Zotefoams plc

Interim Report for the Six Months Ended 30 June 2025

Continued strategic progress underpins record H1 results

5 August 2025 - Zotefoams plc ("Zotefoams", the "Company" or the "Group"), a world leader in supercritical foams, is pleased to announce its interim results for the six months ended 30 June 2025.

Results highlights

- Record H1 sales performance, with Group reported revenue up 9% to £77.4m (HY 2024: £71.1m), representing constant currency growth of 10%:
  - EMEA revenue up 11% to £61.4m (HY 2024: £55.3m)
  - North America revenue up 10% to £14.5m (HY 2024: £13.1m)
  - Consumer & Lifestyle revenue up 16% to £38.6m (HY 2024: £33.3m)
  - Transport & Smart Technologies revenue up 13% to £26.2m (HY 2024: £23.1m)
  - Construction and Other Industrial revenue down 14% to £12.6m (HY 2024: £14.7m)
- Further increase in margins delivered record H1 profit performance:
  - Gross margin up 140 bps to 34.6% (HY 2024: 33.2%)
  - Operating margin increased by 220 bps to 15.8% (HY 2024: 13.6%)
  - Profit before tax up 37% to a record £11.4m (HY 2024: £8.3m)
- Basic earnings per share up 55% to 19.99p (HY 2024: 12.89p)
- Strong balance sheet:
  - Improved cash generation from operations up 86% to £15.8m (HY 2024: £8.5m)
  - Net debt (covenant basis[2]) of £21.1m (HY 2024: £35.1m), representing leverage of 0.7x (FY 2024: 0.9x; HY 2024: 1.4x)
- Interim dividend increased by 5.0% to 2.50p per share (HY 2024: 2.38p per share)

Strategic highlights

- Excellent progress aligning the commercial functions to focus on three target market verticals on a global basis with existing staff repositioned into the new structure and good progress made in recruiting industry experts into key roles.
- The development of a new manufacturing facility in Vietnam continues as planned and will position the Group closer to a key global footwear manufacturing hub. Post period end, Zotefoams announces it will partner in this venture, via a new operating subsidiary, with Seoheung Co. Ltd. ("Seoheung"), a footwear supply chain specialist manufacturing footwear in Korea, Vietnam, Indonesia, and China. The company plays a key sourcing role for major footwear producers, including Changshin Inc. Seoheung has acquired a 17.5% stake in the venture for a $10m cash consideration, with the proceeds applied to the commissioning of the facility and the project expected to cost a total of $32m.
- Future organic growth in North America will be supported by capital investment on a second low-pressure vessel, which remains on track for Q3 2025 commissioning.

Financial summary

	June 2025	June 2024	Change
Revenue (£m)	77.4	71.1	9%
Gross margin (%)	34.6	33.2	140 bps
Operating profit[1] (£m)	12.2	9.7	26%
Operating margin (%)	15.8	13.6	220 bps
Profit before tax[1] (£m)	11.4	8.3	37%
Basic EPS[1] (p)	19.99	12.89	55%
Net debt (£m)	29.1	44.6	(35%)
Net debt (£m) covenant basis[2]	21.1	35.1	(40%)
Leverage ratio[3]	0.7	1.4	-
Interim dividend (p)	2.50	2.38	5%

[1] This is a reported number under UK-adopted IAS. Following the impairment of MuCell Extrusion assets in December 2024, there is no amortisation of acquired intangibles booked in the period and thus no difference between reported and adjusted numbers (HY 2024: £0.126m)

[2] Net debt (covenant basis) is that defined under the bank facility, adjusted for the impact of IFRS16. The main adjustment is the elimination of Shincell (£5.9m), treated as a right-of-use asset and a corresponding lease liability

[3] Leverage is not an IFRS measure and is that defined under the bank facility, with net debt, adjusted for IFRS16, at the end of the period divided by the preceding 12 months' EBITDA, adjusted for IFRS2 and IFRS16

Commenting on the results and the outlook, Ronan Cox, Group CEO, said:

"I am pleased to report a record first half performance for Zotefoams, as we embark on a refreshed strategy. Our commercial transformation into market-focused verticals continues to progress well, with our pipeline of opportunities growing across all three sectors. While this remains a longer-term strategic initiative, we are encouraged by early benefits from this more targeted approach to market development. The curtailing of investment in MEL has improved profitability significantly and we are targeting continued strong margin performance, supported by stable polymer pricing and the benefits of ongoing efficiency improvement programmes. We are successfully absorbing the costs of our commercial and operational reorganisation within normal operations while maintaining our focus on operational efficiency and reinvesting in new capability aligned with the refreshed strategy.

"We enter the second half with positive momentum. Structural trends across our three key verticals remain supportive, albeit we remain mindful of near-term volatility created by the current macroeconomic backdrop. We anticipate some moderation in Consumer & Lifestyle demand as expected seasonal patterns emerge and the exceptional growth rates experienced in H1 normalise. Given the strong H1 2025 performance and momentum carried into the second half, the Board now expects to deliver full year underlying profit before taxation ahead of current market expectations.

"We are delighted to be partnering with Seoheung in our investment in Vietnam. This partnership goes far beyond just investment, as it de-risks the programme start-up, leverages over 30 years of local knowledge and explores best practice for injection moulding and footwear component manufacturing systems and processes.

"The Board is pleased with the Group's early progress of its refreshed strategy, as shared at the Capital Markets Day held in March 2025, and the clear focus on the three market verticals provides both stability and opportunities to unlock growth in a mixed economic backdrop. Our ongoing investment in Vietnam, innovation capabilities, and the development of our M&A pipeline positions us well for sustainable growth in line with our medium-term targets."

Note: Zotefoams-compiled consensus expectations, for the year ending 31 December 2025, are £149.7m for net revenue and £19.4m for adjusted profit before income tax as at 4 August 2025

Enquiries:

Zotefoams plc Ronan Cox, 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 supercritical fluid foam 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® and ZOTEK® high-performance foams, Zotefoams sells to diverse markets worldwide across three market verticals, Consumer & Lifestyle, Transport & Smart Technologies, and Construction & Other Industrial. Zotefoams uses its own materials to manufacture T-FIT® advanced insulation for demanding industrial markets.

Zotefoams is headquartered in Croydon, UK, with additional manufacturing sites in Kentucky, USA and Brzeg, Poland (foam manufacture), and foam products conversion in Oklahoma, USA and Jiangsu Province, China (T-FIT).

www.zotefoams.com

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Results overview

Group revenue in the period increased £6.3m, or 9%, to £77.4m (HY 2024: £71.1m). At constant currency, Group revenue increased £7.3m, or 10%, to £78.4m.

Gross profit increased 14%, to £26.8m (HY 2024: £23.6m) and gross margin improved to 34.6% (HY 2024: 33.2%). Operating profit for the period increased 26%, to £12.2m (HY 2024: £9.7m). Profit before tax increased 37%, to £11.4m (HY 2024: £8.3m) and basic earnings per share increased 7.10p, or 55%, to 19.99p (HY 2024: 12.89p). Operating profit was negatively impacted by £0.3m of currency headwind (HY 2024: negatively impacted by £0.4m of currency headwind). The prior year period includes a segment loss of £2.2m in the Group's MuCell Extrusion (MEL) division, as the Group invested in ReZorce® circular packaging technology. Having paused investment in this initiative in December 2024 and closed down MEL's operating activities, there has been minimal activity in 2025.

Cash generated from operations was up £7.3m to £15.8m versus the comparative period (HY 2024: £8.5m). On an IFRS basis, net debt after the first six months of the year was down £3.9m to £29.1m (31 December 2024: £33.0m; 30 June 2024: £44.6m). On a bank covenant basis, see full explanation in section "Net debt and covenants", net debt was down in the period to £21.1m (31 December 2024: £24.1m; 30 June 2024: £35.1m). The leverage multiple (net borrowings to EBITDA, see section "Net debt and covenants" for definition) at the end of the period was 0.7x (31 December 2024: 0.9x, HY 2024: 1.4x)) and financial headroom at 30 June 2025 was £28.8m (31 December 2024: £25.7m; HY 2024: £14.6m).

The Board remains confident in the cash generation of the business and an interim dividend of 2.50p per share has been approved by the Board (HY 2024: 2.38p per share).

Business unit review

As announced in March 2025, Zotefoams has re-aligned commercially from the previous product focus of Polyolefin Foams, High-Performance Materials and MuCell Extrusion (MEL) to a market focus across three key verticals, comprising Consumer & Lifestyle (which includes footwear and sports & leisure), Transport & Smart Technologies (which includes aerospace, transport, industrial packaging and medical) and Construction & Other Industrial (which includes construction and insulation). Alongside this, the Group has transitioned to a regional management and reporting structure to better align the business with its key markets. Performance is presented in line with this new structure. In Note 6 to this statement, we disclose the MEL segment separate to the regional segments, to provide a clearer view of underlying regional performance.

EMEA

In the period, the EMEA region delivered 11% revenue growth (12% at constant currency), to £61.4m (HY 2024: £55.3m), which included 8% volume growth.

Consumer and Lifestyle drove much of the region's growth, with revenues up 18% to £37.9m (HY 2024: £32.1m) as Nike demand increased 5% on an already strong H2 2024. Nike sales were up 19% to £37.0m (HY 2024: 31.1m). This time last year, we forecasted 2025 revenues would be weaker than 2024, due to the boost 2024 was receiving from an Olympics year and the planned phase-out of a particular shoe model at the end of 2024. The next generation of ZoomX programmes in the high-volume 'mid-premium' sector have seen significant growth in the period over original forecasts and have driven period-on-period growth for Zotefoams as our customer has built up launch stocks. Also in the period, ZoomX foam was adopted by some additional smaller programmes – including basketball – that were not in original forecasts for 2025, creating additional top-up demand in H1 2025 as the relevant sites stocked up. While sales in this vertical have been strong in the period, we have seen an easing in demand during Q2 2025, which we expect will result in H2 2025 being at a slightly lower run-rate than H1 2025.

Transport & Smart Technologies grew 1% to £17.5m (HY 2024: £17.2m), with strong performance in our engineered foam products in the aerospace sector, which showed continued growth in build rates and demand from Boeing 787 and 737 platforms, as well as ongoing success with SpaceX, for whom we have products in use across multiple launch systems. Our Tier 1 customers to Airbus also saw growth versus prior year, particularly for the A350. Growth in these markets was offset by lower demand in volume applications such as packaging, with packaging product distributors across the region drawing down on existing stocks along with some regional shifting of demand.

Construction & Other Industrial was unchanged at £6.0m (HY 2024: £6.0m). Higher sales were achieved direct into some key customers in industrial applications in both the oil and gas and industrial gasket markets, particularly for the domestic UK market, which has run significantly ahead of the prior year and which we expect to continue through H2 2025. This was offset by lower sales through our distribution partners serving the wider construction market. Our T-FIT insulation business in particular has had a slow start to the year as we saw clean room projects and spend in Europe delayed into the second half of the year. We expect revenue for these products to be backloaded into H2 2025.

Overall, growth outside of footwear has been largely in line with our expectations, requiring careful management of capacity to support the stronger than expected footwear demand.

In the period, the average cost of low-density polyethylene (LDPE), our main raw material, was slightly below the long-run historical average polymer price but remained consistent with the comparative period; however, mix changes towards footwear and ZOTEK® products saw overall polymer costs rise relative to sales. Energy prices have remained stable in the period and have declined approximately 10% against the prior year comparative, with efficiency gains driving further improvement. Labour costs have increased in the period, £0.5m of which was due to annual payroll inflation, including the increase in national insurance, and restructure costs to support the refreshed strategy. Profitability was further impacted by foreign exchange, including the effect of hedging, where the net impact in the period was negligible, but the prior year period benefited from a gain of £0.7m.

Regional segment profit increased 2% to £13.8m (HY 2024: £13.5m), with segment margin declining from 24.4% to 22.4%.

North America
In the period, the North America region delivered 10% revenue growth (12% at constant currency), to £14.5m (HY 2024: £13.1m), which included 5% volume growth.

Transport & Smart Technologies is the largest market vertical in this region and delivered revenue growth of 49% to £8.8m (HY 2024: £5.9m), driven by continued success with key account targeting in aerospace and specialty packaging segments, where we have seen both base demand grow and new customer projects won.

Construction & Other Industrial includes the Zotefoams MidWest business, based out of Tulsa, OH producing closure strips for industrial buildings and servicing one customer. Revenue in this vertical declined 17% in the period to £5.0m (HY 2024: £6.0m) with operational challenges at the key customer limiting their ability to meet market demand. A recovery plan is in place for H2 to enable better utilisation of our assets in an otherwise growing market. This plan includes working with our key customer and building a new pipeline of opportunities to use this converting capacity in line with a strategy of moving along the value chain. T-FIT sales were up 32% in the region but from a low base.

Consumer and Lifestyle is the smallest market vertical in North America, with sales generated mostly from two customers, and revenues declining 42% to £0.7m (HY 2024: £1.2m). A continued focus on price increases and mix enrichment has led to reduced demand in this sector with the existing customer base, but it remains an area of interest for future new customer acquisition.

Good progress has been made with the second low-pressure vessel, which provides a balance of high- and low-pressure capacity for the region and allows the business to meet its exciting growth potential. Commissioning is imminent and we expect to be producing commercial products in the third quarter of this year.

Regional segment profit improved in the period by £1.2m, from breakeven to a profit of £1.2m, and segment margin improved to 8.6%, driven by improved performance at our production facility in Walton, KY. This was achieved through higher sales, an improved mix towards higher margin ZOTEK products and strong cost control. Successful negotiations with raw material suppliers resulted in price reductions on low-density polyethylene of approximately 10% below the prior year comparative, and a focus over the past two years on efficiency is now beginning to reap rewards, with sizeable yield improvements and a change in shift patterns reducing direct labour costs.

Asia
Asia is currently an immaterial part of the Group and its revenues of £1.4m in the period (HY 2024: £2.1m) were generated in the Construction & Other Industrial vertical through T-FIT® insulation sales fabricated out of China. This region will grow in importance once the Group's Vietnam footwear manufacturing facility begins operations. T-FIT sales declined as a result of a challenging local demand and competitive environment, meaning we have had to be selective with opportunities that maintain margins. A focus on broadening our product offering to cater for more price-conscious applications, along with efforts to establish stronger distribution networks, are key to returning this region to growth. We have implemented structural changes to the business which will include improving channel access.

Regional segment profit has declined from £0.6m to a breakeven position due to the lower revenue performance and the region supporting some of the start-up costs of the new production facility in Vietnam and innovation centre in South Korea.

Strategic Investment in Asia

We announced this morning that we are partnering with Seoheung Co. Ltd. ("Seoheung") in Vietnam. Seoheung is a footwear supply chain specialist manufacturing footwear in Korea, Vietnam, Indonesia and China. The company plays a key sourcing role for major footwear producers, including Changshin Inc., and continues to grow steadily through ongoing innovation, with annual revenues of approximately US$260m.

The collaboration de-risks Zotefoams' Asian investment from both financial and technical perspectives. By partnering with an experienced local manufacturer, Zotefoams gains immediate access to proven Asian manufacturing expertise while sharing project costs and operational risks. Seoheung brings decades of experience in the Asian footwear industry, including a deep knowledge of Vietnam's manufacturing landscape. The partnership supports Zotefoams' strategic evolution from supplying traditional foam sheets to producing advanced 3D preforms for the athletic footwear market. This technological transition requires both Zotefoams' expertise in supercritical foams and Seoheung's manufacturing process expertise to ensure successful implementation and rapid market adoption. The joint venture allows Zotefoams to continue to serve and work in collaboration with all its customers in the footwear business.

Under the terms of the joint venture, Seoheung will invest US$10m for an initial equity stake of 17.5% in a newly established holding company for the Vietnamese facility, with the Group retaining the remaining 82.5%. Subject to the agreement of both parties, Seoheung can increase its equity ownership to 35%, for a further $14m investment. The proceeds of Seoheung's investment will be applied to the commissioning of the facility, with the project expected to cost a total of approximately $32m.

Progress on our Vietnam facility continues as planned. Key machinery orders have been placed, property arrangements finalised, and we have appointed an experienced leader in both the region and the industry to head the joint venture operation. This investment will position us at the heart of global footwear manufacturing and, by deepening our strategic relationships, also provides greater longer term market access and operational flexibility.

M&A Strategy

The Group's primary focus is on driving organic growth, but the potential opportunity exists to use targeted M&A as a new growth lever where it meets the Board's stringent criteria. Value could be enhanced through either market consolidation, and portfolio expansion with complementary products, acquisition of technologies to deepen expertise, or through downstream extension, to shorten the value chain, gain machining and processing capabilities and get closer to customers, while respecting existing customers, many of whom are active in this area.

Environmental, Social and Governance ('ESG')

The Board understands that embedding ESG in our business creates sustainable long-term value for stakeholders. Zotefoams' purpose, to provide "optimal material solutions for the benefit of society" reflects our belief that plastics, when used appropriately, are frequently the best solution for the sophisticated, long-term applications typically delivered by our customers. We are making good progress on our ESG plans including reducing energy and polymer usage, minimising waste and developing new products which use recycled materials. A full ESG report was published in the 2024 Zotefoams Annual Report, setting out the Group's ESG management framework, goals and performance to date. This will be updated in the next Annual Report to be published in April 2026.

Employees and talent management

Hiring and retaining employees with the right skills, along with 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 continue to identify and develop the right people to define and deliver our potential. We had a global workforce (fulltime equivalent) of 600 people as at the period end (HY 2024: 632 people), 43% (HY 2024: 45%) of whom are located outside the UK. The reduction is mostly related to the closure of our MEL activities, where headcount reduced to one employee, from 29 in the comparative prior year period.

On behalf of the Board, we would like to thank all our employees for their continued contributions and commitment to Zotefoams.

Financial review

Currency review
As a predominantly UK-based exporter, and with the Group's fast-growing market opportunities invoiced almost entirely in US dollars, approximately 90% of Zotefoams' sales are denominated in currencies other than sterling, mostly the US dollar and euro. 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 these 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 25	6 months to 30 Jun 24	12 months to 31 Dec 24
Euro to GBP – period average	1.192	1.167	1.177
Euro to GBP – period-end spot	1.169	1.182	1.210
USD to GBP – period average	1.282	1.264	1.278
USD to GBP – period-end spot	1.372	1.264	1.252

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, which mostly relate to the Group's engineered polymer product sales, where further hedging activities are taken although their accuracy is subject to the timing of customer receipts. 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 foreign exchange movements had a negative impact on sales and profitability. Reported net sales were £1.1m below those adjusted at constant currency (HY 2024: £1.8m below). The net profit effect of this on the Group, prior to any hedging activity, was unfavourable by approximately £0.5m (HY 2024 loss: £0.9m). Offsetting this was a gain of £0.2m (HY 2024 gain:

£0.5m) from transactional hedging via forward exchange contracts, which mostly occurs on USD-denominated footwear receivables. The combined unfavourable impact of movements in foreign currency on profitability in the period was £0.3m (HY 2024: unfavourable impact £0.3m).

Gross profit
Gross profit increased by £3.2m or 14% in the period to £26.8m (HY 2024: £23.6m), on increased sales of £6.3m resulting in an improvement in gross profit margin to 34.6% (HY 2024: 33.2%). Margin benefitted from the removal of losses generated by the MEL business. Excluding MEL, gross margin remained stable at 34.5% (HY 2024: 34.4%) where increased labour costs in EMEA offset benefits from the favourable sales mix. The Group was negatively impacted by £0.5m of currency impact (HY 2024: £1.1m of negative currency impact) before hedging.

Distribution and administrative costs
Included within distribution expenses in the Group's income statement are sales, marketing, despatch and warehousing costs. These costs reduced 11% to £4.1m (HY 2024: £4.6m), led by the removal of the MEL business. Excluding MEL, distribution expenses decreased £0.2m due to headcount reductions, mostly in the North America business.

Included within administrative expenses are technical development, finance, information systems and other administration costs as well as the impact of foreign exchange translation expenses. In the period, these costs increased 13% to £10.5m (HY 2024: £9.3m). Excluding foreign exchange movements, costs increased 4% to £10.3m (HY 2024: £9.9m), largely reflecting salary inflation and headcount additions on higher salaries, including changes to the executive leadership team, which are mostly to support the refreshed corporate strategy. This offsets the reduction of 23 technical and administration employees from the closure of MEL. See the currency review for further details of FX-related variances.

Net finance costs
Net finance costs reduced to £0.8m (HY 2024: £1.4m) and included interest income of £0.2m (HY 2024: £0.1m). Within the interest charge, £0.05m (HY 2024: £0.05m) relates to the Company's Defined Benefit Scheme pension obligation and £0.2m (HY 2024: £0.1m) relates to the interest charge on the capitalised cost of the Shincell global alliance agreement. The decrease has arisen from a lower level of debt through the period and lower lending rates in the US dollar and euro, the currencies of the primary borrowings of the Group.

Taxation and earnings per share
The income tax expense for the period reduced 20% to £1.6m (HY 2024: £2.0m). The tax charge 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 2025 is 14.45% (estimated average annual tax rate for the year used at 30 June 2024: 24.21%). This lower rate arises from more effective utilisation of research and development credits and patent box initiatives, together with improved profitability in overseas regions with favourable tax rates.

Basic earnings per share was 19.99p (HY 2024: 12.89p) an increase of 55%, while diluted earnings per share was 19.44p (HY 2024: 12.63p), an increase of 54%.

Cash flow
Cash generated from operations was £15.8m (HY 2024: £8.5m). Included in this was a net decrease in working capital in the period of £0.5m (HY 2024: net increase of £5.9m). Accounts receivable increased £3.6m in the period (HY 2024: increased £3.3m), to a quantum in line with that of the prior year comparative despite higher sales and reflecting a concerted pursuit of receipts. Inventories decreased £0.7m in the period (HY 2024: increased £5.1m), as the Group took targeted measures to reduce its inventory holding across all product lines. Accounts payable increased £3.3m (HY 2024: increased £2.5m), reflecting proactive engagement with suppliers to increase payment terms and an increased focus to pay on time, not ahead. As a consequence of these actions, working capital as a percentage of sales at 30 June 2025 was 780 bps below the comparative prior year period, at 31.5% (HY 2024: 39.3%).

Capital expenditure in the period was £8.5m (HY 2024: £8.1m), of which £nil (HY 2024: £2.0m) related to intangibles, the decline in intangible expenditure being attributable to the decision in December 2024 to pause investment in ReZorce circular packaging. The primary spend for the Group in H1 2025 was the low-pressure vessel in the USA, where £5.0m (HY 2024: £1.8m) was invested and commissioning remains on target for Q3 2025. Downpayments on essential equipment for the Vietnam manufacturing facility were made in the period of £2.0m, but capital spend will increase in H2 2025 and thus keep the rate of capital expenditure across the Group constant in the period. Lease payments in the period increased to £1.4m (HY 2024 £1.0m) and were driven by payments to Suzhou Shincell New Materials Co, Ltd ("Shincell"), as per the technology licensing agreement signed in May 2024, amounting to £0.9m (HY 2024: £0.6m), and a final dividend of £2.5m (HY 2024: £2.4m) was paid during the period.

Net debt and covenants

The Group's gross finance facility, held with our partner banks Handelsbanken and NatWest, comprises a £50m multi-currency revolving credit facility with a £25m accordion and has an end term date of March 2027. It includes an interest rate ratchet linked to leverage on a six-monthly basis and has a small element related to the achievement of annual sustainability targets.

Net debt (cash less bank borrowings and lease liabilities) decreased by £3.9m from the start of the period to £29.1m at 30 June 2025 (31 December 2024: £33.0m; 30 June 2024: £44.6m). Under the bank covenant definition of net debt, which adjusts for the impacts of IFRS 16, most notably the Shincell lease liability of £5.9m, (HY 2024: £7.1m), net debt decreased £3.0m in the six months to £21.1m (31 December 2024: £24.1m, 30 June 2024: £35.1m), driven significantly by the reduction in working capital as noted in the section "Cash flow" above. Headroom, which we define as the combination of amount undrawn on the bank facility and cash and cash equivalents disclosed on the Statement of Financial Position, amounted to £28.8m at 30 June 2025 (31 December 2024: £25.7m).

The Group remained comfortably within its banking covenants, which are tested semi-annually, throughout the first half of the year. As at 30 June 2025, the multiple of EBITDA to net finance charges on a rolling 12-month basis was 14.7 (31 December 2024: 10.8; 30 June 2024: 9.4), against a covenant minimum of 4.0, and the multiple of net borrowings to EBITDA (leverage) on a rolling 12-month basis was 0.7 (31 December 2024: 0.9, 30 June 2024: 1.4), against a covenant maximum of 3.5.

These covenant measures, which are not UK-adopted IAS, are defined in the following table:

Net debt to EBITDA ratio (Leverage)

£m	12 months to 30 June 2025	12 months to 30 June 2024	£m	At 30 June 2025	At 30 June 2024
Profit after tax	**13.9**	9.9	Net debt per IFRS	**29.1**	44.6
Adjusted for:			IFRS 16 leases	**(8.0)**	(9.5)
Depreciation and amortisation	**9.1**	8.2			
Net finance costs	**2.3**	2.7	**Net debt per bank**	**21.1**	35.1
Share of result from joint venture	**(0.0)**	(0.1)			
Equity-settled share-based payments	**1.2**	1.3			
Taxation	**4.6**	3.8			
Roundings	**(0.2)**	0.1			
EBITDA	**30.9**	25.9	**Leverage per bank**	**0.7**	1.4

EBITDA to net finance charges ratio

£m	12 months to 30 June 2025	12 months to 30 June 2024	£m	12 months to 30 June 2025	12 months to 30 June 2024
EBITDA, as above	**30.9**	25.9	**Finance costs**	**2.3**	2.9
			Finance income	**(0.2)**	(0.2)
EBITDA to net finance charges	**14.7**	9.4	**Net finance charges**	**2.1**	2.7

Post-employment benefits

The last full actuarial valuation of the DB Scheme, closed to new members since 2001, took place as at 5 April 2023 in line with the requirement to have a triennial valuation. On a Statutory Funding Objective basis, a deficit was calculated for the DB Scheme of £2.9m (previous triennial valuation:

£7.7m). As a result, the Company agreed with the Trustees to continue to make contributions to the DB Scheme of £643,200 per annum to meet the shortfall by 31 July 2028. In addition, the Company pays the ongoing DB Scheme expenses of £216,000 per annum to cover death-in-service insurance premiums, the expenses of administering the DB Scheme and Pension Protection Fund levies.

At the previous year-end of 31 December 2024, the IAS19 deficit disclosed in the Company accounts was calculated to be £1.6m. Over the period to 30 June 2025, the Scheme's invested assets have reduced by around £0.2m while the liabilities have reduced by around £1.2m due to the increase in long dated corporate bond yields. After taking these factors into account, the IAS19 deficit is estimated to have reduced by around £1.0m (i.e. from £1.6m as at 31 December 2024 to around £0.6m as at 30 June 2025).

Going Concern
The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report of the 2024 Annual Report on pages 1 to 71 and the section entitled risk management and principal risks on pages 38 to 50. This Interim Report provides information on business and financial performance for the six months to 30 June 2025.

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. 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.

Dividend

An interim dividend of 2.50p per share (HY 2024: 2.38p per share) will be paid on 6 October 2025 to shareholders on the Company's register at the close of business on 5 September 2025.

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, pages 38 to 50, of the 2024 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 four months prior to this Interim Report. Detailed explanations of the Group's principal risks can be found in the 2024 Annual Report. Broadly, we list these as operational disruption, sustainability and climate change, global capacity management, technology displacement, scaling-up of international operations, loss of a key customer and external.

The evolving US trade landscape presents both challenges and opportunities. Current tariff rates of on Chinese goods versus 20% on Vietnamese imports are likely to accelerate footwear production migration to Vietnam, supporting our £24m facility investment there. Our diversified manufacturing footprint across the UK, US, Poland, and Vietnam positions us to capture market share from competitors in higher-tariff jurisdictions. While we monitor potential impacts on US consumer demand and supply chain margins, the fundamentals of our proposition remain compelling.

Outlook

Following our strong first half performance, we enter H2 2025 with good trading and strategic momentum. Structural trends across our three key verticals remain supportive, albeit we remain mindful of near-term volatility created by the current macroeconomic backdrop. We anticipate some moderation in Consumer & Lifestyle demand as expected seasonal patterns emerge and the exceptional growth rates experienced in H1 normalise. Transport & Smart Technologies continues to show robust momentum, driven by recovering build rates in aviation and expanding opportunities in the space sector. In Construction & Other Industrial, whilst we anticipate European construction markets to remain subdued, we expect a stronger H2 performance in North America as our key customer addresses their operational challenges. Our T-FIT business remains a focus area as we continue to invest in team capabilities, channel access, and new product development.

Operationally, capacity is being carefully managed in EMEA, as we support the greater than expected growth in the Consumer & Lifestyle business. The imminent commissioning of our second low-pressure vessel in North America provides exciting growth opportunities in that region, while progress on our Vietnam facility continues as planned, and will be bolstered by our partnership in the country with Seoheung Co. Ltd., announced today. The curtailing of investment in MEL has improved profitability significantly and we are targeting continued strong margin performance, supported by stable polymer pricing and the benefits of ongoing efficiency improvement programmes. We are successfully absorbing the costs of our commercial and operational reorganisation within normal operations while maintaining our focus on operational efficiency. Foreign exchange remains a headwind, although our hedging strategy continues to provide appropriate protection at the moment.

Given the strong H1 2025 performance and momentum carried into the second half, the Board now expects to deliver full year underlying profit before taxation ahead of current market expectations.

We are delighted with the Group's early progress of its refreshed strategy, as shared at the Capital Markets Day held in March 2025, and the clear focus on the three market verticals provides both stability and opportunities to unlock growth in a mixed economic backdrop. Our ongoing investment in Vietnam, innovation capabilities, and the development of our M&A pipeline positions us well for sustainable growth in line with our medium-term targets.

L Drummond	R Cox
Chair	Group CEO
4 August 2025	4 August 2025

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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 on the Zotefoams plc website: www.zotefoams.com.

By order of the Board:

L Drummond	R Cox
Chair	Group CEO
4 August 2025	4 August 2025

Zotefoams PLC
Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2025

Zotefoams PLC
Consolidated Interim Income Statement
For the six months ended 30 June 2025

		Six months ended		Year Ended
		30-Jun-25	30-Jun-24	31-Dec-24
		(Unaudited)	(Unaudited)	(Audited)
	Notes	**£'000**	£'000	£'000
Revenue	6	**77,432**	71,060	147,791
Cost of sales		**(50,664)**	(47,490)	(101,658)
Gross profit		**26,768**	23,570	46,133
Distribution costs		**(4,051)**	(4,568)	(8,478)
Administrative expenses		**(10,491)**	(9,340)	(19,525)
Exceptional costs of closure of business		**-**	-	(15,178)
Operating profit		**12,226**	9,662	2,952
Operating profit before exceptional items		**12,226**	9,662	18,130
Finance costs		**(1,053)**	(1,554)	(3,147)
Finance income		**205**	122	274
Share of profit from joint venture		**19**	59	74
Profit before income tax		**11,397**	8,289	153
Profit before income tax and exceptional items		**11,397**	8,289	15,331
Income tax expense	7	**(1,647)**	(2,006)	(2,908)
Profit/(loss) for the period/year		**9,750**	6,283	(2,755)
Profit for the year before exceptional items		**9,750**	6,283	12,423
Profit attributable to:				
Equity holders of the Company		**9,750**	6,283	(2,755)
Earnings per share:				
Basic (p)	9	**19.99**	12.89	(5.66)
Diluted (p) *	9	**19.44**	12.63	(5.66)
Earnings per share excluding exceptional closure costs **				
Basic (p)	9	**19.99**	12.89	25.95
Diluted (p)	9	**19.44**	12.63	25.24

* In 2024 the loss attributable to equity shareholders and weighted average number of ordinary shares for the purposes of calculating diluted earnings per ordinary share are identical to those used for basic earnings per ordinary share. This is because the exercise of share options and warrants would have the effect of reducing the loss per ordinary share and is therefore anti-dilutive.

** This is not an IFRS measure and has been calculated based on the pre-exceptional lines above.

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

Zotefoams PLC
Consolidated Interim Statement of Comprehensive Income
For the six months ended 30 June 2025

	Six months ended		Year ended
	30-Jun-25	30-Jun-24	31-Dec-24
	(Unaudited)	(Unaudited)	(Audited)
	£'000	£'000	£'000
Profit/(loss) for the period/year	**9,750**	6,283	(2,755)
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Actuarial gains on defined benefit pension schemes	**570**	768	348
Tax relating to items that will not be reclassified	**(143)**	(192)	(87)
Total items that will not be reclassified to profit or loss	**427**	576	261
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange translation losses on translation of foreign operations	**(1,777)**	(94)	(371)
Change in fair value of hedging instruments	**3,302**	(411)	(965)
Hedging gains reclassified to profit or loss	**(185)**	(501)	(968)
Tax relating to items that may be reclassified	**(1,005)**	297	590
Total items that may be reclassified subsequently to profit or loss	**335**	(709)	(1,714)
Other comprehensive income/(expense) for the period/year, net of tax	**762**	(133)	(1,453)
Total comprehensive income/(expense) for the period/year	**10,512**	6,150	(4,208)
Profit / (loss) attributable to:			
Equity holders of the Company	**10,512**	6,150	(4,208)
Total comprehensive income/(expense) for the period/year	**10,512**	6,150	(4,208)

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

Zotefoams PLC
Consolidated Interim Statement of Financial Position
For the six months ended 30 June 2025

	Notes	**30-Jun-25 (Unaudited) £'000**	30-Jun-24 (Unaudited) £'000	31-Dec-24 (Audited) £'000
Non-current assets				
Property, plant and equipment	10	**93,342**	93,347	92,088
Right-of-use assets	11	**1,910**	2,259	2,153
Intangible assets		**327**	11,111	438
Intangible right-of-use assets		**6,845**	7,624	7,233
Investments in joint venture		**301**	266	281
Trade and other receivables	14	**24**	40	14
Deferred tax assets		**483**	350	548
Total non-current assets		**103,232**	114,997	102,755
Current assets				
Inventories		**28,628**	36,970	29,924
Trade and other receivables	14	**35,716**	36,315	31,494
Derivative financial instruments	14	**2,899**	331	42
Cash and cash equivalents		**8,257**	7,942	10,534
Total current assets		**75,500**	81,558	71,994
Total assets		**178,732**	196,555	174,749
Current liabilities				
Trade and other payables		**(15,888)**	(14,917)	(11,878)
Provisions		**(139)**	-	(1,381)
Derivative financial instruments	14	**-**	(286)	(1,164)
Current tax liability		**(568)**	(2,528)	(757)
Lease liabilities	11	**(2,116)**	(1,934)	(2,134)
Interest-bearing loans and borrowings	12	**(29,380)**	(43,055)	(34,602)
Total current liabilities		**(48,091)**	(62,720)	(51,916)
Non-current liabilities				
Lease liabilities	11	**(5,820)**	(7,536)	(6,821)
Deferred tax liabilities		**(6,227)**	(4,529)	(5,103)
Post-employment benefits		**(600)**	(1,506)	(1,552)
Total non-current liabilities		**(12,647)**	(13,571)	(13,476)
Total liabilities		**(60,738)**	(76,291)	(65,392)
Total net assets		**117,994**	120,264	109,357
Equity				
Issued share capital		**2,442**	2,442	2,442
Share premium		**44,178**	44,178	44,178
Own shares held		**(20)**	(12)	(7)
Capital redemption reserve		**15**	15	15
Translation reserve		**1,876**	3,930	3,653
Hedging reserve		**1,429**	45	(683)
Retained earnings		**68,074**	69,666	59,759
Total equity		**117,994**	120,264	109,357

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

Zotefoams PLC
Consolidated Interim Statement of Cash flows
For the six months ended 30 June 2025

	Six months ended		Year ended
	30-Jun-25	30-Jun-24	31-Dec-24
	(Unaudited)	(Unaudited)	(Audited)
	£'000	£'000	£'000
Cash flows from operating activities			
Profit/(loss) for the period/year	**9,750**	6,283	(2,755)
Adjustments for:			
Depreciation and amortisation	**4,278**	4,154	8,983
Disposal of assets	**44**	68	28
Finance costs	**848**	1,432	2,873
Share of profit from joint venture	**(19)**	(59)	(74)
Net exchange differences	**(1,558)**	236	524
Equity-settled share-based payments	**761**	672	1,077
Non-Cash cost of Closure of Business	**-**	-	15,178
Taxation	**1,647**	2,006	2,908
Operating profit before changes in working capital and provisions	**15,751**	14,792	28,742
(Increase)/decrease in trade and other receivables	**(3,551)**	(3,292)	1,539
Decrease/(increase) in inventories	**727**	(5,094)	1,948
Increase/(decrease) in trade and other payables	**3,289**	2,494	(997)
Employee defined benefit contributions	**(430)**	(430)	(859)
Cash generated from operations	**15,786**	8,470	30,373
Interest paid	**(734)**	(1,283)	(2,515)
Income taxes paid	**(1,734)**	(1,103)	(2,857)
Net cash flows generated from operating activities	**13,318**	6,084	25,001
Cash flows from investing activities			
Interest received	**205**	122	274
Purchases of intangibles	**(13)**	(1,970)	(3,306)
Purchases of property, plant and equipment	**(8,465)**	(6,120)	(10,342)
Proceeds from disposal of property, plant and equipment	**700**	-	39
Net cash used in investing activities	**(7,573)**	(7,968)	(13,335)
Cash flows from financing activities			
Proceeds from options exercised and issue of share capital	**-**	60	72
Repayment of borrowings	**(4,012)**	-	(8,357)
Proceeds from borrowings	**-**	6,750	6,750
Lease payments	**(1,357)**	(1,003)	(2,335)
Dividends paid	**(2,491)**	(2,382)	(3,542)
Net cash used in financing activities	**(7,860)**	3,425	(7,412)
Net (decrease)/increase in cash and cash equivalents	**(2,115)**	1,541	4,254
Cash and cash equivalents at start of period/year	**10,534**	6,294	6,294
Exchange (losses)/gains	**(162)**	107	(14)
Cash and cash equivalents at end of period/year	**8,257**	7,942	10,534

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.

The net exchange differences of £1,558k (June 2024: £236k, December 2024: £524k) within operating activities relate to the foreign exchange movement on borrowings.

Zotefoams PLC
Consolidated Interim Statement of Changes in Equity
For the six months ended 30 June 2025

	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 2025	**2,442**	**44,178**	**(7)**	**15**	**3,653**	**(683)**	**59,759**	**109,357**
Profit for the year	-	-	-	-	-	-	9,750	9,750
Other Comprehensive income for the year:								
Foreign exchange translation losses on investment in subsidiaries	-	-	-	-	(1,777)	-	-	(1,777)
Change in fair value of hedging instruments recognised in other comprehensive income	-	-	-	-	-	3,302	-	4,163
Reclassification to income statement - administrative expenses	-	-	-	-	-	(185)	-	(1,046)
Tax relating to effective portion of changes in fair value of cash flow hedges, net of recycling	-	-	-	-	-	(1,005)	-	(1,005)
Actuarial gain on defined benefit pension scheme	-	-	-	-	-	-	570	570
Tax relating to actuarial gain on defined benefit pension scheme	-	-	-	-	-	-	(143)	-
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**(1,777)**	**2,112**	**10,177**	**10,512**
Transactions with owners of the Parent:								
Options exercised	-	-	(13)	-	-	-	-	(13)
Equity-settled share-based payments net of tax	-	-	-	-	-	-	629	629
Dividends paid	-	-	-	-	-	-	(2,491)	(2,491)
Total transactions with owners of the Parent	-	-	(13)	-	-		(1,862)	(1,875)
Balance as at 30 June 2025 (Unaudited)	**2,442**	**44,178**	**(20)**	**15**	**1,876**	**1,429**	**68,074**	**117,994**

	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 2024	**2,442**	**44,178**	**(12)**	**15**	**4,025**	**660**	**64,455**	**115,763**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**6,283**	**6,283**
Other Comprehensive income for the year:								
Foreign exchange translation losses on investment in subsidiaries	**-**	**-**	**-**	**-**	**(94)**	**-**	**-**	**(94)**
Change in fair value of hedging instruments recognised in other comprehensive income	**-**	**-**	**-**	**-**	**-**	**(411)**	**-**	**(411)**
Reclassification to income statement - administrative expenses	**-**	**-**	**-**	**-**	**-**	**(501)**	**-**	**(501)**
Tax relating to effective portion of changes in fair value of cash flow hedges, net of recycling	**-**	**-**	**-**	**-**	**-**	**297**	**-**	**297**
Actuarial gain on defined benefit pension scheme	**-**	**-**	**-**	**-**	**-**	**-**	**768**	**768**
Tax relating to actuarial gain on defined benefit pension scheme	**-**	**-**	**-**	**-**	**-**	**-**	**(192)**	**(192)**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**(94)**	**(615)**	**6,858**	**6,149**
Transactions with owners of the Parent:								
Options exercised	**-**	**-**	**-**	**-**	**-**	**-**	**62**	**62**
Equity-settled share-based payments net of tax	**-**	**-**	**-**	**-**	**-**	**-**	**672**	**672**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**-**	**(2,382)**	**(2,382)**
Total transactions with owners of the Parent	**-**	**-**	**-**	**-**	**-**	**-**	**(1,648)**	**(1,648)**
Balance as at 30 June 2024 (Unaudited)	**2,442**	**44,178**	**(12)**	**15**	**3,931**	**45**	**69,665**	**120,264**

During the six months period ended 30 June 2025, 142,925 shares (June 2024: 103,401) were issued from the Zotefoams Employee Benefit Trust ('EBT') following the exercise of options.

During the six months period ended 30 June 2025, 656,217 Long Term Incentive Plan awards (June 2024: 418,894), 113,281 Deferred Bonus Share Plan awards (June 2024: 72,340) and 33,991 share options (June 2024: 9,537) were granted.

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

Zotefoams PLC

Notes to the condensed consolidated Interim financial statements
For the six months to 30 June 2025

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. The interim condensed consolidated financial statements of the Group For the six months ended 30 June 2025 were authorised for issue in accordance with a resolution of the directors on 4 August 2025.

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 2024 were approved by the Board of Directors on 7 April 2025 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 2025 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 do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual financial statements for the year ended 31 December 2024, which have been prepared in accordance with UK adopted international accounting standards (IAS).

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

2.1 Accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2024, except for the adoption of new standards effective as of 1 January 2025 as disclosed in Note 17. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments apply for the first time in 2024, but do not have an impact on the interim condensed consolidated financial statements of the Group. 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.

2.2 Going concern

The Group has prepared the financial statements on the basis that it will continue to operate as a going concern.

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 twelve months following the date of approval of the financial statements. After due consideration of the range and likelihood of potential outcomes evaluated as part of stress tests on the viability statement, 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 2024 with the exception of changes in estimates that are required in determining the provision for income taxes.

4. Financial Risk Management

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, in our Transport & Smart Technologies and Construction & Other Industrial verticals, is generally balanced with performance more dependent on the 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. Our Consumer & Lifestyle vertical, dominated by footwear sales, tends to be evenly split across the year, however this can be impacted by the timing of the launch or cessation of product lines. Regionally, business unit performance tends to follow the same pattern, except for Asia, which is typically weighted towards H2, based on ordering patterns of our T-FIT customers.

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, Ronan Cox, 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 tax and exceptional items to assess the performance of the operating segments.

In 2025 the Group has adopted a new structure of segmental reporting which follows the regions in which the Group operates and the markets to which it sells in those regions. This presents a significant change from the method applied in 2024 and so the prior year figures presented have been restated to show this new structure.

The Group manufactures and sells high-performance foams for specialist markets worldwide. The Group's activities are reviewed regionally as follows:

- EMEA: Manufacturing facilities in Croydon, UK and Brezg, Poland in addition to foams supplied via Croydon through our AAL joint venture with INOAC Corporation
- North America: Manufacturing facility in Walton, USA and foams fabrication business in Tulsa, USA
- Asia: T-FIT manufacturing facility in Kunshan, China, a distribution operation of T-FIT products in Gurgaon, India and the recently announced expansion into Vietnam with a new, purpose-built manufacturing facility where capital investment is beginning to take place.
- In 2024 there was a MuCell segment which licensed microcellular foam technology and sold related machinery. It was developing a fully circular solution for mono-material barrier packaging, branded ReZorce®. At the end of 2024, this line of business was wound down, will not be a separate segment in future years and is presented for comparative purposes only

Following the shift in product-focus to market-focus, sales are analysed in three main market verticals:

- Consumer & Lifestyle: Addressing applications such as footwear and premium consumer goods
- Transport & Smart Technologies: Serving automotive, aviation and high-tech industries requiring advanced material solutions
- Construction & Other Industrial: Supporting building, infrastructure and specialised industrial applications

Zotefoams PLC
Notes to the condensed consolidated Interim financial statements (continued)
For the six months ended 30 June 2025

6. Segment reporting (continued)

	EMEA		North America		Asia		MEL		Consolidated	
Six Months ended (Unaudited)	30-Jun-25 £'000	30-Jun-24 Restated £'000	30-Jun-25 £'000	30-Jun-24 Restated £'000	30-Jun-25 £'000	30-Jun-24 Restated £'000	30-Jun-25 £'000	30-Jun-24 Restated £'000	30-Jun-25 £'000	30-Jun-24 Restated £'000
Consumer and lifestyle	37,890	32,088	703	1,213	-	-	-	-	38,593	33,301
Construction and other industrial	6,038	5,990	5,025	6,037	1,440	2,086	158	554	12,661	14,667
Transport and Smart Technologies	17,434	17,232	8,744	5,860	-	-	-	-	26,178	23,092
Group revenue	61,362	55,310	14,472	13,110	1,440	2,086	158	554	77,432	71,060
Segment Profit/(loss)	13,757	13,545	1,244	(49)	11	583	116	(2,164)	15,128	11,915
Unallocated central costs	-	-	-	-	-	-	-	-	(2,902)	(2,253)
Operating profit	13,757	13,545	1,244	(49)	11	583	116	(2,164)	12,226	9,662
Financing costs	-	-	-	-	-	-	-	-	(1,053)	(1,554)
Financing Income	-	-	-	-	-	-	-	-	205	122
Share of profit from joint venture	19	59	-	-	-	-	-	-	19	59
Profit/ (loss) before taxation	-	-	-	-	-	-	-	-	11,397	8,289
Taxation	-	-	-	-	-	-	-	-	(1,647)	(2,006)
Profit for the period	-	-	-	-	-	-	-	-	9,750	6,283
Depreciation and Amortisation:										
Depreciation	2,304	1,867	1,172	1,117	35	1	-	266	3,511	3,251
Allocated depreciation of right-of-use assets	197	177	84	85	39	-	-	100	320	362
Unallocated depreciation of right-of-use assets	-	-	-	-	-	-	-	-	387	127
Amortisation	60	261	-	-	-	-	-	173	60	434
Capital expenditure:										
Property, plant and equipment (PPE)	514	1,782	5,509	2,953	1,856	4	8	790	7,887	5,529
Intangible assets	13	91	-	-	-	-	-	1,880	13	1,971

	EMEA		North America		Asia		MuCell		Consolidated	
As at (Unaudited)	30-Jun-25 £'000	31-Dec-24 £'000	30-Jun-25 £'000	31-Dec-24 £'000	30-Jun-25 £'000	31-Dec-24 £'000	30-Jun-25 £'000	31-Dec-24 £'000	30-Jun-25 £'000	31-Dec-24 £'000
Segment Assets	110,497	109,711	52,397	48,675	7,268	6,898	1,508	2,232	171,670	167,516
Unallocated Assets	-	-	-	-	-	-	-	-	7,062	7,233
Total Assets	110,497	109,711	52,397	48,675	7,268	6,898	1,508	2,232	178,732	174,749
Segment liabilities	(23,810)	(30,083)	(25,988)	(23,041)	(3,197)	(2,020)	(1,725)	(3,666)	(54,720)	(58,810)
Unallocated liabilities	-	-	-	-	-	-	-	-	(6,018)	(6,582)
Total liabilities	(23,810)	(30,083)	(25,988)	(23,041)	(3,197)	(2,020)	(1,725)	(3,666)	(60,738)	(65,392)

6. Segment reporting (continued)

Major customers
Revenues from one customer of the group located in Asia contributed £37,032k (2023: £31,068k) 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-25	30-Jun-24
	(Unaudited)	(Unaudited)
	£'000	£'000
Sale of foam	**77,273**	70,505
Sale of equipment	**50**	406
Licence and royalty income	**109**	149
Group Revenue	**77,432**	71,060

7. Income tax expense

	Six months ended	
	30-Jun-25	30-Jun-24
	(Unaudited)	(Unaudited)
	£'000	£'000
UK corporation tax	**1,790**	2,447
Overseas tax	**(246)**	107
Total current tax	**1,544**	2,554
Deferred tax	**103**	(548)
Income tax expense	**1,647**	2,006

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 2025 is 14.45% (the estimated average annual tax rate for the period ended 30 June 2024 was 24.21%).

8. Dividend

A dividend of £2,491k (2024: £2,243k) that relates to the period to 31 December 2024 was paid in June 2024.

An interim dividend of 2.50p pence per share was approved by the Board of Directors on 4 August 2025 (2023: 2.28 pence per share). It is payable on 6 October 2025 to shareholders who are on the register at 5 September 2025. This interim dividend, amounting to £1,231k (2024: £1,163k), 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 2025.

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 £9,750k (2024: £6,283k) 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 2025 was 390,648 (30 June 2024: 139,332). 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-25	30-Jun-24
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares in issue[1]	**48,763,864**	48,735,829
Deemed issued for no consideration	**1,401,377**	1,022,777
Diluted number of ordinary shares issued	**50,165,241**	49,758,606

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

10. Property, plant and equipment

	Land and buildings £'000 (Unaudited)	Plant and equipment £'000 (Unaudited)	Fixtures and fittings £'000 (Unaudited)	Under construction £'000 (Unaudited)	Total £'000 (Unaudited)
Cost					
At 1 January 2025	48,014	123,000	3,836	9,255	184,105
Additions	-	108	7	7,772	7,887
Disposals	-	(125)	(51)	(614)	(790)
Transfers	1,996	1,102	372	(3,470)	-
Effect of movement in foreign exchange	(475)	(3,096)	(214)	(1,074)	(4,859)
At 30 June 2025	**49,535**	**120,989**	**3,950**	**11,869**	**186,343**
Accumulated depreciation					
At 1 January 2025	18,700	69,348	3,109	860	92,017
Depreciation charge	754	2,410	133	-	3,297
Impairment	-	-	-	210	210
Disposals	-	(72)	(51)	-	(123)
Effect of movement in foreign exchange	(507)	(1,515)	(175)	(203)	(2,400)
At 30 June 2025	**18,947**	**70,171**	**3,016**	**867**	**93,001**
Net book value					
At 31 December 2024	29,314	53,652	727	8,395	92,088
At 30 June 2025	**30,588**	**50,818**	**934**	**11,002**	**93,342**

Zotefoams PLC
Notes to the condensed consolidated Interim financial statements (continued)
For the six months ended 30 June 2025

11. Leases

(i) Amounts recognised in the statement of financial position relating to leases:

Right-of-use assets

	Group	
	30-Jun-25	31-Dec-24
	£'000	£'000
	(Unaudited)	(Audited)
Property	**756**	809
Equipment	**1,154**	1,344
Licences	**6,845**	7,233
	8,755	9,386

Lease Liabilities

	Group	
	30-Jun-25	31-Dec-24
	£'000	£'000
	(Unaudited)	(Audited)
Lease liability falls due within 1 year	**2,116**	2,134
Lease liability falls due within 3 years	**4,534**	4,203
Lease liability falls due in more than 3 years	**1,286**	2,618
	7,936	8,955

Additions to the right-of-use assets during the financial year were £143k (2024: £9,099k) for the Group. Within additions £0k related to licences (£7,752k in 2024).

(ii) Amounts recognised in the income statement relating to leases:

	Group	
	30-Jun-25	30-Jun-24
	£'000	£'000
	(Unaudited)	(Unaudited)
Property	**136**	175
Equipment	**184**	179
Licences	**387**	129
	707	483
Interest expenses (included in finance costs)	**262**	113
Expense relating to short-term leases (included in cost of sales and administrative expenses)	**54**	62
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)	**55**	32
The total cash outflow	**1,357**	1,003

Within interest expenses £193k related to licences (£73k in 2024), and within total cash outflow £884k related to licences (£611k in 2024).

12. Interest bearing loans and borrowings

	30-Jun-25	31-Dec-24
	(Unaudited)	(Audited)
	£’000	£’000
Current bank borrowings	29,380	34,602
Total	29,380	34,602

In March 2022, the Group completed a debt refinancing and selected Handelsbanken and NatWest, the incumbents, to continue as its lenders. Under the terms of the facility, secured against the property, plant and equipment and trade receivables, the Group’s gross finance facility consists of a £50m multi-currency revolving credit facility with a £25m accordion. With a 4+1 tenor, the extending year option was taken up in January 2023.

At 30 June 2025, the Group has utilised £29.5m (31 December 2024: £34.8m) of its multi-currency revolving credit facility of £50m, this amount is repayable on the last day of each loan interest period, which is either of a 3 or 6 month duration. The reported balance of £29.4m (31 December 2024: £34.6m) is net of £0.1m (31 December 2024: £0.2m) origination fees paid up front and being amortised over 4 years.

The interest rate on the debt facility ranged between 3.5% and 5.8% in H1 (FY 2024: between 4.3% and 6.6%).

13. Related party Transactions

There were no material related party transactions requiring disclosure for the periods ended 30 June 2025 and 30 June 2024.

14. 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 2025 and 31 December 2024:

30 June 2025	**Level 1 (Unaudited) £'000**	**Level 2 (Unaudited) £'000**	**Level 3 (Unaudited) £'000**	**Total (Unaudited) £'000**
Assets				
Forward exchange contracts	-	**2,899**	-	**2,899**
Total assets	-	**2,899**	-	**2,899**
Liabilities				
Forward exchange contracts	-	-	-	-
Total liabilities	-	-	-	-

31 December 2024	Level 1 (Audited) £'000	Level 2 (Audited) £'000	Level 3 (Audited) £'000	Total (Audited) £'000
Assets				
Forward exchange contracts	-	42	-	42
Total assets	-	42	-	42
Liabilities				
Forward exchange contracts	-	(1,164)	-	(1,164)
Total liabilities	-	(1,164)	-	(1,164)

The forward exchange contracts have been measured at fair value 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 measure an instrument at fair value are observable, the instrument is included in level 2.

14. Financial Instruments and Financial risk management (continued)

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 (HY 2024: 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

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

	30-Jun-25 (Unaudited) £'000	31-Dec-24 (Unaudited) £'000
Current	**29,380**	34,602
Total	**29,380**	34,602

The fair value of financial assets excluding cash and cash equivalents is as follows:

	30-Jun-25 (Unaudited) £'000	31-Dec-24 (Unaudited) £'000
Non-current trade receivables	**24**	14
Trade receivables	**31,892**	28,833
Total	**31,916**	28,847

15. Capital Commitments

Capital expenditure commitments of £5,546k (31 December 2024: £1,737k) have been contracted for at the end of the reporting period but not yet incurred in respect of Property, Plant and Equipment.

16. Events occurring after the reporting period

After the period end, Zotefoams announced it had signed an agreement with Seohung Co. Ltd, whereby Seohung acquires a 17.5% equity stake in the future Vietnam subsidiary for a cash consideration of $10.0m. See "Investment in Asia" section in this interim report for further details.

17. Standards issued but not yet effective

i) New standards and amendments – applicable 1 January 2025

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after 1 January 2025:

	Effective for accounting periods beginning on or after	Expected Impact
Amendments to IAS21: the effects of changes in Foreign Exchange Rates: Lack of Exchangeability	1 January 2025	None

ii) Forthcoming requirements

As at 30 June 2025, the Group has not early adopted any standard, the following interpretations and amendments that have been issued but are not yet effective:

	Effective for accounting periods beginning on or after
IFRS 18 Presentation and disclosure in financial statements	1 January 2027
IFRS 19 Subsidiaries without Public Accountability Disclosures	1 January 2027
Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures, Classification and Measurement of Financial Instruments	1 January 2026
Annual improvements to IFRS Standards – Volume 11	1 January 2026
Amendments to IFRS 9 and IFRS 7 : Contracts referencing nature dependent electricity	1 January 2026