

17 April 2020

**EUROCELL plc  
(the 'Company')**

**PUBLICATION OF 2019 ANNUAL REPORT  
AND NOTICE OF 2020 ANNUAL GENERAL MEETING**

The Company announces that it has published its full Annual Report for the year ended 31 December 2019 and Notice of the 2020 Annual General Meeting, which is to be held at 3pm on Thursday 14 May 2020 at Fairbrook House, Clover Nook Road, Alfreton, Derbyshire, DE55 4RF.

**(Please note:**

Under the Stay at Home Measures published by the Government on 23 March 2020, and made law on 26 March 2020, shareholders, proxies and other attendees will not be permitted to attend the AGM in person. Anyone seeking to attend the AGM will be refused entry and therefore shareholders are strongly recommended to vote by proxy. In the event that the AGM arrangements change, the Company will issue a further communication.)

Copies of the documents listed below have been posted to registered shareholders today:

1. Annual Report 2019
2. Notice of 2020 Annual General Meeting
3. Form of Proxy for the 2020 Annual General Meeting

The above documents are also available on the Eurocell plc website at [investors.eurocell.co.uk](http://investors.eurocell.co.uk).

In accordance with LR 9.6.1R of the Listing Rules, a copy of each of the above documents has been submitted to the UK Listing Authority via the National Storage Mechanism and are/will be available for inspection at [data.fca.org.uk/#/nsm/nationalstoragemechanism](http://data.fca.org.uk/#/nsm/nationalstoragemechanism).

Further to the Company's Preliminary Results announcement on 13 March 2020 (RNS number: 0158G), and in accordance with DTR 6.3.5(2)(b), set out below are the following extracts from the Annual Report 2019 in full unedited text form:

- Principal Risks
- Statement of Directors' Responsibilities.

**COVID-19 further update**

We continue to take steps to protect our business, employees and cash flow from the impact of COVID-19, in order to ensure we are well placed to recommence operations and trading when it is appropriate to do so.

With effect from 1 May 2020 until further notice, the Board has unanimously agreed to take a 20% reduction in its remuneration. The effect of this will be to reduce the annual fees of the Chair and Non-Executive Directors by 20%, and to reduce the salary of the Executive Directors by 20%, including pension contributions and bonus payments which are calculated as a percentage of salary. Other members of senior management have also voluntarily agreed similar reductions.

As announced on 24 March 2020, the recommendation for a final dividend, in respect of the year ended 31 December 2020, has been withdrawn.

The Principal Risks summarised below are those identified in our 2019 Annual Report, which was approved by the Board on 12 March 2020, and was therefore prepared before the full impact of COVID-19 emerged. The Company's internal control systems have adapted effectively to support our response to the pandemic.

## PRINCIPAL RISKS

### MACROECONOMIC CONDITIONS

Principal risk and impact	Mitigation	Risk change in reporting period
<p>Our products are used in the residential and commercial building and construction markets, both within the RMI sector, for new residential housing developments and for new construction projects.</p> <p>Our private RMI business is strongly correlated to the level of household disposable incomes. Our new-build business is particularly influenced by the level of activity in the house-building industry.</p> <p>As such, our business and ability to fund ongoing operations is dependent on the level of activity and market demand in these sectors, itself often a function of general economic conditions (including interest rates and inflation) in the UK.</p> <p>Government economic and social policy can also have a significant impact on our business.</p>	<ul style="list-style-type: none"> <li>Notwithstanding macro conditions, we expect our strategic priorities and self-help initiatives to support sales and market share growth.</li> <li>Initiatives include: growing market share, investment in our specifications team (targeting new-build, commercial and public sector work), expanding the branch network and increasing recycling.</li> <li>We operate comfortably within the terms of our bank facility and related financial covenants.</li> <li>Reducing the pace of branch network expansion should improve short-term profit and cash flows.</li> </ul>	<ul style="list-style-type: none"> <li>Political and economic uncertainty as a result of Brexit is slightly reduced.</li> <li>Construction output and general RMI market contracted in 2019. CPA now forecast a broadly flat market for 2020.</li> <li>New home registrations reduced in 2019 but modest growth is expected in 2020.</li> <li>UK base rate remains unchanged since 2018.</li> <li>Some expectation of a post-election recovery.</li> </ul>

### BREXIT

Principal risk and impact	Mitigation	Risk change in reporting period
<p>Although the UK has agreed withdrawal terms with the EU, there remains significant uncertainty over the nature of future trading arrangements.</p> <p>The UK leaving the EU without agreeing a Trade Deal remains a realistic scenario, and such an outcome could lead to delays and disruption at the UK borders.</p> <p>Almost all of our sales are to UK-based businesses. However, some of our key raw materials originate in Europe, so any disruption in supplies could impact on our ability to manufacture our products and meet customer demand.</p>	<p>Actions taken include:</p> <ul style="list-style-type: none"> <li>Some suppliers for other raw materials have agreed to hold extra stocks (very limited capacity at our manufacturing sites).</li> <li>Finished goods stock build executed for key lines where possible.</li> <li>Selective credit insurance now in place.</li> </ul>	<ul style="list-style-type: none"> <li>Withdrawal agreement with the EU now in place.</li> <li>New Government has a clear mandate to agree a Trade Deal with the EU.</li> </ul>

## CYBER SECURITY

Principal risk and impact	Mitigation	Risk change in reporting period
<p>A breach of IT security (externally or internally) could result in an inability to operate systems effectively (e.g. viruses) or the release of inappropriate information (e.g. hackers).</p>	<ul style="list-style-type: none"> <li>Physical security of servers at third-party off-site data centre, with full disaster recovery capability.</li> <li>Password and safe-use policies in place, internet usage monitored and anti-malware used.</li> <li>External cyber review and internal audit reviews conducted in 2019, resulting in significant enhancements in defence.</li> <li>Cyber awareness/IT security campaign active for all employees.</li> <li>Financial crime protection and cyber liability insurance in place.</li> </ul>	<ul style="list-style-type: none"> <li>This remains a high-profile area and is receiving considerable management focus.</li> </ul>

## RAW MATERIAL PRICES

Principal risk and impact	Mitigation	Risk change in reporting period
<p>Our manufacturing operations depend on the supply of PVC resin, a material derivative of ethylene which in turn is a derivative of crude oil.</p> <p>The price of PVC resin can therefore be subject to fluctuations based on the markets for crude oil and ethylene, as well as the market for resin itself.</p> <p>In addition, although we pay for resin in sterling, crude oil and ethylene are priced in US dollars and euros respectively. As such, the price of resin in sterling is also impacted by international currency markets.</p> <p>Our ability to pass on resin and other raw material or traded goods price increases to our customers will depend on market conditions at the time.</p>	<ul style="list-style-type: none"> <li>Where possible we pass through raw material or traded goods price increases to our customers.</li> <li>Increasing the use of recycled material in our manufacturing partially mitigates exposure to resin prices.</li> <li>We consider fixed price supply arrangements with suppliers where it is economic to do so.</li> <li>Use of more than one supplier to provide competitive pricing for many raw materials and traded goods.</li> </ul>	<ul style="list-style-type: none"> <li>Raw material prices continued to fluctuate in 2019, largely as a result of currency changes and the impact of other uncertainties surrounding Brexit.</li> <li>We have elected not to enter into a fixed price contract for PVC resin in 2020 as the premium required by suppliers was prohibitive.</li> </ul>

## OPERATING CAPACITY CONSTRAINTS

Principal risk and impact	Mitigation	Risk change in reporting period
<p>A requirement to run manufacturing facilities at high levels of utilisation in peak periods (e.g. to meet customer demand) can drive down Overall Equipment Effectiveness ('OEE') and result in other operational inefficiencies.</p> <p>Attempting to satisfy unexpectedly high demand without the requisite infrastructure in place may lead to a failure of people, systems and processes to perform.</p> <p>Together these factors can result in adverse financial consequences.</p>	<ul style="list-style-type: none"> <li>• Co-extrusion and foam capacity increased by 30% and 15% respectively in 2019 to resolve manufacturing capacity constraint.</li> <li>• Recruitment of additional trained labour in our foiling plant for 2019 to resolve manufacturing capacity constraint.</li> <li>• Strengthened management team in critical areas of Chief Operating Officer, production planning and logistics.</li> </ul>	<ul style="list-style-type: none"> <li>• Warehousing capacity identified as the key remaining constraint to efficient operations and future growth.</li> <li>• New warehouse facility secured for 2020.</li> <li>• Risks associated with project to transition. Plan to be operational with new warehouse in Q4.</li> </ul>

## UNPLANNED PLANT DOWNTIME

Principal risk and impact	Mitigation	Risk change in reporting period
<p>The business is dependent on the continued and uninterrupted performance of our production facilities.</p> <p>Each of the facilities is subject to operating risks, such as: industrial accidents (including fire); extended power outages; withdrawal of permits and licences (e.g. the regulated operation of the recycling facility); breakdowns in machinery; equipment or information systems; prolonged maintenance activity; strikes; natural disasters; and other unforeseen events.</p>	<ul style="list-style-type: none"> <li>• Regular planned maintenance to reduce the risk of plant failure.</li> <li>• Maintenance capital investment of approximately £5 million per annum across the Group.</li> <li>• Extrusion facilities spread over 3 manufacturing sites.</li> <li>• Group-wide disaster recovery plans in place.</li> <li>• Acquisition of Ecoplas has increased our recycling capacity and reduced our reliance on a single recycling plant.</li> </ul>	<ul style="list-style-type: none"> <li>• No material change</li> </ul>

## RAW MATERIAL SUPPLY

Principal risk and impact	Mitigation	Risk change in reporting period
<p>There are only a limited number of PVC resin and certain other raw material suppliers and we operate with limited material storage capacity.</p> <p>As described above (see Brexit risk), failure to receive raw materials on a timely basis could impact on our ability to manufacture products and meet customer demand.</p>	<ul style="list-style-type: none"> <li>• Raw material tests to identify potential alternative suppliers.</li> <li>• Spot market for resin often available to access.</li> <li>• Contractual arrangements for certain key suppliers include liquidated damages for failure to supply.</li> <li>• Regular reviews to test financial stability of key suppliers.</li> </ul>	<ul style="list-style-type: none"> <li>• Brexit related supply risks decreasing as described above.</li> <li>• Potential remains for increased resin supply originating from the US to come on line and deliver into Europe.</li> </ul>

### UNSUCCESSFUL BRANCH NETWORK EXPANSION

Principal risk and impact	Mitigation	Risk change in reporting period
<p>We have invested significantly to expand the branch network over the last 3 years.</p> <p>The network, including new branches, may fail to reach the required scale and profitability within an acceptable timeframe.</p> <p>Looking further forward, good new sites may become more difficult to find.</p>	<p>New Building Plastics' management team progressing initiatives to improve profitability:</p> <ul style="list-style-type: none"> <li>• More rigid pricing architecture.</li> <li>• Revised field sales and account management structure.</li> <li>• Drive to better stock availability and trials of new front-of-house and product displays.</li> <li>• Enhanced training to ensure all staff have the ability to sell the full range of products.</li> <li>• Profit improvement plan template for lowest performing branches.</li> <li>• Improved new site selection using location analysis tools.</li> </ul>	<ul style="list-style-type: none"> <li>• Pace of expansion slowed in 2018-20 to allow focus on consolidating existing estate.</li> </ul>

### ABILITY TO ATTRACT AND RETAIN KEY PERSONNEL AND HIGHLY SKILLED INDIVIDUALS

Principal risk and impact	Mitigation	Risk change in reporting period
<p>Our success depends inter alia, on the efforts and abilities of certain key personnel and our ability to attract and retain such people.</p> <p>The senior team have significant experience in the relevant sectors and markets and are expected to make an important contribution to our growth and success.</p>	<ul style="list-style-type: none"> <li>• Clear strategic direction provides an attractive backdrop to working at Eurocell.</li> <li>• Market rate compensation for all personnel, including leadership team.</li> <li>• Equity-based long-term incentive plans in place for senior team.</li> </ul>	<ul style="list-style-type: none"> <li>• Continued focus on improving employee engagement and communication (e.g. new Group-wide Vision and Values launched in 2018.)</li> </ul>

### SHORTAGES OR INCREASED COSTS OF APPROPRIATELY SKILLED LABOUR

Principal risk and impact	Mitigation	Risk change in reporting period
<p>We are subject to supply risks related to the availability and cost of labour, both in our manufacturing operations and in our branch business. Our headquarters are located in an area of generally full employment.</p> <p>We may also experience labour cost increases (including those related to the Minimum Wage) or disruptions in circumstances where we have to compete for employees with the necessary skills and experience in tight labour markets.</p>	<ul style="list-style-type: none"> <li>• Market level or better salaries and good benefits package.</li> <li>• Induction and training programme.</li> <li>• Annual SAYE share-save scheme available to all personnel.</li> <li>• Progressing strategy to improve retention and recruitment, leadership and development, employee engagement and communication.</li> </ul>	<ul style="list-style-type: none"> <li>• Fourth SAYE scheme planned for 2020.</li> </ul>

### CUSTOMER CREDIT RISK

Principal risk and impact	Mitigation	Risk change in reporting period
<p>There is an inherent risk that default by a large customer could result in a material bad debt.</p>	<ul style="list-style-type: none"> <li>• In-depth credit review for new and ongoing customer accounts.</li> <li>• Experienced Credit Manager (over 15 years with the Group) and strong credit control team.</li> <li>• Credit insurance implemented for large Profiles accounts.</li> </ul>	<ul style="list-style-type: none"> <li>• Increased economic uncertainty and falling consumer confidence may lead to more business failures.</li> <li>• No individually material bad debts in 2019, but some extension of credit terms and overdues on large accounts. Inherent risk remains.</li> </ul>

### COMPETITOR ACTIVITY

Principal risk and impact	Mitigation	Risk change in reporting period
<p>We have a number of existing competitors who compete on range, price, quality and service. Increased competition could reduce volumes and margins on manufactured and traded products.</p>	<ul style="list-style-type: none"> <li>• Strong market and customer awareness, with good intelligence around competitor activity.</li> <li>• Focus on customer proposition and points of differentiation in product and service offering.</li> </ul>	<ul style="list-style-type: none"> <li>• We continued to gain market share in both divisions in 2019.</li> <li>• The more uncertain market environment may have weakened some of our competitors.</li> </ul>

## CORPORATE AND REGULATORY RISKS

Principal risk and impact	Mitigation	Risk change in reporting period
<p>We may be adversely affected by the crystallisation of unexpected corporate or regulatory risks. These could include health and safety, data, reputational and environmental risks (including regulations related to our recycling operations), or other legal, taxation and compliance matters.</p>	<ul style="list-style-type: none"> <li>• We have procedures and policies in place to support compliance with regulations.</li> <li>• Regular communication and training on policy compliance.</li> <li>• Monitoring procedures in place, including near miss and potential hazard reporting for health and safety matters.</li> <li>• Internal and third-party site audits to test compliance with our policies.</li> </ul>	<p>Recent developments widen the scope and increase the penalty regime for breaches in these areas. For example:</p> <ul style="list-style-type: none"> <li>• Corporate Criminal Offence of Failure to Prevent the Facilitation of Tax Evasion ('CCO') legislation came into force on 30 September 2017.</li> <li>• General Data Protection Regulations ('GDPR') came into effect in May 2018.</li> </ul>

## FAILURE TO DEVELOP NEW PRODUCTS

Principal risk and impact	Mitigation	Risk change in reporting period
<p>Failure to innovate could reduce our growth potential or render existing products obsolete.</p> <p>The launch of new products and new variants of existing products is an inherently uncertain process. We cannot guarantee that we will continuously develop successful new products or new variants of existing products.</p> <p>Nor can we predict how customers and end-users will react to new products or how successful our competitors will be in developing products which are more attractive than ours.</p>	<ul style="list-style-type: none"> <li>• We invest continuously in research and development through our in-house team.</li> <li>• The team is highly focused on new ways to develop existing products and to be innovative with new ones.</li> <li>• We have a strong product pipeline with more than 25 projects in development.</li> </ul>	<ul style="list-style-type: none"> <li>• Recent successes include: Coastline (a lightweight composite cladding for use on coastal properties), and extensions to the Modus and Skypod ranges.</li> </ul>

## FAILURE TO IDENTIFY, COMPLETE AND INTEGRATE BOLT-ON ACQUISITIONS

Principal risk and impact	Mitigation	Risk change in reporting period
<p>Exploring potential bolt-on acquisitions is one of our strategic priorities.</p> <p>We may not be able to identify appropriate bolt-on acquisitions.</p> <p>Any future acquisition we do make poses integration and other risks which may affect our results or operations.</p> <p>The acquisition and integration of companies is a complex, costly and time-consuming process involving a number of possible risks. These include diversion of management attention, failure to retain personnel, failure to maintain customer service levels, disruption to relationships with various third parties, system risks and unanticipated liabilities</p>	<ul style="list-style-type: none"> <li>• Public communication of bolt-on acquisitions being a strategic priority.</li> <li>• Good knowledge of companies operating in our sector and related sectors.</li> <li>• Ecoplas and Kent Building Plastics acquired in 2018 and Trimseal in 2019.</li> <li>• Tried and tested procedure for the integration of new acquisitions and a good track record of recent success.</li> </ul>	<ul style="list-style-type: none"> <li>• Some delays with project to expand Ecoplas. Performance is now improving, but significant value at stake until acceptable plant reliability achieved.</li> </ul>

## CORONAVIRUS

Principal risk and impact	Mitigation	Risk change in reporting period
<p>A significant proportion of window and door hardware is sourced in China. We may be adversely affected by a disruption to the hardware supply chain which impacts our business (Vista Panels and Security Hardware) or that of our window fabricator customers.</p> <p>We may also be impacted if the virus results in the unavailability of our workforce or has a significant impact on the macro economic environment.</p>	<ul style="list-style-type: none"> <li>• We placed extra orders for window and door hardware in January 2020.</li> </ul>	<ul style="list-style-type: none"> <li>• New risk in 2020</li> </ul>

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS**

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### **Directors' confirmations**

The Directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the corporate governance section on pages 54 and 55 confirm that, to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law), give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group and Company's auditors are unaware; and

- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information.

The Directors' Responsibility Statement was approved by the Board on 12 March 2020.

**Mark Kelly**  
Chief Executive Officer

**Michael Scott**  
Chief Financial Officer

Enquiries:

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