

30 July 2019

2019 HALF YEAR RESULTS

Forterra plc (“**Forterra**” or the “**Company**”), a leading UK producer of manufactured masonry products, announces half year results for the six months ended 30 June 2019.

	Six months ended 30 June		Change %	Year ended 31 December
	2019 £m	2018 £m		2018 £m
Revenue	193.6	180.0	7.6%	367.5
EBITDA	42.5	39.2	8.4%	78.8
Operating profit	33.9	33.5	1.2%	67.1
Profit before tax	32.7	32.3	1.2%	64.8
Earnings per share (pence)	13.6	13.0	4.6%	26.5
Net debt*	34.5	51.9		38.8
Dividend – interim / total (pence)	4.0	3.3	21.2%	10.5

*Note: Net debt in H1 2019 excludes leasing liabilities under IFRS16 of £15.1m

HIGHLIGHTS

- Revenue increase of 7.6% due to higher brick and precast concrete volumes, and price increases applied to offset cost inflation
- Profit before tax in line with Board expectations and ahead of prior year due to the benefits of higher revenue partly offset by increased operating costs
- Continued strong cash generation resulted in a further reduction in net debt to £34.5m representing 0.4 times last twelve months EBITDA
- Full planning consent secured for £95m brick expansion project at Desford and construction work commenced
- Interim dividend declared of 4.0 pence per share, an increase of 21.2% over the 2018 interim

Stephen Harrison, Chief Executive Officer, commented:

“The Group delivered a result in the first half in line with the Board’s expectations. Construction has commenced on our new brick facility at Desford following the confirmation of full planning consent. Once completed, the £95m investment will result in the largest and most efficient brick plant in Europe.

“We remain watchful of the impact of the current political and economic uncertainty on our end markets. While noting that some recent economic data points have weakened, demand for products supplied into the new build residential market remains robust. Based on our order book and the continued strength of our core market, the Board’s expectations for the full year are unchanged.

“The Board remains confident of its strategy and its belief that the business is well positioned to benefit from the attractive market fundamentals over the medium term.”

ENQUIRIES

Forterra plc

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A presentation for analysts will be held today, 30 July 2019, at 9.00am at the offices of FTI Consulting. An audio webcast of the presentation will be broadcast on the Investors section of our website (<http://www.forterraplco.co.uk>).

ABOUT FORTERRA PLC

Forterra is a UK leader in manufactured masonry products, with a unique combination of strong market positions in clay bricks and concrete blocks. The Group also has a leadership position in the precast concrete products market operating under the well-known Bison precast brand.

Within our clay bricks business, Forterra focuses on the efficient manufacture of high volume extruded and soft mud bricks, primarily for the housing market. The business is also the sole manufacturer of the iconic Fletton brick sold under the London Brick brand. Fletton bricks were used in the original construction of nearly a quarter of England's existing housing stock and are today used to match existing brickwork by homeowners carrying out extension or improvement work. Within our concrete blocks business, Forterra is one of the leading producers of both aircrete and aggregate blocks, the former being sold under one of the country's principal aircrete brands of Thermalite.

BUSINESS REVIEW

RESULTS FOR THE HALF YEAR

Revenue in the first half of 2019 was £193.6m, an increase of 7.6% against the comparative period for 2018, partly due to the benefit of price increases applied across all product lines to offset cost inflation. Brick volumes were up modestly in the first half, reflecting the sustained strength of the new build residential market. Brick sales into the merchant and distributor channels were relatively good in the first four months with some replenishment of the supply chain, although this was followed by a slight easing of demand towards the end of the first half. Precast volumes in the first half were also higher though against a weaker comparative, and the business sustained the productivity improvements made towards the end of last year.

Earnings before interest, tax, depreciation and amortisation (EBITDA) for the first half of £42.5m was £3.3m ahead of last year. The Group has adopted the new leasing standard IFRS 16 with effect from 1 January 2019 and the reclassification of operating leases has resulted in an increase in EBITDA in the first half of £3.0m, largely offset by a corresponding increase in interest and depreciation. The comparative results for 2018 have not been restated. The underlying increase in EBITDA was due to the higher revenue partly offset by operating costs, including higher repair and maintenance expenditure at our Desford brick facility and Newbury aircrete plant. The planned work at both sites was carried out in the first half of the current year as opposed to the second half of 2018.

The overall Group EBITDA margin of 22.0% was marginally ahead of last half year (21.8%).

Profit before tax was 1.2% higher than last half year at £32.7m reflecting the trading performance and a lower finance cost due to reduced debt levels.

EARNINGS PER SHARE AND DIVIDEND

Earnings per share was 13.6 pence per share, an increase of 4.6% over the prior half year due to the higher profit and also the benefit of a lower effective tax rate of 18.5% compared with 19.7% in 2018.

In the Group's full year 2018 results statement, the Board confirmed its priorities for allocating capital as organic investment, dividends and appropriate acquisitions. It stated that it would continue following a progressive dividend policy reflecting the long-term earnings and cash flow potential of the Group whilst recognising that the business operates in cyclical markets.

Once the major investment at Desford is completed, this will lead to a significant increase in earnings over the cycle based on the additional volume and the reduced cash cost of production for the plant compared with the existing facility. In view of this, the Board announced in May an increase in the dividend payout to 45% of earnings for 2019 and to maintain the progressive policy thereafter. This increase reflects the Board's confidence in the position of the Group and its future potential.

The Board has declared an interim dividend in line with this policy of 4.0 pence per share, an increase of 21.2% over the interim paid last year. The dividend will be paid on 10 October 2019 to shareholders on the register at 20 September 2019.

CASH FLOW, BORROWINGS AND FACILITIES

The Group continues to generate a strong level of operating cash flow, delivering £27.6m in the first half (2018: £24.0m). Working capital increased as anticipated due to higher sales arising from the spring selling season. Capital expenditure was higher than last half year at £8.6m including £3.3m on strategic investment at the Newbury aircrete plant and the major Desford brick expansion project. Tax paid was lower due to repayments received in relation to Research & Development claims relating to prior years.

The Employee Benefit Trust continued the monthly purchase of company shares in order to fulfill the requirements of the vesting of various share schemes. During the first half, 2.7m shares were purchased at a cost of £7.6m to be held by the EBT.

The strong operating cash generation, net of capital investment and the share purchases, resulted in a further reduction in net debt of £4.3m to £34.5m at 30 June 2019. In addition, leasing liabilities under IFRS16 amounted to £15.1m.

Net debt to EBITDA (calculated with reference to the last twelve months of earnings and excluding the effect of IFRS16 and capitalised finance costs in accordance with the Facility Agreement) reduced further to 0.4 times at 30 June 2019 compared with 0.5 times at 31 December 2018.

The Group's debt facility comprises a committed Revolving Credit Facility of £150m extending to July 2022 with a group of major international banks. At 30 June 2019, £83m of the facility was undrawn.

CURRENT TRADING AND OUTLOOK

The Group delivered a result in the first half in line with the Board's expectations. Construction has commenced on our new brick facility at Desford following the confirmation of full planning consent. Once completed, the £95m investment will result in the largest and most efficient brick plant in Europe.

We remain watchful of the impact of the current political and economic uncertainty on our end markets. While noting that some recent economic data points have weakened, demand for products supplied into the new build residential market remains robust. Based on our order book and the continued strength of our core market, the Board's expectations for the full year are unchanged.

The Board remains confident of its strategy and its belief that the business is well positioned to benefit from the attractive market fundamentals over the medium term.

STRATEGY IMPLEMENTATION

The Group's objective of generating sustainable shareholder value is achieved through delivery of the following strategic priorities:

- drive for a flexible and efficient manufacturing base, aligning capacity to market conditions;
- maintain strong market positions in our core products; and
- expand the range of products and services offered both organically and through appropriate acquisitions.

These priorities are underpinned by having high performing people throughout the business and continuing to strengthen customer relationships.

The UK brick market has continued to perform strongly, with high levels of capacity utilisation across the industry due to the sustained increase in new housing output over the last few years. Brick imports have increased to help satisfy market demand and now represent over 17% of the total UK brick market. The overall fundamentals of the market continue to be favourable, supported by the Government's commitment to further increase new housebuilding.

The Group has embarked on a £95m project to build a new brick facility with an annual capacity of 180 million bricks at its existing site at Desford in Leicestershire. Once completed, the new factory will replace the existing facility at the site which currently has a capacity of 85 million bricks per annum, thereby increasing our total brick capacity by 16% whilst also reducing the average cash cost of production. Full planning consent for the project has now been received and construction commenced at the site. Contract negotiations for the supply of the major brickmaking equipment are well advanced. It is anticipated that the new plant will commence full production during 2022.

During the first half, the Newbury aircrete plant was successfully modified to enable use of stockpiled conditioned or wet pulverised fuel ash (PFA) as well as dry PFA, following the work done at the Hams Hall aircrete plant last year. This has reduced reliance on dry PFA available only from running coal-fired power stations which are being phased out.

The Group has a leadership position in the UK precast concrete market through the Bison precast business and has been able to leverage its capabilities by winning a number of significant contracts. Productivity improvements in the business have been sustained during the half, and the three sites have now been fully integrated. The business is well-positioned to benefit from continued growth in the housing market, a greater level of construction in the private rented and social housing segments, and an increase in the use of off-site manufactured structural precast concrete.

Recent new products launched have focused upon offsite façade solutions, including the development of brick-faced precast sandwich panels, and SureBrick®, a mechanically fixed, fully non-combustible brick slip façade solution. These products expand the range of products offered and will provide further opportunities to deliver benefits for our customers.

BRICKS AND BLOCKS

	Six months ended 30 June			Year ended 31 December
	2019	2018 Restated	Change %	2018 Restated
	£m	£m		£m
Revenue	143.9	136.6	5.3%	277.5
EBITDA	41.6	38.5	8.1%	75.8
EBITDA margin	28.9%	28.2%		27.3%

Revenue in the first half increased by 5.3% compared with the same period last year. Price increases were applied across the product range to offset the effect of input cost inflation. Brick volumes increased modestly due to the sustained strength of the residential new build market. Sales through builders' merchants and distributors were relatively good in the first four months of the year, although there was a slight easing of demand towards the end of the first half. Aircrete and aggregate block volumes were somewhat lower than last half year reflecting the stock built up in the supply chain during last year.

The EBITDA increase of £3.1m included the benefit of the implementation of the leasing standard IFRS 16. The underlying increase was due to the benefit of the higher revenue partly offset by higher raw material, energy and other input costs. Repair and maintenance costs were higher due to the timing of planned repairs at the Desford brick factory and the Newbury aircrete facility which took place in the first half of 2019.

Brick production in the first half increased by 3.9% due to the annualised benefit of the debottlenecking projects completed previously at Accrington and Cloughton, and an excellent performance at our Measham soft mud factory which had a record six month output.

Following a management reorganisation under which the business reports through to the Commercial and Operations Directors for the Bricks and Blocks business, Formpave has been reclassified from Bespoke Products to this segment. The revenue and results for the business for 2018 have been restated accordingly (see note 6 to the Financial Statements). Formpave had a challenging first half due to market pressures on both volumes and pricing. The new management structure will enable the business to respond better to these challenges and also drive through an improvement in operational efficiency and internal processes.

Following the work carried out at Hams Hall last year, the modification of the Newbury aircrete plant to enable use of conditioned or wet Pulverised Fuel Ash (PFA) as well as dry PFA was successfully completed during the first half at a total capital cost of £3.7m, and the plant has resumed production. Both aircrete facilities have now been modified, providing greater flexibility and resilience of production.

The Group continued to invest in its own distribution fleet with 31 more vehicles now in place than a year ago. Maintaining our own fleet provides greater flexibility and enables a higher level of customer service. The delivery of product is supplemented through the use of third party hauliers. The implementation of a new system in this area is progressing to schedule and will go live in the second half. This includes a routing and scheduling tool to provide more efficient planning and a transport

management tool for better tracking of deliveries and analysis of journeys to enable continuous improvement. Under this system, evidence of deliveries to customers will be obtained electronically in order to reduce the risk of missing paperwork and facilitate debt collection.

BESPOKE PRODUCTS

	Six months ended 30 June		Change %	Year ended 31 December
	2019	2018		2018
	£m	Restated £m		Restated £m
Revenue	50.9	44.3	14.9%	92.2
EBITDA	0.9	0.7	28.6%	3.0
EBITDA margin	1.8%	1.6%		3.3%

Overall revenue for Bespoke Products increased by 14.9% due to higher volumes of precast concrete, especially floor beams, and also price increases applied to offset the effects of cost inflation. The comparison is against a weaker comparative period which was affected by severe weather. As described previously the Formpave business is now reported under Bricks and Blocks.

The improvement in overall EBITDA to £0.9m includes the effect of the leasing change under IFRS16. The Bison precast business made progress though the increase in revenue was offset by higher raw material, energy, distribution and repair costs. The productivity improvements made at Swadlincote during the last quarter of 2018 have been sustained and the plant is now operating at an average of 8 beds per day (a bed in this context is the surface on which concrete is cast). Greater throughput during the second half is anticipated to improve performance.

EBITDA was also affected by the poor performance of Red Bank, the chimney and flue systems business. Volumes were lower than anticipated, and actions taken on costs realised only modest benefits in the first half.

The Bison Precast business has successfully secured a number of large contracts totalling over £10m for deliveries commencing in the second half, including the substantial custodial project at Wellingborough. The new facility is part of the Government's Estate Transformation Portfolio and will create a 1,680-place resettlement prison with seven house blocks. Bison's scope includes bespoke precast walls, solid slabs, columns, stairs and landings. The order also includes insulated brick-faced sandwich panels to the entry building façade featuring the Forterra Village Golden Thatch brick.

The business has also secured a large bespoke order for the specialist sub-contractor PCE for a new interdisciplinary Biomedical Research building at Warwick University which will house 300 research scientists from different faculties. Products to be supplied includes precast walls, columns, beams, stairs and landings.

IFRS 16 – LEASES

The Group has adopted IFRS16 with effect from 1 January 2019. Under the new standard assets held under operating leases are recognised as a right to use asset on the balance sheet together with a lease liability. The effect of adopting the standard has been to increase EBITDA in the first half of 2019 by £3.0m with a corresponding increase in depreciation and interest, so that the overall impact on profit before tax is minimal. Asset values on the balance sheet at 1 January 2019 have increased by £14.0m, lease liabilities recognised of £14.6m and an adjustment to equity of £0.6m. There is no impact in 2018.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the business are detailed in pages 38-41 of the Annual Report and Accounts published in April 2019, which are available on the Group website (forterrapl.co.uk). The Group has reviewed these risks and concluded that they have not materially changed since the date of the annual report.

The UK's decision to exit the European Union has created significant uncertainty. This uncertainty has yet to recede as negotiations between the UK and EU have yet to reach a conclusion and the future arrangements, timeframes and economic landscape remain unclear.

The risk posed by Brexit is inherent within each of the risks that the Board has reviewed and has been a focus for management since the referendum. The main risk to the business arises from any reduction in consumer confidence and its effect on the markets which the Group serves. In response, management are proactive in mitigating controllable risks; and in areas where control rests outside of the business, management seek to be up-to-date with developments and equipped to respond.

The Brexit risk is partly mitigated by holding higher levels of raw material and critical spares, engaging with the supply chain, putting forward purchase contracts in place for energy requirements, closely managing cash flows, retaining access to debt facilities that are substantially undrawn and tracking potential market trends by monitoring customer stock levels and planning applications.

GOING CONCERN

Having made enquiries and reviewed the Group's plans and available financial facilities, the Board has a reasonable expectation that the group has adequate resources to continue in operation for the foreseeable future, being a period of not less than 12 months from the date of this report. Accordingly, it continues to adopt the going concern basis in preparing the interim statement.

FORWARD LOOKING STATEMENTS

Certain statements in this half yearly report 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 have been correct. Because these statements contain 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.

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE INTERIM REPORT

We confirm to the best of our knowledge:

- the condensed consolidated set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU;
- the interim management report includes a fair review of the information required by:
 - a) DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - b) DTR 4.2.8R of the *Disclosure and Transparency Rules*, being material related party transactions that have taken place in the first six months of the current financial year and any material changes in the related party transactions described in the annual report.

By order of the Board

Stephen Harrison
Chief Executive Officer

Shatish Dasani
Chief Financial Officer

30 July 2019

INDEPENDENT REVIEW REPORT TO FORTERRA PLC

INTRODUCTION

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2019 which comprises Condensed Consolidated Income Statement, Condensed Consolidated Statement of Financial Position, Condensed Consolidated Statement of Changes in Equity, Condensed Consolidated Statement of Cash Flows and related notes 1 – 14. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

DIRECTORS' RESPONSIBILITIES

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

OUR RESPONSIBILITY

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP
London
30 July 2019

**CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE HALF YEAR ENDED 30 JUNE 2019 (UNAUDITED)**

		Six months ended 30 June		Year ended 31 December
	Note	2019 Unaudited £m	2018 Unaudited £m	2018 Audited £m
Revenue	6	193.6	180.0	367.5
Cost of sales		(121.4)	(110.1)	(230.2)
Gross profit		72.2	69.9	137.3
Distribution costs		(27.6)	(25.2)	(51.8)
Administrative expenses		(11.3)	(10.8)	(20.1)
Other operating income/(expense)		0.6	(0.4)	1.7
Operating profit		33.9	33.5	67.1
EBITDA		42.5	39.2	78.8
Depreciation and amortisation		(8.6)	(5.7)	(11.7)
Operating profit		33.9	33.5	67.1
Net finance expense	7	(1.2)	(1.2)	(2.3)
Profit before tax		32.7	32.3	64.8
Income tax expense		(6.0)	(6.4)	(12.0)
Profit for the financial period attributable to equity shareholders		26.7	25.9	52.8
Total comprehensive income for the period attributable to equity shareholders		26.7	25.9	52.8
Earnings per share:				
Basic (in pence per share)	8	13.6	13.0	26.5
Diluted (in pence per share)	8	13.4	12.8	26.1

The results for the period to 30 June 2019 include the effect of IFRS 16. In accordance with transition provisions in the standard the comparative results have not been restated.

The notes on pages 13 to 22 are an integral part of these condensed consolidated financial statements.

All results relate to continuing operations.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019 (UNAUDITED)**

	Note	As at 30 June 2019 Unaudited £m	As at 30 June 2018 Unaudited £m	As at 31 December 2018 Audited £m
Assets				
Non-current assets				
Intangible assets		17.9	16.7	17.3
Property, plant and equipment		186.8	164.4	170.5
		<u>204.7</u>	<u>181.1</u>	<u>187.8</u>
Current assets				
Inventories		42.1	36.7	37.4
Trade and other receivables		55.1	56.9	37.9
Cash and cash equivalents		32.2	27.9	26.0
		<u>129.4</u>	<u>121.5</u>	<u>101.3</u>
Total assets		<u>334.1</u>	<u>302.6</u>	<u>289.1</u>
Current liabilities				
Lease liabilities		(5.4)	-	-
Trade and other payables		(93.0)	(82.5)	(72.0)
Income tax liabilities		(5.9)	(5.9)	(3.9)
Loans and borrowings	10	(0.1)	(0.4)	(0.3)
Provisions for other liabilities and charges		(3.7)	(7.1)	(4.2)
		<u>(108.1)</u>	<u>(95.9)</u>	<u>(80.4)</u>
Non-current liabilities				
Lease liabilities		(9.7)	-	-
Loans and borrowings	10	(66.6)	(79.4)	(64.5)
Provisions for other liabilities and charges		(8.4)	(9.2)	(8.4)
Deferred tax liabilities		(1.8)	(1.2)	(1.6)
		<u>(86.5)</u>	<u>(89.8)</u>	<u>(74.5)</u>
Total liabilities		<u>(194.6)</u>	<u>(185.7)</u>	<u>(154.9)</u>
Net assets		<u>139.5</u>	<u>116.9</u>	<u>134.2</u>
Capital and reserves attributable to equity shareholders				
Ordinary shares		2.0	2.0	2.0
Retained earnings		149.6	116.8	138.0
Reserve for own shares		(12.1)	(1.9)	(5.8)
Total equity		<u>139.5</u>	<u>116.9</u>	<u>134.2</u>

The results at 30 June 2019 include the effect of IFRS 16. In accordance with transition provisions in the standard the comparative results have not been restated.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 30 JUNE 2019 (UNAUDITED)**

	Share capital	Reserve for own shares	Retained earnings	Total equity
	£m	£m	£m	£m
Current half year:				
Balance at 1 January 2019	2.0	(5.8)	138.0	134.2
Change in accounting policy IFRS 16	-	-	(0.6)	(0.6)
Restated balance at 1 January 2019	2.0	(5.8)	137.4	133.6
Total comprehensive income for the financial period	-	-	26.7	26.7
Dividend payable	-	-	(14.2)	(14.2)
Own shares purchased	-	(7.6)	-	(7.6)
Share-based payments charge	-	-	1.0	1.0
Share-based payments exercised	-	1.3	(1.3)	-
Balance at 30 June 2019	2.0	(12.1)	149.6	139.5
Prior half year:				
Balance at 1 January 2018	2.0	-	102.7	104.7
Total comprehensive income for the financial period	-	-	25.9	25.9
Dividend payable	-	-	(12.8)	(12.8)
Own shares purchased	-	(2.2)	-	(2.2)
Share-based payments charge	-	-	1.3	1.3
Share-based payments exercised	-	0.3	(0.3)	-
Balance at 30 June 2018	2.0	(1.9)	116.8	116.9
Prior year:				
Balance at 1 January 2018	2.0	-	102.7	104.7
Total comprehensive income for the year	-	-	52.8	52.8
Dividend paid	-	-	(19.3)	(19.3)
Own shares purchased	-	(6.1)	-	(6.1)
Share-based payments charge	-	-	2.4	2.4
Share-based payments exercised	-	0.3	(0.3)	-
Tax on share-based payments	-	-	(0.3)	(0.3)
Balance at 31 December 2018	2.0	(5.8)	138.0	134.2

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 30 JUNE 2019 (UNAUDITED)**

	Six months ended 30 June		Year ended 31 December
	2019 Unaudited £m	2018 Unaudited £m	2018 Audited £m
Cash flows from operating activities			
Operating profit	33.9	33.5	67.1
Adjustments for:			
Depreciation and amortisation	8.6	5.7	11.7
Non-cash movement on provisions	0.6	1.4	(2.3)
Share-based payments	0.8	1.4	2.1
Other non-cash items	(0.5)	-	(1.3)
Profit on sale of property, plant and equipment	-	-	(0.2)
Changes in working capital:			
Inventories	(4.7)	(0.4)	(1.1)
Trade and other receivables	(17.6)	(23.9)	(4.9)
Trade and other payables	7.6	8.4	10.9
Cash movement on provisions	(1.1)	(2.1)	(2.2)
Cash generated from operations	27.6	24.0	79.8
Interest paid	(1.1)	(1.0)	(2.2)
Tax paid	(3.1)	(5.9)	(11.8)
Net cash inflow from operating activities	23.4	17.1	65.8
Cash flows from investing activities			
Purchase of property, plant and equipment	(7.6)	(4.9)	(16.5)
Purchase of intangible assets	(1.0)	(1.1)	(2.1)
Proceeds from sale of property, plant and equipment	-	-	0.2
Net cash used in investing activities	(8.6)	(6.0)	(18.4)
Cash flows from financing activities			
Reduction in lease liabilities	(3.0)	-	-
Dividends paid	-	-	(19.3)
Drawdown/(repayment) of borrowings	2.0	(10.0)	(25.0)
Cash payments to acquire equity shares	(7.6)	(2.2)	(6.1)
Net cash used in financing activities	(8.6)	(12.2)	(50.4)
Net increase/(decrease) in cash and cash equivalents	6.2	(1.1)	(3.0)
Cash and cash equivalents at beginning of the period	26.0	29.0	29.0
Cash and cash equivalents at the end of the period	32.2	27.9	26.0

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2019 (UNAUDITED) (CONTINUED)

1. GENERAL INFORMATION

Forterra plc ('Forterra' or the 'Company') and its subsidiaries (together referred to as the 'Group') are domiciled in the UK. The address of the registered office of the Company and its subsidiaries is 5 Grange Park Court, Roman Way, Northampton, England, NN4 5EA. The Company is the parent of Forterra Holdings Limited and Forterra Building Products Limited, which together comprise the group (the 'Group'). The principal activity of the Group is the manufacture and sale of bricks, dense and lightweight blocks, precast concrete, concrete block paving and other complementary building products.

The condensed consolidated financial statements were approved by the Board on 30 July 2019.

The condensed consolidated financial statements for the six months ended 30 June 2019 and comparative period have not been audited. The auditor has carried out a review of the financial information and their report is set out on page 8.

These condensed consolidated financial statements are unaudited and do not constitute statutory accounts of the Group within the meaning of Section 435 of the Companies Act 2006. The auditors have carried out a review of the financial information in accordance with the guidance contained in ISRE 2410 (UK and Ireland) 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board. Financial Statements for the year ended 31 December 2018 were approved by the Board of Directors on 12 March 2019, delivered to the Registrar of Companies and include an explicit and unreserved statement of compliance with EU-adopted IFRS. The Auditor's report was (i) unqualified, (ii) did not include a reference to any matters to which the Auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 of the Companies Act 2006.

2. BASIS OF PREPARATION

The condensed consolidated financial statements for the half year ended 30 June 2019 have been prepared in accordance with the Disclosure and Transparency Rules of the UK Financial Conduct Authority (DTR), and the requirements of IAS 34 Interim Financial Reporting.

The condensed consolidated financial statements do not include all the information and disclosures required in annual financial statements and they should be read in conjunction with the Group's Financial Statements for the year ended 31 December 2018 and any public announcements made by Forterra plc during the interim period.

The condensed consolidated financial statements are prepared on the historical cost basis.

Going concern basis

Management forecasts and projections take account of reasonably possible changes in trading performance and provide comfort that the Group is able to operate within its current cash reserves, borrowings and committed facilities. The directors therefore have a reasonable expectation that the Group has sufficient resources to continue in existence for the foreseeable future, being a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the condensed consolidated financial statements.

3. 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 2018, except for the adoption of new standards effective as of 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2019 (UNAUDITED) (CONTINUED)**

IFRS 16 – Leases (effective 1 January 2019)

The group has adopted IFRS 16 from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 2.55%.

As at 1 January 2019 the Group did not hold any finance leases, therefore no accounting adjustment for finance leases on transition was necessary.

	£m
Operating lease commitments as at 31 December 2018	(22.6)
Less: adjustments on transition to IFRS 16	6.7
	<u>(15.9)</u>
Weighted average incremental borrowing rate as at 1 January 2019	2.55%
Discounted operating lease commitments as at 1 January 2019	<u>(14.6)</u>

Adjustments on transition to IFRS 16 includes non-lease components, short-term and low-value leases, leases outside the scope of IFRS 16 and leases identified through the transition process.

The associated right-of-use assets for all leases were measured on a retrospective basis as if the new rules had always been applied. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The effect of the adoption of IFRS 16 as at 1 January 2019 is as follows:

	£m
Assets	
Right-of-use assets	14.2
Prepayments	(0.4)
Deferred tax asset	0.2
	<u>14.0</u>
Liabilities	
Lease liabilities	(14.6)
	<u>(14.6)</u>
Total adjustment on equity	
Retained earnings	<u>0.6</u>

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2019 (UNAUDITED) (CONTINUED)**

Impact on segment disclosures and earnings per share

EBITDA and segment assets for June 2019 increased as a result of the change in accounting policy. Liabilities for the Group are not reported on a segment basis. The effect of the change in policy on the numbers as at 30 June 2019 is as follows:

	Bricks and Blocks	Bespoke Products	2019
	£m	£m	£m
EBITDA	(2.8)	(0.2)	(3.0)
EBIT	(0.3)	-	(0.3)
Depreciation	2.5	0.2	2.7
Property, plant and equipment	13.3	1.5	14.8

There has been no impact on basic earnings per share at 30 June 2019 as a result of the adoption of IFRS 16.

Practical expedients applied

In applying IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Summary of Group leases and new accounting policies

The group leases various premises, land, fleet vehicles, cars and plant and equipment. With the exception of land and property leases, contracts are typically made for fixed periods of 3 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Until 31 December 2018, all leases of property, plant and equipment held at that time, were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group is also recognised. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2019 (UNAUDITED) (CONTINUED)

- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease if readily available. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise tools, IT-equipment and small items of office equipment.

4. JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with adopted IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

In preparing these condensed consolidated 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 of Forterra plc for the year ended 31 December 2018; except in relation to the following:

- composition of reporting segments and allocation of overheads to each segment under IFRS 8 as detailed in note 6; and
- the first-time application of IFRS 16 as detailed in note 3.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

5. SEASONALITY OF OPERATIONS

The Group is subject to seasonality consistent with the general construction market, with stronger volumes witnessed across the spring and summer months when conditions are more favourable.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2019 (UNAUDITED) (CONTINUED)

6. SEGMENTAL REPORTING

Management has determined the operating segments based on the management reports reviewed by the Executive Committee (comprising the executive team responsible for the day-to-day running of the business) that are used to assess both performance and strategic decisions. Management has identified that the Executive Committee is the chief operating decision maker in accordance with the requirements of IFRS 8 'Operating segments'.

The Executive Committee considers the business to be split into three operating segments: Bricks, Blocks and Bespoke Products.

The principal activity of the operating segments are:

- Bricks – Manufacture and sale of bricks to the construction sector
- Blocks – Manufacture and sale of concrete blocks and permeable block paving to the construction sector
- Bespoke Products – Manufacture and sale of bespoke products to the construction sector

The Executive Committee considers that, for reporting purposes, the operating segments above can be aggregated into two reporting segments: Bricks and Blocks and Bespoke Products. The aggregation of Bricks and Blocks is due to these operating segments having similar long-term average margins, production process, suppliers, customers and distribution methods.

In 2019, the Formpave business was reclassified from the Bespoke Products to the Blocks segment after management reorganisation. The segment revenue, results, assets and other information that follows have been restated to reflect this change comparatively across periods.

The Bespoke Products range includes precast concrete, chimney and roofing solutions, each of which are typically made-to-measure or customised to meet the customer's specific needs. The precast concrete flooring products are complemented by the Group's full design and nationwide installation services, while certain other bespoke products, such as and chimney flues, are complemented by the Group's bespoke specification and design service.

Costs which are incurred on behalf of both segments are held at the centre and these, together with general administrative expenses, are allocated to the segments for reporting purposes using a split of 80% Bricks and Blocks and 20% Bespoke Products. Management considers that this is an appropriate basis for the allocation. This allocation changed in 2019 to reflect the reclassification detailed above, this is reflected in the restatements below.

The revenue recognised in the condensed consolidated income statement is all attributable to the principal activity of the manufacture and sale of bricks, both dense and lightweight blocks, precast concrete, concrete paving and other complimentary building products.

Substantially all revenue recognised in the condensed consolidated income statement arose from contracts with external customers within the UK.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2019 (UNAUDITED) (CONTINUED)**

Segment revenue and results:

	Six months ended 30 June 2019		
	Bricks & Blocks	Bespoke products	Total
	£m	£m	£m
Segment revenue	143.9	50.9	194.8
Intercompany eliminations			(1.2)
Revenue			193.6
EBITDA	41.6	0.9	42.5
Depreciation and amortisation	(7.3)	(1.3)	(8.6)
Operating profit	34.3	(0.4)	33.9
Net finance expense			(1.2)
Profit before tax			32.7

Segment assets:

	As at 30 June 2019		
	Bricks & Blocks	Bespoke products	Total
	£m	£m	£m
Property, plant and equipment	152.2	34.6	186.8
Intangible assets	17.1	0.8	17.9
Inventories	35.6	6.5	42.1
Segment assets	204.9	41.9	246.8
Unallocated assets			87.3
Total assets			334.1

Other segment information:

	As at 30 June 2019		
	Bricks & Blocks	Bespoke products	Total
	£m	£m	£m
Property, plant and equipment additions	8.0	2.1	10.1
Intangible asset additions	1.1	0.1	1.2

Segment revenue and results:

	Six months ended 30 June 2018		
	(Restated)		
	Bricks & Blocks	Bespoke products	Total
	£m	£m	£m
Segment revenue	136.6	44.3	180.9
Intercompany eliminations			(0.9)
Revenue			180.0
EBITDA	38.5	0.7	39.2
Depreciation and amortisation	(4.6)	(1.1)	(5.7)
Operating profit	33.9	(0.4)	33.5
Net finance expense			(1.2)
Profit before tax			32.3

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2019 (UNAUDITED) (CONTINUED)**

Segment assets:

	As at 30 June 2018 (Restated)		
	Bricks & Blocks	Bespoke products	Total
	£m	£m	£m
Property, plant and equipment	131.1	33.3	164.4
Intangible assets	15.8	0.9	16.7
Inventories	31.3	5.4	36.7
Segment assets	178.2	39.6	217.8
Unallocated assets			84.8
Total assets			302.6

Other segment information:

	As at 30 June 2018 (Restated)		
	Bricks & Blocks	Bespoke products	Total
	£m	£m	£m
Property, plant and equipment additions	4.3	0.6	4.9
Intangible asset additions	0.9	0.2	1.1

Segment revenue and results:

	Year ended 31 December 2018 (Restated)		
	Bricks & Blocks	Bespoke products	Total
	£m	£m	£m
Segment revenue	277.5	92.2	369.7
Intercompany eliminations			(2.2)
Revenue			367.5
EBITDA	75.8	3.0	78.8
Depreciation and amortisation	(9.4)	(2.3)	(11.7)
Operating profit	66.4	0.7	67.1
Net finance expense			(2.3)
Profit before tax			64.8

Segment assets:

	As at 31 December 2018 (Restated)		
	Bricks & Blocks	Bespoke products	Total
	£m	£m	£m
Property, plant and equipment	137.6	32.9	170.5
Intangible assets	16.2	1.1	17.3
Inventories	31.5	5.9	37.4
Segment assets	185.3	39.9	225.2
Unallocated assets			63.9
Total assets			289.1

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2019 (UNAUDITED) (CONTINUED)**

Other segment information:

	As at 31 December 2018 (Restated)		
	Bricks & Blocks	Bespoke products	Total
	£m	£m	£m
Property, plant and equipment additions	15.3	1.3	16.6
Intangible asset additions	1.8	0.4	2.2

7. NET FINANCE EXPENSE

	Six months ended 30 June		Year ended 31 December
	2019	2018	2018
	£m	£m	£m
Interest payable on external borrowings	(1.0)	(1.2)	(2.2)
Interest payable on lease liabilities	(0.2)	-	-
Other finance expense	-	-	(0.1)
	<u>(1.2)</u>	<u>(1.2)</u>	<u>(2.3)</u>

8. EARNINGS PER SHARE

Basic earnings per share (EPS) is calculated by dividing the profit for the period attributable to shareholders of the parent entity by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share additionally allows for the effect of the conversion of the dilutive options.

	Six months ended 30 June		Year ended 31 December
	2019 Basic	2018 Basic	2018 Basic
	£m	£m	£m
Operating profit for the period	33.9	33.5	67.1
Net finance expense	<u>(1.2)</u>	<u>(1.2)</u>	<u>(2.3)</u>
Profit before taxation	32.7	32.3	64.8
Tax charge	<u>(6.0)</u>	<u>(6.4)</u>	<u>(12.0)</u>
Profit for the period	<u>26.7</u>	<u>25.9</u>	<u>52.8</u>
Weighted average number of ordinary shares in issue (millions)	196.8	199.8	199.2
Effect of share incentive awards and options (millions)	<u>2.9</u>	<u>3.1</u>	<u>3.1</u>
Diluted weighted average number of ordinary shares (millions)	<u>199.7</u>	<u>202.9</u>	<u>202.3</u>
Earnings per share			
Basic (in pence)	13.6	13.0	26.5
Diluted (in pence)	13.4	12.8	26.1

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2019 (UNAUDITED) (CONTINUED)**

9. DIVIDENDS

A dividend of 7.2 pence per share that relates to the period ending 31 December 2018 was paid on 4 July 2019, making a total distribution of 10.5 pence per share for 2018.

An interim dividend of 4.0 pence per share (2018: 3.3 pence per share) has been declared by the Board and will be paid on 10 October 2019 to shareholders on the register at 20 September 2019. This interim dividend has not been recognised as a liability at 30 June 2019. It will be recognised in shareholders equity in the financial statements for the year ended 31 December 2019.

10. LOANS AND BORROWINGS

	As at 30 June		As at 31 December
	2019	2018	2018
	£m	£m	£m
Non-current loans and borrowings:			
External bank loans - principal	(67.0)	(80.0)	(65.0)
- unamortised debt issue costs	0.4	0.6	0.5
	<u>(66.6)</u>	<u>(79.4)</u>	<u>(64.5)</u>
Current loans and borrowings:			
- interest	(0.1)	(0.4)	(0.3)
	<u>(0.1)</u>	<u>(0.4)</u>	<u>(0.3)</u>
	<u><u>(66.7)</u></u>	<u><u>(79.8)</u></u>	<u><u>(64.8)</u></u>

Since 26 July 2017 the Group has had access to a five-year revolving credit facility of £150m and an accordion facility of £50m with a group of leading banks.

Interest is payable on amounts drawn down under the agreement at a rate of LIBOR plus a variable margin ranging from 1.25% to 2.25%.

The facilities are secured by fixed charges over the shares of Forterra Building Products Limited and Forterra Holdings Limited.

11. NET DEBT

	As at 30 June		As at 31 December
	2019	2018	2018
	£m	£m	£m
Cash and cash equivalents	32.2	27.9	26.0
Loans and borrowings	(66.7)	(79.8)	(64.8)
Net debt (excluding lease liabilities)	<u>(34.5)</u>	<u>(51.9)</u>	<u>(38.8)</u>
Lease liabilities	(15.1)	-	-
Net debt (including lease liabilities)	<u><u>(49.6)</u></u>	<u><u>(51.9)</u></u>	<u><u>(38.8)</u></u>

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2019 (UNAUDITED) (CONTINUED)**

Reconciliation of net cash flow to net debt

	Six months ended		Year ended
	30 June		31 December
	2019	2018	2018
	£m	£m	£m
Net cash inflow from operating activities	23.4	17.1	65.8
Net cash outflow from investing activities	(8.6)	(6.0)	(18.4)
Dividends paid	-	-	(19.3)
Equity shares acquired by Employee Benefit Trust	(7.6)	(2.2)	(6.1)
Reduction in lease liability	(3.0)	-	-
Other movements	0.1	-	-
Decrease in net debt	<u>4.3</u>	<u>8.9</u>	<u>22.0</u>
Net debt at the start of the period	<u>(38.8)</u>	<u>(60.8)</u>	<u>(60.8)</u>
Net debt at the end of the period	<u>(34.5)</u>	<u>(51.9)</u>	<u>(38.8)</u>

12. SHARE-BASED PAYMENTS

In March 2019, 733,091 share awards were granted under the Performance Share Plan (PSP) to the Executive Directors, other members of the Executive Committee and designated senior management which vest three years after the date of grant at an exercise price of 1 pence per share. The total number of shares vesting is dependent upon both service conditions being met and the performance of the Group over the three-year period. Performance is subject to both TSR and EPS conditions, each weighted 50%.

In addition, 61,120 shares were awarded in March 2019 under the Deferred Annual Bonus Scheme, deferring £0.2m of the 2018 Executive Directors' bonus as outlined in the Annual Report on Remuneration in the Group's Annual Report and Accounts for the year ended 31 December 2018.

13. RELATED PARTY TRANSACTIONS

The Group has had no transactions with related parties in the periods ending 30 June 2018, 31 December 2018 and 30 June 2019.

14. POST BALANCE SHEET EVENTS

No events have occurred since the balance sheet date that would merit separate disclosure.