



1 August 2017

## 2017 HALF YEAR RESULTS

Forterra plc, a leading UK producer of manufactured masonry products, announces half year results for the six months ended 30 June 2017.

	Six months ended 30 June		Change %	Year ended 31 December
	2017 £m	2016 £m		2016 £m
<b><u>Pro-forma basis*</u></b>				
Revenue	162.7	146.0	11.4%	294.5
EBITDA before exceptionals	38.7	38.3	1.0%	69.4
PBT before exceptionals	31.4	30.4	3.3%	53.1
EPS before exceptionals (pence)	12.6	12.0	5.0%	21.0
Operating cash flow before exceptionals	31.9	24.9	28.1%	69.8
<b><u>Statutory basis</u></b>				
Operating profit	33.6	24.3		51.3
Profit before tax	31.4	13.0		37.1
EPS (pence)	12.6	4.4		13.8
Cash generated from operations	31.8	13.9		56.2
Dividend – interim / total (pence)	3.1	2.0		5.8

\*Pro-forma basis is stated after making the following adjustments:

- (i) adding an appropriate level of overheads in 2016 to make it comparable with the plc cost structure in 2017;
- (ii) deducting finance charges in 2016 and recalculating assuming that the debt structure at IPO was in place throughout the year; and
- (iii) excluding exceptional items which are detailed in note 7.

Reconciliation from pro-forma basis to the statutory basis is included on page 9.

## HIGHLIGHTS

- Double digit increase in brick and block revenue reflecting good demand from the new build residential market
- EBITDA ahead of prior period comparative due to higher volumes and increased prices which mitigated higher input costs, partially offset by sales mix
- Result includes budgeted cost increases of £1.7m to enable the business to operate stand-alone since listing. The growth in EBITDA over 2016 was 5.7% after adjusting for this
- Strong cash flow performance resulting in reduction of net debt of £22.9m to £69.4m at 30 June 2017, representing 1.0 times last twelve months EBITDA
- Interim dividend declared of 3.1 pence per share (2016 interim: 2.0 pence)
- Agreement in July 2017 to acquire the trade and assets of Bison Manufacturing Ltd, a UK market leading manufacturer of hollowcore precast concrete flooring
- New five-year Revolving Credit Facility of £150m agreed in July 2017 on improved terms

**Stephen Harrison, Chief Executive Officer, commented:**

“We are pleased with the first half performance. We achieved increased sales through strong brick and aggregate block volumes, underpinned by robust activity levels in the new build residential sector, albeit against a relatively weaker volume comparator due to supply chain destocking which unwound during 2016. We also achieved underlying price increases in the first half which mitigated increases in the operating cost base.

“Current levels of activity from our housebuilder customers and our order book growth continue to be positive, but we remain watchful over any negative impact from a weakening of consumer confidence on the housing and RMI markets.

“The Board expects to continue to make progress in the second half, and our expectations for the full year are unchanged.”

**ENQUIRIES**

**Forterra PLC**

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A presentation for analysts will be held today, 1 August 2017, at 10:30am at the offices of FTI Consulting. A recorded audiocast of the presentation will be available on the Investors section of our website (<http://www.forterraplco.co.uk>) later in the day.

**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 produces a complementary range of bespoke building products, the most significant being engineered precast concrete flooring solutions. The Group operates from 17 facilities in total and was listed on the London Stock Exchange’s Main Market in April 2016.

The Group’s three primary businesses are:

- Bricks: Forterra focuses on 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 targeted at the residential improvement market to match existing brickwork. The Group operates nine brick manufacturing facilities in Great Britain with a total production capacity of 575 million bricks per annum.

- Blocks: the Group is a leading manufacturer of aircrete blocks in Great Britain which the Group sells under its Thermalite® brand. The Group also manufactures aggregate blocks, for which it enjoys strong sales in the East and South East of England. The Group operates four block manufacturing facilities in Great Britain.
- Bespoke Products: the Group's bespoke products range comprises precast concrete, concrete block paving and chimney and roofing solutions, each of which is primarily specified, made to measure, or customised to meet the customer's specific needs. The Group's precast flooring products are complemented by the Group's full design and nationwide installation services, while certain other products, including concrete block paving and chimney flues, are complemented by the specification and design services. The bespoke products business operates from four manufacturing facilities in Great Britain.

## **INTERIM MANAGEMENT REPORT**

### **BUSINESS REVIEW**

Forterra has a rich heritage emanating from Hanson plc (now part of HeidelbergCement AG), and was a key player in the consolidation and rationalisation of the building products sector. The business was successfully established as a stand-alone company under Lone Star Funds' ownership before being brought to market as a new public company in April 2016. Lone Star Funds disposed of their remaining holding in April 2017.

### **STRATEGY**

The Group primarily supplies products into the UK housing industry. After an extended period of subdued house building activity, the UK has a significant structural undersupply of housing. The business is well-positioned to take advantage of the attractive market fundamentals in the short to medium term by utilising its existing, well-invested manufacturing facilities, available production capacity and inventories.

The five pillars of Forterra's strategy are:

- embed manufacturing excellence across the business;
- align capacity and utilisation to market conditions;
- maintain cost leadership through operational efficiency in all parts of the business;
- product and service innovation; and
- enhance the range of products and services through both organic investment and appropriate bolt-on acquisitions.

### **RESULTS FOR THE HALF YEAR**

Revenue in the first half of 2017 was £162.7m, an increase of 11.4% against the comparative period for 2016 which was impacted by supply chain destocking. Increased sales were driven by strong brick and aggregate block volumes, building on the momentum seen towards the end of the prior year and were underpinned by the new build residential sector which continues to see robust levels of activity.

As previously reported, the business achieved underlying price increases which mitigated increases in the operating cost base.

Earnings before interest, tax, depreciation and amortisation (EBITDA) for 2016 has been adjusted to aid comparison to this year by deducting additional PLC costs of £1.2m, reflecting the timing of the Group's Initial Public Offer (IPO), which took place midway through the comparative period. In addition, the finance charge for 2016 has been calculated assuming that the debt structure was in place throughout the period. Except where stated otherwise, commentary throughout these statements refers to the pro-forma results before exceptional items.

EBITDA before exceptionals of £38.7m for the six months ended 30 June 2017 was £0.4m ahead of the comparative for 2016. The increase reflected higher volumes of bricks and aggregate blocks and the benefit of price increases achieved across the product lines which mitigated higher input costs for raw materials, fuel and energy. The result was adversely affected by sales mix which was weighted more towards new build residential projects. The Group was running with a lower level of overheads and operating expenditure in the first part of 2016 pre-IPO, and since listing in April 2016 budgeted investment has been made in specific areas such as IT, sales & marketing, HR and business development to take the Group forward as a stand-alone entity. The effect of this in the first half of 2017 compared with the prior half year was £1.7m.

EBITDA margin of 23.8% was in line with the full year margin for 2016 (23.6%), albeit down on the first half of 2016 for the reasons set out above.

Profit before tax and exceptional items of £31.4m for first half of 2017 was up £1.0m compared to last half year, reflecting lower finance costs in the current period.

## **INTERIM MANAGEMENT REPORT (CONTINUED)**

### **OUTLOOK**

We are pleased with the first half performance. We achieved increased sales through strong brick and aggregate block volumes, underpinned by robust activity levels in the new build residential sector, albeit against a relatively weaker volume comparator due to supply chain destocking which unwound during 2016. We also achieved underlying price increases in the first half which mitigated increases in the operating cost base.

Current levels of activity from our housebuilder customers and our order book growth continue to be positive, but we remain watchful over any negative impact from a weakening of consumer confidence on the housing and RMI markets.

The Board expects to continue to make progress in the second half, and our expectations for the full year are unchanged.

### **EARNINGS PER SHARE AND DIVIDEND**

Earnings per share before exceptionals was 12.6 pence per share, an increase of 5.0% over the prior half year. This reflects the higher profit before tax and also the benefit of a lower effective tax rate of 20.1% compared with 20.9% in 2016.

The Board has declared an interim dividend of 3.1 pence per share, to be paid on 12 October 2017 to shareholders on the register at 22 September 2017. The interim dividend for 2016 of 2.0 pence per share was based on post-IPO earnings.

### **CASH FLOW, BORROWINGS AND FACILITIES**

Operating cash flow before exceptionals for the half year of £31.9m was £7.0m higher than the first half of 2016 due mainly to a better working capital performance. Inventories reduced by £1.8m since the start of the year and there was a good reduction in debtor days to 35 compared with 39 at December 2016. Capital expenditure of £3.0m was lower than the comparative period due to a deferral of some expenditure into the second half.

Net debt at 30 June 2017 was £69.4m, a reduction of £22.9m from the start of the year due to the strong operating cash generation of the business.

Net debt to EBITDA (calculated with reference to the last twelve months of earnings before exceptionals) reduced further to 1.0 times at 30 June 2017, comfortably below the maximum set by the banking covenant of 3.5 times. For this purpose, the net debt excludes capitalised finance costs in line with the calculation required by the banking covenant.

The Group's existing debt facility, which was agreed as part of the IPO, was successfully amended in July 2017 and replaced by a new RCF-only facility of £150m with a group of major international banks. The term of the facility has been extended by a year to 2022. In addition, an accordion facility of £50m has also been agreed. The financial covenants are unchanged but there is a reduction in the interest cost under the new facility with interest set at LIBOR plus a margin of 125 to 225 basis points depending on the leverage. The new facility will provide a more efficient and flexible form of funding than the previous structure of a large term loan and much smaller RCF.

The Group has no defined benefit pension scheme in place, with the legacy liabilities of the previous pension scheme left with the HeidelbergCement Group when the business was divested.

## INTERIM MANAGEMENT REPORT (CONTINUED)

### BRICKS AND BLOCKS

	Six months ended 30 June		Change %	Year ended 31 December
	2017 £m	2016 £m		2016 £m
Revenue	123.7	108.7	13.8%	221.3
EBITDA before exceptionals	35.7	35.7		63.6
EBITDA before exceptionals (pro-forma)	35.7	34.8	2.6%	62.7
EBITDA margin (pro-forma)	28.9%	32.0%		28.3%

Revenue in the first half increased by £15.0m (13.8%), reflecting good demand from the new build residential market and the relatively weaker comparator. Brick volumes were up by double-digit percentage over the comparative period and soft mud volumes in particular were strong. The blocks business also performed well, with aggregate blocks volumes increasing strongly during the period, facilitated by additional shift and capacity utilisation at the Oxfordshire plant in particular. Whilst aircrete block sales volumes were lower than prior period, the business has performed more consistently in the first half of 2017, assisted by progress made in securing a number of alternative raw material supply sources. Production volumes of aircrete were higher than prior period and we have rebuilt inventory levels to maintain good customer service.

EBITDA before exceptionals of £35.7m was up by £0.9m against the comparative for last half year. This was due to increased volumes and price rises which offset higher input costs for raw materials and energy. The result was adversely affected by sales mix and planned cost increases made since IPO as described above. Repair costs at our Measham facility were higher than last half year due to repairs at that plant being carried out in late 2015 to coincide with the shut-down for a major improvement project.

The Group continues to invest in brand awareness and during the period, a focused 'London Brick' marketing campaign was launched, celebrating the heritage and 140 year anniversary. Whilst brick inventories reduced in the period, the Group continues to maintain adequate levels of inventory and uses its own distribution fleet to provide a good level of customer service.

The project to replace the dryers at the Claughton facility in Lancashire has been completed to schedule, resulting in higher efficiency and a capacity increase of over 5 million bricks (c.11%). The total cost of the project is expected to be £3.3m, £0.2m below the initial estimate. The kiln has been re-lit over recent weeks and production will resume in the second half.

## INTERIM MANAGEMENT REPORT (CONTINUED)

### BESPOKE PRODUCTS

	Six months ended 30 June		Change %	Year ended 31 December
	2017 £m	2016 £m		2016 £m
Revenue	40.0	38.1	5.0%	74.8
EBITDA before exceptionals	3.0	3.8		7.0
EBITDA before exceptionals (pro-forma)	3.0	3.5	(14.3)%	6.7
EBITDA margin (pro-forma)	7.5%	9.2%		9.0%

Revenue in the first half increased 5.0% to £40.0m. This was achieved by continued positive performance in precast flooring, supported by demand from new build housing.

EBITDA before exceptionals reduced by £0.5m on a like-for-like basis to £3.0m. The precast business was affected adversely by the higher cost of expanded polystyrene (EPS) which increased a number of times in the period. Price increases in the period did not fully recover the extra cost due to timing. Extra costs were also incurred during the period on implementing a lean manufacturing improvement project at the Hoveringham plant which will result in increased output in the second half.

Formpave, the Group's concrete paving business based at our Coleford site in Gloucestershire, successfully installed a new block press machine. This was completed on time and on budget and will enable higher production capacity and greater efficiency across the product range. Performance in the period was affected by aggressive competitor pricing, especially for its main Aquapave product.

The Red Bank roofing products business had a positive first half with good price increases and benefits from an enhanced sales, estimation and design service implemented in early 2017.

### EXCEPTIONAL ITEMS

No exceptional charges were made in the half year compared with £10.3m in the first half of 2016:

	Six months ended 30 June		Year ended 31 December
	2017 £m	2016 £m	2016 £m
Transaction costs	-	(9.1)	(9.1)
Separation costs	-	(1.2)	(1.3)
Loss on disposal of subsidiary	-	-	(0.1)
Indemnity payment received	-	-	1.6
<b>Total exceptional items</b>	<b>-</b>	<b>(10.3)</b>	<b>(8.9)</b>

Transaction costs in the prior year related to the IPO of the Group completed in April 2016. Separation costs arose from the setting up of the business as a standalone entity after divestment from HeidelbergCement and include rebranding, set up of standalone IT systems, staff recruitment and new office fit out costs.

## **INTERIM MANAGEMENT REPORT (CONTINUED)**

### **ACQUISITION OF BISON MANUFACTURING LIMITED**

The Group announced in July 2017 an agreement to acquire the trade and assets of Bison Manufacturing Ltd from Laing O'Rourke plc for £20m. Bison is the UK market leading manufacturer of hollowcore precast concrete flooring with a highly automated manufacturing facility located at Swadlincote, Derbyshire, which was opened in 2006.

This acquisition provides a unique and immediate opportunity for Forterra to take a leadership position in the UK precast concrete market whilst also expanding its currently capacity-constrained business. It also enables the Group to take advantage of the growing demand for products in the residential, commercial and infrastructure markets, which are underpinned by government initiatives to tackle the country's housing deficit and improve infrastructure. The Bison brand is highly respected and valued in the precast market, with a heritage dating back to 1919. Forterra management estimate that it would cost in excess of £35m to replicate these assets on a greenfield site.

The acquisition is expected to complete in the third quarter and will be funded from the Group's existing cash balances. Following completion the Group expects to generate a return on its investment in excess of its cost of capital by 2019 through efficiency improvements, proposed consolidation of production between sites and leveraging procurement synergies.

### **PRINCIPAL RISKS AND UNCERTAINTIES**

The principal risks and uncertainties facing the business are detailed in pages 34-37 of the Annual Report and Accounts published in April 2017, which are available on the Group website ([forterrapl.c.co.uk](http://forterrapl.c.co.uk)). The Group has reviewed these risks and concluded that they have not materially changed since the date of the annual report and are not expected to materially change in the remaining six months of the financial year.

The uncertainty presented by the "Brexit" referendum continues to be monitored for the emergence of new risk.

### **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.

## INTERIM MANAGEMENT REPORT (CONTINUED)

### PRO-FORMA ADJUSTMENTS

The following pro-forma adjustments have been made to enable a proper understanding of the result compared with prior periods:

	Six months ended 30 June		Year ended 31 December
	2017 £m	2016 £m	2016 £m
Operating profit (statutory)	33.6	24.3	51.3
Exceptional items (add back)	-	10.3	8.9
Operating profit before exceptionals	<u>33.6</u>	<u>34.6</u>	<u>60.2</u>
Additional costs in 2017 as a PLC	-	(1.2)	(1.2)
Operating profit before exceptionals (pro-forma basis)	33.6	33.4	59.0
Finance charge (based on debt structure at IPO for full period)	<u>(2.2)</u>	<u>(3.0)</u>	<u>(5.9)</u>
PBT before exceptionals (pro-forma basis)	31.4	30.4	53.1
Tax charge at effective rate	<u>(6.3)</u>	<u>(6.4)</u>	<u>(11.1)</u>
Earnings before exceptionals (pro-forma basis)	<u>25.1</u>	<u>24.0</u>	<u>42.0</u>
Number of shares	200.0	200.0	200.0
Basic EPS before exceptionals (pence)	12.6	12.0	21.0

EBITDA is calculated by adding back depreciation and amortisation shown in note 6 to operating profit.

## INTERIM MANAGEMENT REPORT (CONTINUED)

### 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

1 August 2017

## **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 2017 which comprises Condensed Consolidated Income Statement, Condensed Consolidated Statement of Financial Position, Condensed Consolidated Statement of Changes in Equity, Condensed Consolidated Statement of Cash flow and related notes 1 – 16. 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 and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, 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 Ireland) 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 2017 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

**CONDENSED CONSOLIDATED INCOME STATEMENT  
FOR THE HALF YEAR ENDED 30 JUNE 2017 (UNAUDITED)**

		Six months ended 30 June		Year ended 31 December
	Note	2017 Unaudited £m	2016 Unaudited £m	2016 Audited £m
Revenue	6	162.7	146.0	294.5
Cost of sales		(94.4)	(83.3)	(175.2)
<b>Gross profit</b>		<b>68.3</b>	<b>62.7</b>	<b>119.3</b>
Distribution costs		(24.4)	(21.3)	(43.6)
Administrative expenses		(10.4)	(17.5)	(26.7)
Other operating (expense)/income		0.1	0.4	2.3
<b>Operating profit</b>		<b>33.6</b>	<b>24.3</b>	<b>51.3</b>
<b>EBITDA before exceptional items</b>		<b>38.7</b>	<b>39.5</b>	<b>70.6</b>
Exceptional items	7	-	(10.3)	(8.9)
Depreciation and amortisation		(5.1)	(4.9)	(10.4)
<b>Operating profit</b>		<b>33.6</b>	<b>24.3</b>	<b>51.3</b>
Net finance expense	8	(2.2)	(11.3)	(14.2)
<b>Profit before tax</b>		<b>31.4</b>	<b>13.0</b>	<b>37.1</b>
Income tax expense		(6.3)	(4.2)	(9.6)
<b>Profit for the financial period attributable to equity shareholders</b>		<b>25.1</b>	<b>8.8</b>	<b>27.5</b>
<b>Earnings per share:</b>				
Basic (in pence per share)	9	12.6	4.4	13.8
Diluted (in pence per share)	9	12.4	4.4	13.7

The notes on pages 16 to 26 are an integral part of these condensed consolidated financial statements.

All results relate to continuing operations.

Profit for the financial period attributable to equity shareholders is equivalent to total comprehensive income.

*Note: The classification of expenses within the income statement has been revised in 2017 and restated in 2016 to more closely align internal and external financial reporting (see note 2).*

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2017 (UNAUDITED)**

		As at 30 June		As at 31 December
	Note	2017 Unaudited £m	2016 Unaudited £m <i>(Restated*)</i>	2016 Audited £m
<b>Assets</b>				
<b>Non-current assets</b>				
Intangible assets		13.9	13.1	13.7
Property, plant and equipment		144.5	147.2	147.2
Deferred tax assets		0.1	1.6	0.4
		<b>158.5</b>	<b>161.9</b>	<b>161.3</b>
<b>Current assets</b>				
Inventories		37.2	44.5	39.0
Trade and other receivables		46.0	41.2	31.6
Cash and cash equivalents		69.3	29.1	56.2
		<b>152.5</b>	<b>114.8</b>	<b>126.8</b>
<b>Total assets</b>		<b>311.0</b>	<b>276.7</b>	<b>288.1</b>
<b>Current liabilities</b>				
Trade and other payables		(56.7)	(55.0)	(51.5)
Trade and other payables with related parties	15	-	(0.7)	(0.7)
Income tax liabilities		(6.1)	(4.0)	(3.8)
Loans and borrowings	11	(10.6)	(10.8)	(10.7)
Provisions for other liabilities and charges		(5.8)	(3.1)	(5.7)
		<b>(79.2)</b>	<b>(73.6)</b>	<b>(72.4)</b>
<b>Non-current liabilities</b>				
Provisions for other liabilities and charges		(8.8)	(11.7)	(8.7)
Loans and borrowings	11	(128.1)	(137.3)	(137.8)
		<b>(136.9)</b>	<b>(149.0)</b>	<b>(146.5)</b>
<b>Total liabilities</b>		<b>(216.1)</b>	<b>(222.6)</b>	<b>(218.9)</b>
<b>Net assets</b>		<b>94.9</b>	<b>54.1</b>	<b>69.2</b>
<b>Capital and reserves attributable to equity shareholders</b>				
Ordinary shares		2.0	2.0	2.0
Retained earnings		92.9	52.1	67.2
<b>Total equity</b>		<b>94.9</b>	<b>54.1</b>	<b>69.2</b>

\*See note 2.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF YEAR ENDED 30 JUNE 2017 (UNAUDITED)**

	Share capital £m	Share premium £m	Deferred share £m	Retained earnings £m	Total equity £m
<b>Current half year:</b>					
<b>Balance at 1 January 2017</b>	<u>2.0</u>	<u>-</u>	<u>-</u>	<u>67.2</u>	<u>69.2</u>
Profit for the financial period attributable to equity shareholders	-	-	-	25.1	25.1
Total comprehensive income for the financial period	-	-	-	25.1	25.1
Share-based payments	-	-	-	0.6	0.6
<b>Balance at 30 June 2017</b>	<u>2.0</u>	<u>-</u>	<u>-</u>	<u>92.9</u>	<u>94.9</u>
<b>Prior half year:</b>					
<b>Balance at 1 January 2016</b>	<u>0.1</u>	<u>46.5</u>	<u>-</u>	<u>(257.2)</u>	<u>(210.6)</u>
Profit for the financial period attributable to equity shareholders	-	-	-	8.8	8.8
Total comprehensive income for the financial period	-	-	-	8.8	8.8
Adjustment to reserves on Group reorganisation	(0.1)	(46.5)	-	-	(46.6)
Issue of share capital	2.2	44.4	-	-	46.6
Reclassification of ordinary shares to deferred shares	(0.2)	-	0.2	-	-
Capitalisation of shareholder loan note	-	255.8	-	-	255.8
Capital reduction	-	(300.2)	(0.2)	300.4	-
Share-based payments	-	-	-	0.1	0.1
<b>Balance at 30 June 2016</b>	<u>2.0</u>	<u>-</u>	<u>-</u>	<u>52.1</u>	<u>54.1</u>
<b>Prior year:</b>					
<b>Balance at 1 January 2016</b>	<u>0.1</u>	<u>46.5</u>	<u>-</u>	<u>(257.2)</u>	<u>(210.6)</u>
Profit for the financial period attributable to equity shareholders	-	-	-	27.5	27.5
Total comprehensive income for the financial period	-	-	-	27.5	27.5
Adjustment to reserves on Group reorganisation	(0.1)	(46.5)	-	-	(46.6)
Issue of share capital	2.2	44.4	-	-	46.6
Reclassification of ordinary shares to deferred shares	(0.2)	-	0.2	-	-
Capitalisation of shareholder loan note	-	255.8	-	-	255.8
Capital reduction	-	(300.2)	(0.2)	300.4	-
Dividends paid	-	-	-	(4.0)	(4.0)
Share-based payments	-	-	-	0.5	0.5
<b>Balance at 31 December 2016</b>	<u>2.0</u>	<u>-</u>	<u>-</u>	<u>67.2</u>	<u>69.2</u>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE HALF YEAR ENDED 30 JUNE 2017 (UNAUDITED)**

	Six months ended 30 June		Year ended 31 December
	2017 Unaudited £m	2016 Unaudited £m <i>(Restated*)</i>	2016 Audited £m
<b>Cash flows from operating activities</b>			
Operating profit before exceptional items	33.6	34.6	60.2
Adjustments for:			
Depreciation and amortisation	5.1	4.9	10.4
Non-cash movement on provisions	0.6	0.1	(0.4)
Share-based payments	0.6	0.1	0.5
Other non-cash items	-	-	0.3
Profit on sale of property, plant and equipment	-	-	(0.2)
Changes in working capital:			
Inventories	1.8	(3.5)	1.7
Trade and other receivables	(14.4)	(5.7)	(3.1)
Trade and other payables	5.0	(5.5)	0.7
Cash movement on provisions	(0.4)	(0.1)	(0.3)
<b>Operating cash flow before exceptional items</b>	<b>31.9</b>	<b>24.9</b>	<b>69.8</b>
Cash flows relating to exceptional items	(0.1)	(11.0)	(13.6)
<b>Cash generated from operations</b>	<b>31.8</b>	<b>13.9</b>	<b>56.2</b>
Interest paid	(2.0)	(10.1)	(12.4)
Tax paid	(3.7)	(1.9)	(6.3)
<b>Net cash inflow from operating activities</b>	<b>26.1</b>	<b>1.9</b>	<b>37.5</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	(2.2)	(4.5)	(9.0)
Purchase of intangible assets	(0.8)	-	(0.1)
Proceeds from sale of property, plant and equipment	-	0.2	0.3
<b>Net cash used in investing activities</b>	<b>(3.0)</b>	<b>(4.3)</b>	<b>(8.8)</b>
<b>Cash flows from financing activities</b>			
Dividends paid	-	-	(4.0)
Drawdown of borrowings	-	167.0	167.0
Repayment of borrowings	(10.0)	(156.7)	(156.7)
Finance arrangement fees paid	-	(3.0)	(3.0)
<b>Net cash (used in)/generated from financing activities</b>	<b>(10.0)</b>	<b>7.3</b>	<b>3.3</b>
<b>Net increase in cash and cash equivalents</b>	<b>13.1</b>	<b>4.9</b>	<b>32.0</b>
Cash and cash equivalents at beginning of the period	56.2	24.2	24.2
<b>Cash and cash equivalents at the end of the period</b>	<b>69.3</b>	<b>29.1</b>	<b>56.2</b>

\*See note 2.

## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2017 (UNAUDITED)**

### **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 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 1 August 2017.

The condensed consolidated financial statements for the six months ended 30 June 2017 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 11.

The condensed consolidated financial statements do not constitute financial statements and do not include all the information and disclosures required within full annual financial statements. The condensed consolidated financial statements are not statutory accounts as defined by Section 434 of the Companies Act 2006. Financial Statements for the year ended 31 December 2016 were approved by the Board of Directors on 15 March 2017, 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 2017 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.

Forterra plc was incorporated on 21 January 2016 for the purpose of listing the Group on the London Stock Exchange, which was effected on 26 April 2016. Forterra plc acquired the shares of Forterra Building Products Limited which to that date held the Group's primary operating activities.

The consolidated interim financial statements of the Group have been prepared on the basis that Forterra plc was in existence throughout all periods presented. The terms of the acquisition of the shares in Forterra Building Products Limited were such that the Group reconstruction should be accounted for as a continuance of the existing group rather than an acquisition. Accordingly the interim financial statements have been prepared on that basis, extracting financial information from the consolidated statutory accounts of Forterra Building Products Limited for the period prior to incorporation of Forterra plc in 2016.

The condensed consolidated financial statements for the half year ended 30 June 2016 have been restated to be consistent with the treatment in the Financial Statements for the year ended 31 December 2016.

- The condensed consolidated statement of cash flows for the half year ended 30 June 2016 presented £7.0m cash inflows from related parties as working capital movements on receipt, however on restructuring at IPO related party cash outflows were presented as financing. The original cash inflow has been reclassified to ensure consistency. Similarly, £1.7m of interest paid has been reclassified from financing cash outflows to interest paid. The effect of this reduces the operating cash flow before exceptional items for the six months to 30 June 2016 from £32.0m to £24.9m.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2017 (UNAUDITED) (CONTINUED)

- External loans and borrowings within the condensed consolidated statement of financial position at 30 June 2016 have been restated to reclassify £10.8m as current liabilities which was previously presented within non-current liabilities.
- At 30 June 2016 the number of shares used in the calculation of earnings per share was 200.4. This has been restated to 200.0 to reflect shares held by the Employee Benefit Trust. This change does not impact earnings per share at 30 June 2016.

Additionally, the classification of expenses has been changed voluntarily; resulting in an increase in cost of sales and distribution costs and corresponding decrease in administrative expenses and other operating income. This change results in a decrease in gross margin of 1.4% and 1.0% for the periods ended 31 December 2016 and 30 June 2016 respectively, although there is no net impact to the condensed consolidated income statement. Management have made this change to align internal and external financial reporting, which management are of the opinion, having reviewed the underlying nature of these costs is a more accurate presentation. Comparative periods have been restated to reflect this reclassification consistently.

The above restatements do not have any impact on the balance sheet at 1 January 2016 and 31 December 2016.

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 2016.

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 condensed consolidated financial statements are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 December 2016, except as disclosed below.

**Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative:** The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Group is not required to provide additional disclosures in its condensed consolidated financial statements, but has provided a net debt reconciliation within note 13 and will disclose additional information, where applicable, in its financial statements for the year ended 31 December 2017.

**Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses:** The Group did not make any adjustment as a result of adopting this amendment.

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 2017 (UNAUDITED) (CONTINUED)**

### **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 2016.

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.

### **6. SEGMENTAL REPORTING**

Management has determined the operating segments based on the management reports reviewed by the Operating Board (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 Operating Board is the chief operating decision maker in accordance with the requirements of IFRS 8 'Operating segments'.

The Operating Board 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 building sector
- Blocks – Manufacture and sale of concrete blocks to the building sector
- Bespoke Products – Manufacture and sale of bespoke products to the building sector

The Operating Board 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.

The Bespoke Products range includes precast concrete, permeable paving, 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, including permeable paving and chimney flues, are complemented by the Group's bespoke specification and design service.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 30 JUNE 2017 (UNAUDITED) (CONTINUED)**

**6. SEGMENTAL REPORTING (CONTINUED)**

Costs which are incurred on behalf of both segments are held at the centre and these, together with general administrative expenses, have been allocated to the segments for reporting purposes using relative sales proportions. Management considers that this is an appropriate basis for the allocation.

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 within the UK.

**Segment revenue and results:**

		<b>Six months ended 30 June 2017</b>		
	<b>Note</b>	<b>Bricks &amp; Blocks</b>	<b>Bespoke products</b>	<b>Total</b>
		<b>£m</b>	<b>£m</b>	<b>£m</b>
Segment revenue		123.7	40.0	163.7
Intercompany eliminations				(1.0)
<b>Revenue</b>				<b>162.7</b>
<b>EBITDA before exceptional items</b>		<b>35.7</b>	<b>3.0</b>	<b>38.7</b>
Depreciation and amortisation		(4.7)	(0.4)	(5.1)
<b>Operating profit before exceptional items</b>		<b>31.0</b>	<b>2.6</b>	<b>33.6</b>
Exceptional items	7			-
<b>Operating profit</b>				<b>33.6</b>
Net finance expense	8			(2.2)
<b>Profit before tax</b>				<b>31.4</b>

**Segment assets:**

		<b>As at 30 June 2017</b>		
		<b>Bricks &amp; Blocks</b>	<b>Bespoke products</b>	<b>Total</b>
		<b>£m</b>	<b>£m</b>	<b>£m</b>
Property, plant and equipment		129.5	15.0	144.5
Intangible assets		7.5	6.4	13.9
Inventories		33.6	3.6	37.2
Unallocated assets				115.4
<b>Total assets</b>				<b>311.0</b>

**Other segment information:**

		<b>As at 30 June 2017</b>		
		<b>Bricks &amp; Blocks</b>	<b>Bespoke products</b>	<b>Total</b>
		<b>£m</b>	<b>£m</b>	<b>£m</b>
Property, plant and equipment additions		1.6	0.7	2.3
Intangible asset additions		0.2	0.1	0.3

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 30 JUNE 2017 (UNAUDITED) (CONTINUED)

6. SEGMENTAL REPORTING (CONTINUED)

Segment revenue and results:

Six months ended 30 June 2016				
	Note	Bricks & Blocks £m	Bespoke products £m	Total £m
Segment revenue		108.7	38.1	146.8
Intercompany eliminations				(0.8)
<b>Revenue</b>				<b>146.0</b>
<b>EBITDA before exceptional items</b>		35.7	3.8	<b>39.5</b>
Depreciation and amortisation		(4.5)	(0.4)	(4.9)
<b>Operating profit before exceptional items</b>		<b>31.2</b>	<b>3.4</b>	<b>34.6</b>
Exceptional items	7			(10.3)
<b>Operating profit</b>				<b>24.3</b>
Net finance expense	8			(11.3)
<b>Profit before tax</b>				<b>13.0</b>

Segment assets:

As at 30 June 2016				
		Bricks & Blocks £m	Bespoke products £m	Total £m
Property, plant and equipment		131.9	15.3	147.2
Intangible assets		7.0	6.1	13.1
Inventories		40.2	4.3	44.5
Unallocated assets				71.9
<b>Total assets</b>				<b>276.7</b>

Other segment information:

As at 30 June 2016				
		Bricks & Blocks £m	Bespoke products £m	Total £m
Property, plant and equipment additions		2.3	0.2	2.5
Intangible asset additions		-	-	-

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 30 JUNE 2017 (UNAUDITED) (CONTINUED)

6. SEGMENTAL REPORTING (CONTINUED)

Segment revenue and results:

		Year ended 31 December 2016		
	Note	Bricks & Blocks £m	Bespoke products £m	Total £m
Segment revenue		221.3	74.8	296.1
Intercompany eliminations				(1.6)
<b>Revenue</b>				<b>294.5</b>
<b>EBITDA before exceptional items</b>		63.6	7.0	<b>70.6</b>
Depreciation and amortisation		(9.6)	(0.8)	(10.4)
<b>Operating profit before exceptional items</b>		<b>54.0</b>	<b>6.2</b>	<b>60.2</b>
Exceptional items	7			(8.9)
<b>Operating profit</b>				<b>51.3</b>
Net finance expense	8			(14.2)
<b>Profit before tax</b>				<b>37.1</b>

Segment assets:

	As at 31 December 2016		
	Bricks & Blocks £m	Bespoke products £m	Total £m
Property, plant and equipment	132.5	14.7	147.2
Intangible assets	7.4	6.3	13.7
Inventories	34.4	4.6	39.0
Unallocated assets			88.2
<b>Total assets</b>			<b>288.1</b>

Other segment information:

	As at 31 December 2016		
	Bricks & Blocks £m	Bespoke products £m	Total £m
Property, plant and equipment additions	7.7	0.5	8.2
Intangible asset additions	0.5	0.2	0.7

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 30 JUNE 2017 (UNAUDITED) (CONTINUED)**

**7. EXCEPTIONAL ITEMS**

	Six months ended		Year ended
	30 June		31 December
	2017	2016	2016
	£m	£m	£m
Transaction costs	-	(9.1)	(9.1)
Separation costs	-	(1.2)	(1.3)
Loss on disposal of subsidiary	-	-	(0.1)
Indemnity payment received	-	-	1.6
	<u>-</u>	<u>(10.3)</u>	<u>(8.9)</u>

The Group reports non-trading income or expenditure as exceptional when the size, nature or function of an item, or aggregation of similar items, is such that separate presentation is relevant to an understanding of its financial position.

Transaction costs include all fees, consultancy costs, management incentives and other expenses incurred as part of the execution of the IPO of the Group.

Separation costs relate to the separation from HeidelbergCement AG and subsequently Forterra Inc in 2016 and include rebranding, staff recruitment, new office fit out costs, set up of standalone IT operations and staff recruitment.

A cash tax indemnity payment was received in 2016 from HeidelbergCement AG relating to previous tax paid. It was initially recognised as a contingent asset at zero value but later revalued to £1.6m upon confirmation of receipt.

**8. NET FINANCE EXPENSE**

	Six months ended		Year ended
	30 June		31 December
	2017	2016	2016
	£m	£m	£m
Interest payable on related party borrowings	-	(10.2)	(10.2)
Interest payable on external borrowings	(2.2)	(1.1)	(3.8)
Other finance expense	-	-	(0.2)
	<u>(2.2)</u>	<u>(11.3)</u>	<u>(14.2)</u>

Up to the date of the IPO in April 2016 both the debt level and interest rate were significantly higher than under the Group's post IPO financing arrangements. This resulted in a higher interest charge for the period up to the IPO.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 30 JUNE 2017 (UNAUDITED) (CONTINUED)**

**9. 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.

As the Group did not exist in its current form throughout the comparative period, basic and diluted EPS has been calculated as if the restructuring of the Group on admission to the London Stock Exchange occurred at the beginning of the comparative period.

	Six months ended				Year ended 31	
	30 June 2017		30 June 2016		December 2016	
	Basic	Pro-forma	Basic	Pro-forma	Basic	Pro-forma
	£m	£m	£m	£m	£m	£m
Operating profit for the period	33.6	33.6	24.3	24.3	51.3	51.3
Exceptional items	-	-	-	10.3	-	8.9
Additional costs in 2017 as a stand-alone plc	-	-	-	(1.2)	-	(1.2)
Net finance expense	(2.2)	(2.2)	(11.3)	(3.0)	(14.2)	(5.9)
Profit before taxation	31.4	31.4	13.0	30.4	37.1	53.1
Tax charge	(6.3)	(6.3)	(4.2)	(6.4)	(9.6)	(11.1)
<b>Profit for the period</b>	<b>25.1</b>	<b>25.1</b>	<b>8.8</b>	<b>24.0</b>	<b>27.5</b>	<b>42.0</b>
Number of ordinary shares in issue (millions)	200.0	200.0	200.0	200.0	200.0	200.0
Effect of share incentive awards and options	2.5	2.5	0.8	0.8	0.8	0.8
Diluted weighted average number of ordinary shares	202.5	202.5	200.8	200.8	200.8	200.8
<b>Earnings per share</b>						
Basic (in pence)	12.6		4.4		13.8	
Diluted (in pence)	12.4		4.4		13.7	
<b>Pro-forma earnings per share</b>						
Basic (in pence)		12.6		12.0		21.0
Diluted (in pence)		12.4		12.0		20.9

Pro-forma basis is presented as an additional performance measure and is stated before exceptional items and after adjustments to present additional plc costs incurred in 2017 and finance costs comparatively in both years.

\*See note 2.

**10. DIVIDENDS**

A dividend of 3.8 pence per share that relates to the period ending 31 December 2016 was paid on 6 July 2017, making a total distribution of 5.8 pence per share for 2016.

An interim dividend of 3.1 pence per share (2016: 2.0 pence per share) will be paid on 12 October 2017 to shareholders on the register at 22 September 2017. This interim dividend has not been recognised as a liability at 30 June 2017. It will be recognised in shareholders equity in the financial statements for the year ended 31 December 2017.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 30 JUNE 2017 (UNAUDITED) (CONTINUED)**

**11. LOANS AND BORROWINGS**

	<b>As at 30 June</b>		<b>As at 31 December</b>
	<b>2017</b>	<b>2016</b>	<b>2016</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Non-current loans and borrowings:</b>			
External bank loans - principal	(130.0)	(140.0)	(140.0)
- unamortised debt issue costs	1.9	2.7	2.2
	<u>(128.1)</u>	<u>(137.3)</u>	<u>(137.8)</u>
<b>Current loans and borrowings:</b>			
External bank loans - principal	(10.0)	(10.0)	(10.0)
- interest	(0.6)	(0.8)	(0.7)
	<u>(10.6)</u>	<u>(10.8)</u>	<u>(10.7)</u>
	<u><u>(138.7)</u></u>	<u><u>(148.1)</u></u>	<u><u>(148.5)</u></u>

On 26 April 2017 the Group made a capital repayment of £10.0m on the term loan. Interest on the loan is payable on amounts drawn down under the agreement at a rate of LIBOR plus a variable margin ranging from 1.50% to 2.75%. On 22 March 2017 the margin was reduced from 2.25% to 1.75% as a result of a reduction in the Group's net debt to EBITDA ratio at 31 December 2016.

The Group's existing debt facility, which was agreed as part of the IPO, was successfully amended in July 2017 and replaced by a new RCF-only facility of £150.0m with a group of major international banks. In addition, an accordion facility of £50.0m has been agreed. Under the new facility interest is set at LIBOR plus a margin of 1.25% to 2.25%.

**12. FINANCIAL INSTRUMENTS**

	<b>As at 30 June</b>		<b>As at 31 December</b>
	<b>2017</b>	<b>2016</b>	<b>2016</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Carrying value of financial assets</b>			
Cash and cash equivalents	69.3	29.1	56.2
Trade and other receivables (excluding prepayments)	44.2	38.7	30.3
	<u>113.5</u>	<u>67.8</u>	<u>86.5</u>

	<b>As at 30 June</b>		<b>As at 31 December</b>
	<b>2017</b>	<b>2016</b>	<b>2016</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Carrying value of financial liabilities</b>			
Trade and other payables (excluding non-financial liabilities)	50.1	50.0	47.7
Loans and borrowings	138.7	148.1	148.5
	<u>188.8</u>	<u>198.1</u>	<u>196.2</u>

The financial assets of the Group, cash and cash equivalents and trade and other receivables are derived directly from operations. For financial liabilities of the Group, trade and other payables are derived directly from operations and loans and borrowings and derivative financial liabilities are arranged to finance operating and investing activities.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 30 JUNE 2017 (UNAUDITED) (CONTINUED)**

**13. NET DEBT**

	As at 30 June		As at 31 December
	2017	2016	2016
	£m	£m	£m
Cash and cash equivalents	69.3	29.1	56.2
Loans and borrowings	(138.7)	(148.1)	(148.5)
<b>Net debt</b>	<b>(69.4)</b>	<b>(119.0)</b>	<b>(92.3)</b>

**Reconciliation of net cash flow to net debt**

	Six months ended 30 June		Year ended 31 December
	2017	2016	2016
	£m	£m	£m
Net cash inflow from operating activities	26.1	1.9	37.5
Net cash outflow from investing activities	(3.0)	(4.3)	(8.8)
Dividends paid	-	-	(4.0)
Net cash flow in period	23.1	(2.4)	24.7
Other movements	(0.2)	1.8	1.4
Restructuring movements	-	263.0	263.0
Decrease in net debt	22.9	262.4	289.1
Net debt at the start of the period	(92.3)	(381.4)	(381.4)
Net debt at the end of the period	<b>(69.4)</b>	<b>(119.0)</b>	<b>(92.3)</b>

**14. SHARE-BASED PAYMENTS**

In April 2017 660,124 share awards were granted under the Performance Share Plan (PSP) to the Executive Directors, other members of the Operating Board 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, a holding period applies to vested PSP awards under which Executive Directors of Forterra plc are required to retain the net of tax number of vested awards for at least two years from the date of vesting.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 30 JUNE 2017 (UNAUDITED) (CONTINUED)**

**15. RELATED PARTY TRANSACTIONS**

	<b>Six months ended 30 June</b>		<b>Year ended 31 December</b>
	<b>2017</b>	<b>2016</b>	<b>2016</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Transactions with related parties:</b>			
Purchases from related parties	(1.0)	(2.1)	(3.6)
Interest charged on shareholder loan note	-	(10.2)	(10.2)
Dividends paid to related parties	-	-	(2.6)
<b>Period end balances with related parties:</b>			
Trade and other payables with related parties	-	(0.7)	(0.7)

Prior to IPO, the Group's immediate parent undertaking was LSF9 Concrete UK Ltd, a company dual-registered in Jersey, and England and Wales, and under the control of Lone Star Funds.

Following the IPO, LSF9 Concrete UK Ltd retained ownership of 128,666,827 ordinary shares representing 64.3% of the issued share capital at the date of listing. On 26 May 2016 LSF9 Concrete UK Ltd transferred its shareholding to another company, LSF9 Concrete II Ltd, also under the control of Lone Star Funds. On 23 January 2017 Lone Star Funds sold 23,000,000 ordinary shares and on 25 April 2017 sold its remaining shareholding of 105,666,827 ordinary shares. This disposed of the entirety of its shareholding in Forterra plc. From this date Forterra plc was no longer under the control of an ultimate controlling party.

Up to 25 April 2017, related parties were entities under common ownership of Lone Star Funds. All related party transactions and balances were undertaken in the normal course of business and on an arm's length basis.

**16. POST BALANCE SHEET EVENTS**

On 26 July 2017 the Group's existing debt facility was successfully amended and replaced by a new RCF-only facility of £150.0m with a group of major international banks. In addition, an accordion facility of £50.0m has been agreed. Under the new facility interest is set at LIBOR plus a margin of 1.25% to 2.25%.

On 28 July 2017 the Group announced an agreement to acquire the trade and assets of Bison Manufacturing Ltd from Laing O'Rourke plc for £20m. Bison is the UK market leading manufacturer of hollowcore precast concrete flooring with a highly automated manufacturing facility located at Swadlincote, Derbyshire, which was opened in 2006. The acquisition is expected to complete in the third quarter and will be funded from the Group's existing cash balances.