been delighted with the leadership and progress that Mark and Michael have brought to the Company.

I am confident that we now have an effective Board with the requisite and complementary skills, knowledge and experience to secure the future success of the business.

DIVIDENDS

We paid an interim dividend of 2.8 pence per share. The Board proposes a final dividend of 5.7 pence per share, resulting in total dividends for the year of 8.5 pence, representing growth of 8%. This is a small improvement on the policy set out at our IPO to target a dividend of approximately 40% of adjusted earnings, demonstrating the Board's confidence in the future of our business.

PEOPLE

During the year, I have met many of our people and have been most impressed by their professionalism and commitment. Our good financial results and strong operational performance is a direct result of the hard work and dedication of our teams in every part of our business. On your behalf and on behalf of the Board, I offer our sincere thanks.

Bob Lawson
Chairman

CHIEF EXECUTIVE'S REVIEW

MARKET CONTEXT

The RMI market was broadly flat through 2016. In June, the result of the EU Referendum added uncertainty into the mix.

However, aside from the six weeks or so immediately following the Referendum, we have experienced stable market conditions. There has been some pressure on our raw material prices, but generally our customers have remained optimistic, reporting healthy end-user demand.

As a result, we have found ourselves well placed to progress our strategic priorities and grow our business. In doing so, we have produced good financial results and a strong operating performance across the business.

FINANCIAL PERFORMANCE

We delivered good financial results for 2016. Revenue was slightly better than expected, up 11% excluding acquisitions. This strong growth was driven by the continued expansion of our branch network, continued focus on sales of innovative products (such as Skypod, Equinox and windows through our branch network) and by our specifications teams, which have been increasingly successful in generating demand for our products.

I am pleased that we improved our gross margin to 52.0% (2015: 51.7%), implementing several initiatives to offset raw material price increases arising principally as a result of the depreciation in sterling.

Overheads were a little higher than we anticipated at the beginning of the year. We have not realised the savings anticipated when we outsourced our logistics operation to DHL. This is discussed in Warehouse Logistics below.

Taken together, these factors resulted in adjusted basic earnings of 20.0 pence per share for the year, compared to 18.6 pence per share in 2015.

The trends and initiatives that have driven our financial results are described in the Divisional and Group Financial Reviews.

HEALTH AND SAFETY

The safety and well-being of our employees and contractors is our first operational priority. Our safety KPIs continue to be strong and we recorded no major injuries in 2016 under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 (RIDDOR).

OPERATIONAL PERFORMANCE

We delivered a strong operating performance in 2016, with judicious capital investment and the introduction of lean manufacturing techniques and a Kaizen continuous improvement team helping to capture manufacturing efficiency gains across the business.

This included an increase in the use of recycled material to 14% of consumption (2015: 9%) and the successful consolidation of certain primary extrusion operations with secondary processes such as foiling (i.e. the application of coloured foil to white profile). The introduction of a new foiling machine has helped deliver process improvements, such as shorter machine set up and change over times, thereby reducing lead times for customers with bespoke orders.

Across our various sites we have worked hard to standardise processes and share best practice wherever possible. As a result, key measures such as our Overall Equipment Effectiveness (OEE) have improved, with waste and scrap levels falling during the year.

WAREHOUSE LOGISTICS

On the downside, as noted above, we have not been able to realise the savings anticipated when we outsourced our logistics operation to DHL towards the end of 2014 under a five-year contract. These savings were estimated to be approximately £1.3 million per annum.

With 2015 being a transitional year, this shortfall emerged during 2016 and was confirmed in the second half of the year. We now believe that it has arisen primarily as a result of assumptions made at the inception of the contract over the ability to reduce historic warehouse labour costs, which were too optimistic.

DHL remains an important supplier to the Group and we have worked closely with them to understand how the arrangements could be better structured to deliver more efficient services in the future. In particular, we want to improve our end-to-end customer focus and supply chain support.

As a result, we agreed in January 2017 that DHL would continue to provide transportation services to the Group, but that with effect from February, the operation of our main warehouse facility would be brought back in-house.

The new operating model has been in place since mid-February and is working well for DHL, Eurocell and, most importantly, our customers. In fact, it is important to note that throughout this period, both before and after the changes, good customer service levels have been maintained.

It is too early to say whether, under the new arrangements, any potential savings over the current cost run rate can be realised. However, to the extent that they can be, it is likely we would reinvest any such gains to enhance our overall customer service levels.

STRATEGIC PRIORITIES

Our overall objective is to deliver sustainable growth in shareholder value by increasing sales and profits at above market level growth rates. In order to do so, our five key strategic priorities are as follows:

Target market share growth

In terms of market share, our aim is to increase our share of the PVC profiles market to utilise the spare manufacturing capacity in our extrusion facilities. Recent production volumes have averaged a little over 40,000 tonnes per annum. We believe that production of at least 50,000 tonnes per annum can be achieved with little additional capital investment or incremental labour costs. As such, whilst new volume could be dilutive to gross margin, the net margin on such sales should be attractive.

To deliver the incremental volume, we intend to target new build, commercial and public sector work. In particular, demand for our brands in the new build market continues to increase. Our ability to supply excellent products through the fabricator network is supporting growth in this area. Our close working relationships with a number of the major house builders continues to develop, nurtured through good technical support plus market specific innovation, leading to tight specifications and driving demand for our products. As such, we believe we are now the largest supplier of window profile to the new build market. In addition, expanding the branch network should create pull through demand for both rigid and foam products.

Expand the branch network

Expanding the branch network secures sales growth and delivers good returns in the medium-term, as the new branches begin to mature, but does create downward pressure on profitability in the near-term. In order to demonstrate this growth potential, the table shows the performance of our existing branch estate by age.

	Branch Open		
Existing branch estate	**< 2 Years**	**2 – 4 Years**	**> 4 Years**
Number of branches	33	12	114
Average annual sales per branch (£000)(1)	200	500	800
EBITDA margin(2)	Break-even	> 10%	Mid-teen%

(1) Rounded.
(2) Indicative. Represents EBITDA as a percentage of sales, before regional infrastructure and central costs.

We opened 18 new branches in 2016 and have plans to open a further 30 in 2017. We are also in the midst of trials to reduce the start-up costs associated with new branches. This is being achieved largely by sharing resources with neighbouring branches until the new sites become more established. As the network expands, we anticipate more opportunities will arise to leverage the existing infrastructure and support new branches reaching profitability sooner.

Taking the historic maturity profile into account, along with our initiatives to reduce start-up costs, we concluded that the proposed branch network expansion pace should drive good medium-term growth.

Other initiatives to drive sales growth in the branches include the addition of 500 new third party product lines in 2016 and continued focus on innovative products such as Equinox and Skypod, as well as the sale of windows through branches. In addition, the acquisition of Vista Panels has driven growth in the sales of doors in the branches. The recent acquisition of Security Hardware will allow us to develop the spares proposition for our branches.

Overall, our aim is to provide a one-stop shop for builders and installers, which together with excellent customer service should drive increased customer spend and expand our market share.

Develop innovative new products
With innovation, we are committed to maintaining market leadership by offering the very latest in product improvement, both through the development of existing products and the introduction of new ones. We are also working hard on processes to shorten the lead time to market for new products.

Recent examples of our product innovation include expansion of the Modus window suite and the introduction of a wider range of Roomline products (internal architraves and skirting boards). The Roomline range now includes more colours and designs, but the product retains its essential characteristics of being easy to fit and keep clean, with no need for painting.

Increase the use of recycled materials
We recycle both old windows ('post-consumer' waste) and customer factory offcuts ('post-industrial' waste) at our recycling and extrusion facility in Ilkeston.

Post-consumer and post-industrial waste is collected from a variety of our customers and other providers. In general, around two thirds of the input feedstock for recycling is post-consumer and one third is post-industrial waste. The Ilkeston plant produces recycled PVC compound in pellet form for use in our other manufacturing processes. This provides a substantial saving in cost compared to virgin resin compound. In 2016 we produced approximately 11.6k tonnes of recycled PVC compound for use in our extrusion processes.

Of the recycled compound produced, 6.0k tonnes (being almost exclusively derived from post-consumer waste) was used alongside virgin resin in the manufacture of many of our rigid PVC products in our primary extrusion processes. This represents 14% of material consumption, up from 9% in 2015.

Most of the remaining 5.6k tonnes of recycled PVC compound produced (being almost exclusively derived from post-industrial waste) was used in products which are manufactured at the Ilkeston plant from 100% recycled material, including thermal inserts and cavity closer systems. Note that these products are not included in the % usage data described above.

During the second half of 2016, we invested £1.1 million under a project to increase our recycling production capacity to 14k tonnes of recycled PVC compound per annum, up from 10.5k tonnes. This includes investment in the Ilkeston plant, as well as the tooling required to make the rigid profile. A further £0.9 million will be invested in the first half of 2017 to complete the project. We expect recycled material usage to increase in 2017.

When we develop new products, we look to include as much recycled content as possible. For example, the Modus and Eurologik systems now comprise 45% recycled materials. In addition, the continued expansion in the use of recycled PVC windows remains attractive to the new build market.

As such, we will also evaluate in 2017 whether to progress with investment to further increase our recycling capacity. In doing so, we will assess the extent to which we can expand our waste collection service to provide the necessary feedstock for the recycling plant.

Explore potential bolt-on acquisition opportunities
We have a successful track record of acquiring and integrating businesses, with seven acquisitions completed over the past 10 years. We will continue to assess and consider potential bolt-on acquisition opportunities in the markets in which we operate. Our focus is principally on businesses that add value

through range extension, operational efficiencies or added value products, or to satisfy a make or buy decision.

In March 2016 we acquired Vista Panels. Vista was established in 1995 and is a leading manufacturer of composite and PVC entrance doors. The Company operates from a 50,000 sq. ft. production facility in Merseyside. It has a strong presence in the social housing and private RMI sectors and has been a leader in the growth of the composite door market in the UK. Vista's core products are composite doors, PVC door panels and fire doors. Composite Doors feature a high density foam core, GRP (glass reinforced plastic) skin and PVC edge banding for increased thermal efficiencies. PVC door panels are thermally efficient and can be reinforced to provide a higher level of security. Fire doors provide 30 minutes of fire protection. All Vista's products are available in a range of colours and styles to meet customer requirements.

Vista is a historical trading partner for the Group. Our Profiles division supplies PVC profiles to Vista for use in the door manufacturing process. Vista sells both direct to third parties and via the Building Plastics branch network. Annual third party sales are approximately £9 million.

The acquisition has allowed the Group to extend our customer base and also provides further cross-selling opportunities for the extended product range. The integration is proceeding to plan and the business is performing in line with our expectations.

In February 2017, we completed the acquisition of Security Hardware, a supplier of locks and hardware primarily to the RMI market. Security Hardware has been established for 10 years and operates from a 15,000 sq. ft. facility in the West Midlands. Annual sales are approximately £3 million.

Security Hardware stocks around 3,000 products, covering the major hardware brands and an own label offering (Schlosser Technik). This extensive product range enables Security Hardware to supply a significant proportion of the replacement parts routinely required by the RMI market.

The acquisition means we can offer this extensive product range through our branches, allowing us to better engage with facilities management companies and other large maintenance contractors. This forms part of our objective to become a one-stop shop for anything window related for our customers. We also plan to develop a range of hardware to complement our window profile. This will enable our fabricator customers to offer a fully certified common specification of window (including hardware), enabling us to target a greater share of the new build market and grow sales of windows through the branches.

OUTLOOK

To date we have experienced few ill effects from the EU referendum, other than a short-lived dip in enquiry and activity levels last summer. As such, whilst uncertainty remains over the long-term impact of the decision to leave the EU, the majority of our fabricators enjoyed strong order books going into 2017 and trading in our expanding branch network continues to be robust.

Financially, we have made a positive start to the new year, with trading in line with expectations.

After almost twelve months with Eurocell, I believe that we have an excellent opportunity to take control of our own destiny. The markets in which we operate are going to be challenging, particularly if economic uncertainty undermines confidence, but we are in a position where we can drive our strategic priorities and initiatives harder, with a view to continuing to take market share.

Our proven strategy and capabilities will enable Eurocell to deliver value to our customers and shareholders throughout 2017 and beyond.

Mark Kelly
Chief Executive Officer

DIVISIONAL REVIEWS

PROFILES

The Profiles division manufactures extruded rigid and foam PVC profiles. Rigid PVC profiles are sold to third party fabricators, who produce windows, trims, cavity closer systems, patio doors and conservatories for installers, retail outlets and house-builders. Foam products are used for roofline and are supplied to customers through our nationwide branch network in the Building Plastics division.

As such, all of our manufacturing margin is recorded within the Profiles division, which therefore also benefits from expansion of the branch network.

The Profiles division also includes S&S Plastics and Vista; businesses acquired in 2015 and 2016 respectively.

Profiles	**2016 £m**	2015 £m	Change %
3rd Party Revenue	**87.4**	73.9	18
Organic	**75.2**	72.0	4
S&S Plastics[1]	**4.8**	1.9	n/a
Vista Panels[2]	**7.4**	-	n/a
Inter-segmental Revenue	**39.8**	32.1	24
Total Revenue	**127.2**	106.0	20
Adjusted EBITDA	**22.7**	21.6	5

(1) Acquired S&S Plastics July 2015
(2) Acquired Vista Panels March 2016

PROFILES REVENUE

The RMI market, which is the most significant external driver of our performance, remained broadly flat during 2016. Against this backdrop, we made good progress with our strategic priorities and other self-help initiatives.

We are very pleased to report that total Profiles third party revenue was up 18% to £87.4 million (2015: £73.9 million), which includes an organic sales increase of 4%, with the remaining growth driven by our two recent bolt-on acquisitions: S&S Plastics and Vista Panels.

Looking at our customer base, there are positive trends across the spectrum. The last twelve months have seen larger fabricators increase capacity by extending or adding factory units and progress with continued investment in plant and machinery. As such, our larger trade fabricators are benefiting from economies of scale and automation, which is allowing them to grow share by supplying smaller retail fabricators.

Winning two additional major fabricators at the end of 2015 has helped drive our performance in 2016, with a further two large wins towards the end of the year expected to support our future growth plans.

We are still seeing some growth from our smaller fabricators, who are using the Eurocell brand to good effect and also assisting with the supply of windows through to our branch network.

We have also delivered good growth in the private new build sector, where our specifications teams have been increasingly successful in generating demand, well supported by our ability to supply excellent products through the fabricator network.

In terms of mix, we are seeing a greater emphasis on thermal efficiency from our new build and public sector customers and, more generally, an increase in demand for coloured windows.

Turning to the acquisitions, S&S Plastics joined the Group in July 2015 and Vista Panels in March 2016. Integration is proceeding to plan and it is pleasing to report that both businesses delivered good performances in 2016.

PROFILES ADJUSTED EBITDA

Adjusted EBITDA was £22.7 million (2015: £21.6 million), an increase of 5%.

In general, the increase in adjusted EBITDA is a function of sales growth.

Gross margin in the Profiles division has been stable. Raw material prices and the impact of a degree of consolidation in our customer base (reflected in the growth at larger fabricators at the expense of smaller customers described above), have together resulted in some downward pressure on gross margin. This has been offset by price increases implemented in the second half and assisted by continuing manufacturing efficiency gains.

A lower return on sales in 2016 is primarily a function of higher overheads. This includes the impact of a reassessment of provisions in 2015. In addition, as described in the Chief Executive's Review, we have not realised the savings anticipated when we outsourced our logistics operation to DHL towards the end of 2014.

However, we have also invested in business expansion in the Profiles division. In line with our strategic priorities, we have increased resources in our Business Development teams which operate in the new build and commercial markets (e.g. education and student accommodation). We have made good progress to date securing specifications in these sectors, particularly new build, and expect to see increasing returns from our investment in the future.

BUILDING PLASTICS

Building Plastics distributes a range of Eurocell manufactured and branded PVC foam roofline products and Vista doors, as well as third party manufactured ancillary products. These include windows made by our fabricator customers using products manufactured by Profiles, sealants, tools and rainwater products. Distribution is through our national network of 159 branches to installers, small and independent builders, house builders and nationwide maintenance companies. The branches also sell roofline products to independent wholesalers.

Building Plastics	**2016 £m**	2015 £m	Change %
3rd Party Revenue	**117.5**	102.1	15
Inter-segmental Revenue	**0.7**	0.6	18
Total Revenue	**118.2**	102.7	15
Adjusted EBITDA	**8.8**	8.4	5

BUILDING PLASTICS REVENUE

Revenue was up 15% to £117.5 million (2015: £102.1 million), which includes an increase in like for like sales of 10%. Like for like sales includes branches that have been open for the full year of 2015 and 2016.

The strong like for like sales growth includes the impact of growth from branches opened in 2014 and prior, as the more recent sites from that vintage begin to mature. Growth has been bolstered by increased sales of windows, Skypod and Equinox through the branch network, where sales were £13.3 million in 2016, compared to £8.4 million last year.

Like for like growth also includes some benefit from an initiative to improve our proposition as a one-stop shop for customers, via the roll-out of an additional 500 product lines in 2016. The acquisition of Vista Panels has supported growth in the sales of doors through the branches.

In terms of new branches, we opened 18 in 2016, which is 3 more than we envisaged at the beginning of the year and compares to 13 opened in 2015. We now have a total of 159 branches providing national coverage across the UK, which we believe offers a significant competitive advantage. In line with our strategic priorities, we will continue to accelerate the pace of expansion, with a further 30 new branches planned for 2017.

BUILDING PLASTICS ADJUSTED EBITDA

Adjusted EBITDA was £8.8 million (2015: £8.4 million), an increase of 5%.

The increase in adjusted EBITDA is a function of sales growth.

Gross margin in Building Plastics was slightly down year on year, reflecting the impact of a branch incentive scheme in place during the first half, which promoted sales to the detriment of margin. The scheme was restructured in May to better align with Group profit targets.

Overall, a lower return on sales in 2016 is primarily a function of higher overheads. This includes important investment to accelerate the pace of expansion of our branch network described above.

New branches are a key driver of future sales and profit growth, but they do create downward pressure on profitability in the short-term due to investment in central infrastructure and in our teams at new sites.

However, we are in the midst of trials to reduce the start-up costs associated with new branches in order to support them reaching profitability sooner.

Building Plastics overheads also include higher than expected expenditure on the branch incentive scheme described above.

Looking to the future, we have recently commenced Peer Pricing trials within the branch network. This is a mechanism which displays to branch staff at point of sale the average historic selling prices for products sold by their branch, region and nationally across the Eurocell Group. When implemented fully, we expect Peer Pricing to support margin in the branches.

GROUP FINANCIAL REVIEW

We have made good progress with our strategic priorities and other self-help initiatives and delivered good financial results in the process.

Group	**£000 2016**	£000 2015
Revenue	**204,816**	175,947
Gross Profit	**106,565**	91,002
Gross Margin %	***52.0%***	*51.7%*
Overheads	**(75,236)**	(61,271)
Adjusted EBITDA	**31,329**	29,731
Depreciation and Amortisation	**(6,377)**	(5,437)
Adjusted Operating Profit	**24,952**	24,294
Finance Costs	**(677)**	(1,275)
Adjusted Profit Before Tax	**24,275**	23,019
Tax	**(4,299)**	(4,454)
Adjusted Profit After Tax	**19,976**	18,565
Adjusted Basic EPS (pence per share)	**20.0**	18.6
Reported Profit Before Tax	**23,820**	19,696
Reported Basic EPS (pence per share)	**19.6**	15.5

REVENUE

Revenue for the year was slightly better than expected at £204.8 million (2015: £175.9 million), which represents growth of 16%, or 11% excluding acquisitions.

As described in the Divisional Reviews, this has been driven by strong like for like growth in the Building Plastics branch network (£10.4 million, or 10% for the division) and the positive impact from branches opened in 2015/16 (£5.0 million, or 5% for the division). We have also delivered good organic growth in Profiles (£3.2 million, or 4% for the division). Together, the acquisitions of S&S Plastics and Vista Panels added £10.3 million to sales in 2016.

GROSS MARGIN

Gross Margin for 2016 was slightly improved at 52.0% (2015: 51.7%).

We did benefit from lower average resin prices in the first half, but prices began to rise in April and increased further following the EU Referendum, principally as a result of the depreciation in Sterling. However, we were able to mitigate this pressure through a combination of selling price increases implemented in the second half, enhanced procurement measures, production efficiencies and by increasing the use of recycled materials in our manufacturing processes.

By way of example, efficiencies achieved in manufacturing helped improve overall equipment effectiveness by 6% and reduce waste levels by 1%. The use of recycled materials in our primary extrusion manufacturing processes increased to 14% compared to 9% in 2015.

DISTRIBUTION COSTS AND ADMINISTRATIVE EXPENSES (‘OVERHEADS’)

Overheads for the year were £75.2 million (2015: £61.3 million). The year-on-year increase includes £1.4 million following the reassessment of provisions in 2015, £1.9 million as a result of new branches opened in 2015/16 and £5.2 million from the two acquisitions. The balance of £5.4 million relates to an increase of 9% in the underlying organic business, where sales growth was good.

The increase in underlying overheads is a little higher than we anticipated at the beginning of the year. As described in the Chief Executive's Review, we have not realised savings of approximately £1.3 million per annum anticipated when we outsourced our logistics operation to DHL towards the end of 2014. In addition, as described in the Divisional Reviews, underlying overheads include higher than expected expenditure on a branch incentive scheme, which has now been restructured to better align with Group profit targets, and investment in the Profiles Business Development team.

DEPRECIATION & AMORTISATION

Depreciation and amortisation for 2016 was £6.4 million (2015: £5.4 million), with the year-on-year increase a function of recent capital investment.

FINANCE COSTS

Finance costs for the year were £0.7 million (2015: £1.3 million). The Group has benefited from significantly reduced finance costs following a restructuring of our financing arrangements at the time of the IPO in March 2015.

ADJUSTED PROFIT MEASURES

Adjusted EBITDA, adjusted operating profit and adjusted profit before tax all exclude non-recurring costs (see below). Adjusted profit after tax and adjusted earnings per share exclude non-recurring costs and the related tax effect.

NON-RECURRING COSTS

We identified non-recurring costs of £455,000 in 2016 (2015: £3,323,000). Non-recurring costs for 2016 comprise duplicated costs relating to the handover period during which the Company employed two Chief Executive Officers, as well as professional fees related to the acquisition of Vista Panels. All non-recurring costs for 2016 were incurred in the first half. Non-recurring costs for 2015 comprised professional fees incurred in connection with the Company's IPO in March 2015.

TAX

The effective tax rate on adjusted profit before tax for 2016 was 17.7% (2015: 19.3%), with both years lower than the mainstream corporation tax rate primarily due to the beneficial impact on deferred tax of future reductions in the corporation tax rate now substantively enacted, as well as adjustments to prior year taxes.

The effective tax rate on reported profit before tax was also 17.7% (2015: 21.4%). The higher underlying rate for 2015 reflects costs incurred in connection with the IPO disallowed for tax purposes.

EARNINGS PER SHARE

Taking into account all of the factors described above, adjusted basic earnings per share for 2016 was 20.0 pence per share (2015: 18.6 pence per share).

Reported basic earnings per share for 2016 was 19.6 pence per share (2015: 15.5 pence per share).

Earnings per share	**2016 pence**	2015 pence
Basic earnings per share	**19.6**	15.5
Adjusted basic earnings per share	**20.0**	18.6
Diluted earnings per share	**19.6**	15.5
Adjusted diluted earnings per share	**19.9**	18.6

ACQUISITIONS

As previously described, we acquired Vista Panels in March 2016 for consideration (net of cash acquired) of £6.3 million (see also Cash Flow below). Whilst Vista has had a strong second half of the year, its impact on group earnings was not material in 2016.

DIVIDENDS

We paid an interim dividend of 2.8 pence per share in October 2016. The Board proposes a final dividend of 5.7 pence per share, resulting in total dividends for the year of 8.5 pence (2015: 7.9 pence). This represents growth of 8% and is slightly better than the policy set out at our IPO, to target a dividend of approximately 40% of adjusted earnings, demonstrating the Board's confidence in the future of our business.

CAPITAL EXPENDITURE

The Group is continuing to invest in its future with capital expenditure for the year of £7.2 million (2015: £6.4 million).

As described earlier, capital expenditure includes investment to increase our recycling capacity of £1.1 million and in new branches opened in 2016 of £0.8 million. Investment of £3.9 million in Operations includes a new foiling machine (£0.7 million, which reduces the lead times for coloured products), new tooling costs (£0.9 million) and general maintenance capex. Other capital expenditure of £1.4 million includes the branch refurbishments and relocations, along with various IT related costs.

CASH FLOW

Net cash generated from operating activities was strong at £28.4 million, compared to £19.4 million in 2015.

This includes a net inflow from working capital for 2016 of £0.8 million, comprised of a decrease in stock (£1.6 million), an increase in trade and other receivables (£0.6 million) and a decrease in trade and other payables (£0.2 million). This compares to a net outflow from working capital of £0.8 million in 2015. It also includes tax paid of £3.5 million (2015: £5.7 million).

Other payments include acquisitions of £6.3 million (2015: £1.7 million), capital investment of £7.2 million (2015: £6.4 million) and financing costs of £0.6 million (2015: £4.0 million).

Dividends paid represent the final dividend for 2015 of 5.2 pence per share (or £5.2 million) and the interim dividend for 2016 of 2.8 pence per share (or £2.8 million).

Taking all of these factors into account, net debt reduced by £5.6 million during the year to £20.3 million at 31 December 2016 (31 December 2015: £25.9 million).

In the first half we drew down £8 million as a loan under our existing facility in order to settle the acquisition costs of Vista. This loan was repaid out of cash in the second half.

Net Debt (£m)	**2016**	2015	Change
Cash	**5,559**	1,176	4,383
Borrowings	**(25,827)**	(27,047)	1,220
Net Debt	**(20,268)**	(25,871)	5,603

BANK FACILITIES

We have an unsecured, multicurrency, revolving credit facility of £45 million, provided by Barclays and Santander. The Group operates comfortably within the terms of the facility and related financial covenants. The facility matures in 2020.

Michael Scott
Chief Financial Officer

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Note	**Year ended 31 December 2016 Recurring £000**	**Year ended 31 December 2016 (note 3) Non-recurring £000**	**Year ended 31 December 2016 Total £000**	Year ended 31 December 2015 Recurring £000	Year ended 31 December 2015 (note 3) Non-recurring £000	Year ended 31 December 2015 Total £000
Revenue	**2**	**204,816**	**-**	**204,816**	175,947	-	175,947
Cost of sales		**(98,251)**	**-**	**(98,251)**	(84,945)	-	(84,945)
Gross profit		**106,565**	**-**	**106,565**	91,002	-	91,002
Distribution costs		**(15,517)**	**-**	**(15,517)**	(12,310)	-	(12,310)
Administrative expenses		**(66,096)**	**(455)**	**(66,551)**	(54,398)	(3,323)	(57,721)
Operating profit		**24,952**	**(455)**	**24,497**	24,294	(3,323)	20,971
Finance expense		**(677)**	**-**	**(677)**	(1,275)	-	(1,275)
Profit before tax		**24,275**	**(455)**	**23,820**	23,019	(3,323)	19,696
Taxation	**4**	**(4,299)**	**81**	**(4,218)**	(4,454)	241	(4,213)
Profit for the year and total comprehensive income		**19,976**	**(374)**	**19,602**	18,565	(3,082)	15,483
Basic earnings per share	**5**	**19.98**		**19.60**	18.60		15.51

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	2016 £000	2015 £000
Assets		
Property, plant and equipment	**29,294**	27,635
Intangible assets	**19,713**	14,517
Total non-current assets	**49,007**	42,152
Current assets		
Inventories	**17,404**	18,054
Trade and other receivables	**28,123**	24,944
Cash and cash equivalents	**5,559**	1,176
Total current assets	**51,086**	44,174
Total assets	**100,093**	86,326
Liabilities		
Current liabilities		
Loans and borrowings	**(42)**	(1,327)
Trade and other payables	**(29,042)**	(27,092)
Provisions	**(48)**	(76)
Corporation tax	**(2,873)**	(1,196)
Total current liabilities	**(32,005)**	(29,691)
Non-current liabilities		
Loans and borrowings	**(25,785)**	(25,720)
Trade and other payables	**(520)**	(500)
Provisions	**(1,463)**	(1,366)
Deferred tax	**(2,194)**	(2,493)
Total non-current liabilities	**(29,962)**	(30,079)
Total liabilities	**(61,967)**	(59,770)
Net assets	**38,126**	26,556
Equity attributable to equity holders of the parent		
Share capital	**100**	100
Share premium account	**1,926**	1,926
Other reserves	**348**	380
Retained earnings	**35,752**	24,150
Total equity	**38,126**	26,556

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2016

	Note	**Year ended 31 December 2016 £000**	Year ended 31 December 2015 £000
Cash generated from operations	7	**31,782**	26,268
Non-recurring costs	3	**455**	3,323
Cash generated from underlying operations		**32,237**	29,591
Income taxes paid		**(3,537)**	(5,729)
Non-recurring costs paid		**(273)**	(4,453)
Net cash generated from operating activities		**28,427**	19,409
Investing activities			
Acquisition of subsidiary, net of cash acquired		**(6,332)**	(1,662)
Purchase of property, plant and equipment		**(6,342)**	(6,267)
Sale of property, plant and equipment		**-**	75
Purchase of intangible assets		**(877)**	(85)
Net cash used in investing activities		**(13,551)**	(7,939)
Financing activities			
Redemption of preference shares		**-**	(50)
Proceeds from bank borrowings		**8,000**	41,000
Repayment of bank and other borrowings		**(8,523)**	(48,599)
Finance expense		**(643)**	(4,023)
Dividends paid to equity shareholders	6	**(8,000)**	(2,700)
Net cash used in financing activities		**(9,166)**	(14,372)
Net increase/(decrease) in cash and cash equivalents		**5,710**	(2,902)
Cash and cash equivalents at beginning of year		**(151)**	2,751
Cash and cash equivalents at end of year		**5,559**	(151)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2016

	Share capital £000	Share premium account £000	Retained earnings £000	Other reserves £000	Total equity £000
Balance at 1 January 2016	**100**	**1,926**	**24,150**	**380**	**26,556**
Comprehensive income for the year					
Profit for the year	**-**	**-**	**19,602**	**-**	**19,602**
Total comprehensive income for the year	**-**	**-**	**19,602**	**-**	**19,602**
Contributions by and distributions to owners					
Share based payments	**-**	**-**	**-**	**239**	**239**
Release of share based payments	**-**	**-**	**-**	**(221)**	**(221)**
Deferred tax on share based payments	**-**	**-**	**-**	**(50)**	**(50)**
Dividends paid	**-**	**-**	**(8,000)**	**-**	**(8,000)**
Total contributions by and distributions to owners	**-**	**-**	**(8,000)**	**(32)**	**(8,032)**
Balance at 31 December 2016	**100**	**1,926**	**35,752**	**348**	**38,126**

	Share capital £000	Share premium account £000	Retained earnings £000	Other reserves £000	Total equity £000
Balance at 1 January 2015	52	99	11,367	-	11,518
Comprehensive income for the year					
Profit for the year	-	-	15,483	-	15,483
Total comprehensive income for the year	-	-	15,483	-	15,483
Contributions by and distributions to owners					
Preference shares redeemed in the year	(50)	-	-	-	(50)
Shares issued during the year	98	1,827	-	-	1,925
Share based payments	-	-	-	322	322
Deferred tax on share based payments	-	-	-	58	58
Dividends paid	-	-	(2,700)	-	(2,700)
Total contributions by and distributions to owners	48	1,827	(2,700)	380	(445)
Balance at 31 December 2015	100	1,926	24,150	380	26,556

1 BASIS OF PREPARATION

The financial information for the year ended 31 December 2016 was approved by the Board on 7 March 2017. This financial information does not constitute statutory accounts of the Company within the meaning of Section 435 of the Companies Act 2006, but is derived from those accounts, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed and adopted for use by the European Union.

This information has been prepared under the historical cost method, using all standards and interpretations required for financial periods beginning 1 January 2016. No standards or interpretations have been adopted before the required implementation date.

Statutory accounts for the year ended 31 December 2015 have been delivered to the Registrar of Companies. Statutory accounts for the year ended 31 December 2016 will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

The auditors have reported on those accounts. Their reports were not qualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

2 SEGMENTAL INFORMATION

For management purposes the Group is organised into divisions based on their products and services and has two reportable segments as follows:

- Profiles – extrusion and sale of UPVC window and building products to the new and replacement window market across the UK.
- Building Plastics – sale of building plastic materials across the UK.

No operating segments have been aggregated to form the above reportable operating segments.

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the management team including the Chief Executive Officer and the Chief Financial Officer.

The Corporate segment includes amortisation in respect of acquired intangible assets.

	Profiles 2016 £000	Building Plastics 2016 £000	Corporate 2016 £000	Total 2016 £000
Revenue				
Total revenue	**127,171**	**118,148**	**-**	**245,319**
Inter-segmental revenue	**(39,817)**	**(686)**	**-**	**(40,503)**
Total revenue from external customers	**87,354**	**117,462**	**-**	**204,816**
Adjusted EBITDA	**22,657**	**8,832**	**(160)**	**31,329**
Amortisation	**(158)**	**(123)**	**(1,091)**	**(1,372)**
Depreciation	**(3,969)**	**(609)**	**(427)**	**(5,005)**
Operating profit before non-recurring costs	**18,530**	**8,100**	**(1,678)**	**24,952**
Non-recurring costs				**(455)**
Finance expense				**(677)**
Profit before tax				**23,820**

	Profiles 2015 £000	Building Plastics 2015 £000	Corporate 2015 £000	Total 2015 £000
Revenue				
Total revenue	105,957	102,661	-	208,618
Inter-segmental revenue	(32,088)	(583)	-	(32,671)
Total revenue from external customers	73,869	102,078	-	175,947
Adjusted EBITDA	21,608	8,384	(261)	29,731
Amortisation	(234)	(240)	(661)	(1,135)
Depreciation	(3,473)	(457)	(372)	(4,302)
Operating profit before non-recurring costs	17,901	7,687	(1,294)	24,294
Non-recurring costs				(3,323)
Finance expense				(1,275)
Profit before tax				19,696

	Profiles 2016 £000	**Building Plastics 2016 £000**	**Corporate 2016 £000**	**Total 2016 £000**
Purchase of plant, property equipment and intangible assets	**5,498**	**1,105**	**616**	**7,219**
Reportable segment assets	**53,524**	**27,575**	**18,994**	**100,093**
Reportable segment liabilities	**(17,391)**	**(12,402)**	**(1,280)**	**(31,073)**
Borrowings				**(25,827)**
Corporation tax payable				**(2,873)**
Deferred tax liability				**(2,194)**
Total liabilities				**(61,967)**
Total net assets				**38,126**

	Profiles 2015 £000	Building Plastics 2015 £000	Corporate 2015 £000	Total 2015 £000
Purchase of plant, property equipment and intangible assets	4,722	1,157	473	6,352
Reportable segment assets	40,594	29,472	16,260	86,326
Reportable segment liabilities	(15,670)	(11,992)	(1,372)	(29,034)
Borrowings				(27,047)
Corporation tax payable				(1,196)
Deferred tax liability				(2,493)
Total liabilities				(59,770)
Total net assets				26,556

3 NON-RECURRING COSTS

Amounts included in the consolidated statement of comprehensive income are as follows:

	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Professional fees and other costs relating to the Company's IPO	**-**	3,323
Duplicated costs related to CEO handover period	**343**	-
Acquisition costs	**112**	-
	455	3,323

4 TAXATION

	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Current tax expense		
Current tax on profits for the year	**5,025**	3,331
Adjustment in respect of prior years	**75**	(192)
Total current tax	**5,100**	3,139
Deferred tax expense		
Origination and reversal of temporary differences	**(174)**	1,129
Adjustment in respect of change in rates	**(385)**	-
Adjustment in respect of prior years	**(323)**	(55)
Total deferred tax	**(882)**	1,074
Total tax expense	**4,218**	4,213

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

	2016 £000	2015 £000
Profit before tax	**23,820**	19,696
Expected tax charge based on the standard rate of corporation tax in the UK of 20% (2015: 20.25%)	**4,764**	3,988
Taxation effect of:		
Expenses not deductible for tax purposes	**87**	472
Adjustments to tax charge in respect of prior years	**(248)**	(247)
Adjustments in respect of change in rates	**(385)**	-
Total tax expense	**4,218**	4,213

Changes in tax rates and factors affecting the future tax charge

A reduction in the mainstream rate of UK corporation tax from 21% to 20% took effect from April 2015. Further reductions to 19% from 1 April 2017 and 17% from 1 April 2020 have been substantively enacted. Deferred taxes at the year end date have been measured using these enacted tax rates and reflected in the financial statements.

Tax on non-recurring items

The tax credit arising on non-recurring items within the comprehensive income statement is £81,000 (2015: £241,000).

Tax included in other comprehensive income

The tax charge arising on share based payments within other comprehensive income is £50,000 (2015: credit £58,000).

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.

5 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is calculated by adjusting the earnings and number of shares for the effects of dilutive options. Adjusted earnings per share excludes non-recurring costs from the calculations.

	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Profit attributable to ordinary shareholders	**19,602**	15,483
Profit attributable to ordinary shareholders excluding non-recurring costs	**19,976**	18,565

	Number	Number
Weighted average number of shares - basic	**100,000,000**	99,816,141
Weighted average number of shares - diluted	**100,227,068**	99,816,141

	Pence	Pence
Basic earnings per share	**19.60**	15.51
Adjusted basic earnings per share	**19.98**	18.60
Diluted earnings per share	**19.56**	15.51
Adjusted diluted earnings per share	**19.93**	18.60

6 DIVIDENDS

	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Dividends paid during the year		
Interim dividend for 2016 of 2.8p per share (2015: 2.7p per share)	**2,800**	2,700
Final dividend for 2015 of 5.2p per share	**5,200**	-
	8,000	2,700
Dividends proposed		
Final dividend for 2016 of 5.7p per share (2015: 5.2p per share)	**5,700**	5,200

7 RECONCILIATION OF PROFIT AFTER TAX TO CASH GENERATED FROM OPERATIONS

	2016 £000	2015 £000
Profit after tax	**19,602**	15,483
Add back taxation	**4,218**	4,213
Finance expense	**677**	1,275
Operating profit	**24,497**	20,971
Adjustments for:		
Depreciation of tangible fixed assets	**5,005**	4,302
Amortisation of intangible fixed assets	**1,372**	1,135
Loss on sale of property, plant and equipment	**86**	-
Impairment of property, plant and equipment	**-**	234
Share based payments	**18**	322
Decrease/(increase) in inventories	**1,635**	(2,696)
Increase in trade and other receivables	**(616)**	(3,884)
(Decrease)/increase in trade and other payables	**(184)**	5,741
(Decrease)/increase in provisions	**(31)**	143
Cash generated from operations	**31,782**	26,268

8 EVENTS AFTER THE BALANCE SHEET DATE

On 24 February 2017, Eurocell Building Plastics Limited, a subsidiary of Eurocell plc acquired 100% of the issued share capital of Security Hardware Systems Limited for an initial consideration of £1.25 million.