



30 July 2018

2018 HALF YEAR RESULTS

Forterra plc, a leading UK producer of manufactured masonry products, announces half year results for the six months ended 30 June 2018.

	Six months ended 30 June			Year ended 31 December
	2018 £m	2017 £m	Change %	2017 £m
Revenue	180.0	162.7	10.6%	331.0
EBITDA	39.2	38.7	1.3%	75.4
Operating profit	33.5	33.6	(0.3)%	64.5
PBT before exceptionals*	32.3	31.4	2.9%	61.1
Profit before tax	32.3	31.4	2.9%	59.3
EPS before exceptionals* (pence)	13.0	12.6	3.2%	24.5
Net debt	51.9	69.4		60.8
Dividend – interim / total (pence)	3.3	3.1	6.5%	9.5

* an exceptional finance charge of £1.8m was incurred in second half of 2017. There were no exceptional items in first half of 2018 and 2017

HIGHLIGHTS

- Increase in sales of 10.6% due to the Bison acquisition in H2 2017, higher aircrete block volumes and price increases applied to offset cost inflation
- Profit before tax ahead of prior year by 2.9% due to a good performance from Bricks & Blocks and a lower finance cost
- Precast concrete business result affected by slow industry-wide recovery from the severe weather in Q1, which slowed the integration of the newly acquired Bison business
- Good cash flow performance resulting in further reduction of net debt to £51.9m at 30 June 2018, representing 0.7 times last twelve months EBITDA
- Major expansion project announced to build new brick facility at Desford with a capacity of 180m bricks pa, more than doubling current site capacity at a capital cost of £90-95m
- Interim dividend declared of 3.3 pence per share, an increase of 6.5% over 2017

Stephen Harrison, Chief Executive Officer, commented:

“The Group delivered a solid performance in the first half, supported by a good result from the Brick and Block product lines.

“Continued levels of activity from the new build single unit residential market lead us to anticipate a Brick and Block performance in line with our expectations for the second half. The outlook for Bespoke Products is predicated on the expected recovery of precast sales and the conversion of the order book into deliveries as that segment of the market recovers. As a result we anticipate the Group’s profit before tax for the full year to be in line with the Board’s expectations”

INTERIM MANAGEMENT REPORT

ENQUIRIES

Forterra plc

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A presentation for analysts will be held today, 30 July 2018, at 8.45am 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 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.

INTERIM MANAGEMENT REPORT

BUSINESS REVIEW

RESULTS FOR THE HALF YEAR

Revenue in the first half of 2018 was £180.0m, an increase of 10.6% against the comparative period for 2017 reflecting in part the acquisition of the Bison business completed in September 2017. The underlying increase in revenue was due to higher aircrete block volumes and the price increases applied across all product lines to offset cost inflation. As previously indicated, precast concrete volumes were below our plan as the construction industry strived to catch up with the effects of the severe weather at the end of Q1, and this was reflected more acutely in multi-unit housing and larger infrastructure projects. However, order levels for precast have been broadly in line with our plan suggesting that the sales shortfall is due to activity levels at certain types of building sites. Brick volumes were also disrupted by the weather although the catch-up in single unit housing during the second quarter was better, resulting in overall volumes being largely flat against a particularly strong prior period comparative.

Earnings before interest, tax, depreciation and amortisation (EBITDA) for the first half of £39.2m was £0.5m ahead of the comparative period due to a good overall performance from the bricks and blocks businesses which offset a disappointing result from the precast concrete business.

The Bespoke Products business contributed £0.7m EBITDA in the first half compared with £3.0m in the comparative period due to the lower than plan sales volumes as described above which made the integration of the Bison business more challenging. Capacity utilisation at Swadlincote has increased but this has been hampered by yard space due to a build-up of inventory resulting from customer site construction delays. A leadership change has been made and the team is focused on executing a clear plan which will deal with the short term industry issues, successfully integrate Bison and drive improved future performance.

Although the Bricks and Blocks segment margin held up well, the overall Group EBITDA margin of 21.8% was lower than last half year (23.8%) due to the diluting effect of the Bespoke Products business performance.

Profit before tax was £0.9m higher than last half year at £32.3m reflecting the trading performance and a lower finance cost due to reduced debt levels and the refinancing of the borrowings facility in July 2017, offset partly by an increased depreciation charge.

OUTLOOK

The Group delivered a solid performance in the first half, supported by a good result from the Brick and Block product lines.

Continued levels of activity from the new build single unit residential market lead us to anticipate a Brick and Block performance in line with our expectations for the second half. The outlook for Bespoke Products is predicated on the expected recovery of precast sales and the conversion of the order book into deliveries as that segment of the market recovers. As a result we anticipate the Group's profit before tax for the full year to be in line with the Board's expectations.

EARNINGS PER SHARE AND DIVIDEND

Earnings per share was 13.0 pence per share, an increase of 3.2% over the prior half year due to the higher profit and also the benefit of a lower effective tax rate of 19.7% compared with 20.0% in 2017.

The Board has declared an interim dividend of 3.3 pence per share, an increase of 6.5% over the interim paid last year. The dividend will be paid on 11 October 2018 to shareholders on the register at 21 September 2018.

INTERIM MANAGEMENT REPORT (CONTINUED)

CASH FLOW, BORROWINGS AND FACILITIES

The Group continues to generate a strong level of operating cashflow, delivering £24.0m in the first half (2017: £31.8m). Working capital increased as anticipated due to higher sales arising from the spring selling season and the Bison acquisition. Capital expenditure was £6.0m including £2.5m on expansion capex at the Hams Hall aircrete facility and the bricks facilities at Accrington and Desford.

As announced in March, the Group commenced the market purchase of its shares through the Employee Benefit Trust in order to have sufficient shares to fulfil the requirements of the vesting of various share schemes. During the first half, 720,000 shares were purchased at a cost of £2.2m to be held by the EBT.

The operating cash generation, capital investment and the share purchases resulted in a further reduction in net debt of £8.9m to £51.9m at 30 June 2018.

Net debt to EBITDA (calculated with reference to the last twelve months of earnings) reduced further to 0.7 times at 30 June 2018 compared with 0.8 times at 31 December 2017 and 2.2 times at IPO in April 2016.

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 through both organic and appropriate bolt-on acquisitions.

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

The UK brick market has grown strongly over recent years, and capacity utilisation has increased. As outlined previously, we have prioritised debottlenecking projects at four sites in order to increase capacity by around 40 million bricks which has been less capital-intensive, whilst increasing plant efficiency and reducing unit production costs. The last of these projects is planned to be completed at our facility in Accrington, Lancashire during this year.

The next phase of expanding brick capacity to meet market demand through redeveloping the site at Desford in Leicestershire was announced in May 2018. The planning application for the project has now been submitted and involves building a new factory capable of producing up to 180m bricks per annum to replace the existing facility which has an annual production capacity of 85m bricks. The existing plant will remain operational until the new facility built alongside is completed. Subject to planning consent being received, it is anticipated that the new plant will be commissioned in late 2021 and that the capital expenditure of £90-95m will be spent over the period 2019 to 2022.

The acquisition of the Bison business in September 2017 has enabled us to take a leadership position in the UK precast concrete business whilst also reducing capacity constraints. Once successfully integrated, Bison precast will deliver value due to 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.

INTERIM MANAGEMENT REPORT (CONTINUED)

BRICKS AND BLOCKS

	Six months ended 30 June			Year ended 31 December
	2018 £m	2017 £m	Change %	2017 £m
Revenue	132.4	123.7	7.0%	249.5
EBITDA	38.5	35.7	7.8%	69.1
EBITDA margin	29.1%	28.9%		27.7%

Revenue in the first half increased by 7.0% compared with prior half year. Activity levels were affected in the first quarter by the severe weather, and there was a catch-up from April onwards although this was tempered by the availability of labour within the construction industry and distribution capacity. Aircrete volumes increased strongly following the weakness seen in the first half of 2017 and the reversal of the substitution by aggregate blocks. Consequently aggregate block volumes reduced to more normal levels. Brick sales volumes were largely flat overall for the half year reflecting both the impact of the weather and also a strong comparative performance last half year. Price increases were applied across the product range to offset the effect of input cost inflation.

EBITDA increased by £2.8m due to the higher revenue and disciplined cost management. Brick production increased by double digits reflecting the resumption of full production at Claughton and Accrington, and also the benefit of the debottlenecking projects. The effect of higher cost of energy and carbon credits was mitigated in the first half by the forward purchases of energy previously put in place, however there will be a small adverse effect in the second half and further higher cost in 2019.

The project to convert the Hams Hall, Birmingham aircrete facility to use conditioned (wet) Pulverised Fuel Ash (PFA) as well as dry PFA was successfully completed in July 2018 at a capital cost of £2.2m, and the plant has resumed production. The Group has entered into a long term contract to purchase conditioned PFA, and implementation of this project will provide greater flexibility and resilience of production for aircrete blocks.

The upgrade of the kiln at the Desford brick facility was completed in early 2018 to budget and added an extra 5m bricks per annum to the plant capacity prior to the major expansion project planned for Desford. The debottlenecking project at Accrington is planned to be carried out in the second half, leading to an increase in capacity of 10m bricks per annum.

BESPOKE PRODUCTS

	Six months ended 30 June			Year ended 31 December
	2018 £m	2017 £m	Change %	2017 £m
Revenue	48.5	40.0	21.3%	83.6
EBITDA	0.7	3.0	(76.7)%	6.3
EBITDA margin	1.4%	7.5%		7.5%

The increase in revenue for Bespoke Products of 21.3% compared with last half year was primarily due to the inclusion of the Bison Swadlincote facility acquired in September 2017. As outlined above, sales volumes of precast concrete were below plan due to the severe weather in the first quarter and with low recovery rates thereafter as construction sites strived to catch up. The increased sales volumes of products into single unit housing suggests that sites have prioritised the completion of these over multi-

INTERIM MANAGEMENT REPORT (CONTINUED)

occupancy units. Market data suggests that our business held its own and the issue was across the industry. Order levels continued broadly in line with plan, providing comfort that the sales issue is one of timing of despatches to customer sites.

The reduced sales volumes has meant that the integration of the Bison Swadlincote facility has been more challenging. Capacity utilisation at the plant has increased through winning new orders and transfer of product lines from the other two facilities, but this has been restricted by the delays in delivering manufactured products and limited stock yard capacity. We have also experienced some operational issues at one of our existing plants which has led to reduced productivity in the first half.

As described above, a leadership change has been made and the team is focused on executing a clear plan which will deal with the short term industry issues, successfully integrate Bison and drive improved future performance.

Both the Redbank roofing products business and the Formpave concrete paving business made a positive contribution in the first half, although their performance was also affected by the market conditions described above. Redbank is progressing a number of initiatives to both develop its existing product range and introduce new products in related markets.

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 2018, 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 and are not expected to materially change in the remaining six months of the financial year.

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.

INTERIM MANAGEMENT REPORT (CONTINUED)

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 2018

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 2018 which comprises Condensed Consolidated Income Statement, Condensed Consolidated Statement of Financial Position, Condensed Consolidated Statement of Changes in Equity, Condensed Consolidated Statement of Cashflows 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 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 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 2018 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 2018

**CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE HALF YEAR ENDED 30 JUNE 2018 (UNAUDITED)**

		Six months ended 30 June		Year ended 31 December
	Note	2018 Unaudited £m	2017 Unaudited £m	2017 Audited £m
Revenue	6	180.0	162.7	331.0
Cost of sales		(110.1)	(94.4)	(196.8)
Gross profit		69.9	68.3	134.2
Distribution costs		(25.2)	(24.4)	(48.9)
Administrative expenses		(10.8)	(10.4)	(21.2)
Other operating (expense)/income		(0.4)	0.1	0.4
Operating profit		33.5	33.6	64.5
EBITDA		39.2	38.7	75.4
Depreciation and amortisation		(5.7)	(5.1)	(10.9)
Operating profit		33.5	33.6	64.5
Finance expense before exceptional items		(1.2)	(2.2)	(3.4)
Exceptional finance expense		-	-	(1.8)
Net finance expense	7	(1.2)	(2.2)	(5.2)
Profit before tax		32.3	31.4	59.3
Income tax expense		(6.4)	(6.3)	(11.8)
Profit for the financial period attributable to equity shareholders		25.9	25.1	47.5
Total comprehensive income for the period attributable to equity shareholders		25.9	25.1	47.5
Earnings per share:				
Basic (in pence per share)	8	13.0	12.6	23.8
Diluted (in pence per share)	8	12.8	12.4	23.4

The notes on pages 13 to 20 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 2018 (UNAUDITED)**

		As at 30 June	As at 31 December
	Note	2018 Unaudited £m	2017 Unaudited £m
			2017 Audited £m
Assets			
Non-current assets			
Intangible assets		16.7	13.9
Property, plant and equipment		164.4	144.5
Deferred tax assets		-	0.1
		<u>181.1</u>	<u>181.0</u>
Current assets			
Inventories		36.7	37.2
Trade and other receivables		56.9	46.0
Cash and cash equivalents		27.9	69.3
		<u>121.5</u>	<u>152.5</u>
		<u>302.6</u>	<u>279.3</u>
Current liabilities			
Trade and other payables		(82.5)	(56.7)
Income tax liabilities		(5.9)	(6.1)
Loans and borrowings	10	(0.4)	(10.6)
Provisions for other liabilities and charges		(7.1)	(5.8)
		<u>(95.9)</u>	<u>(79.2)</u>
Non-current liabilities			
Loans and borrowings	10	(79.4)	(128.1)
Provisions for other liabilities and charges		(9.2)	(8.8)
Deferred tax liabilities		(1.2)	-
		<u>(89.8)</u>	<u>(136.9)</u>
		<u>(185.7)</u>	<u>(174.6)</u>
Total liabilities			
Net assets		<u>116.9</u>	<u>94.9</u>
Capital and reserves attributable to equity shareholders			
Ordinary shares		2.0	2.0
Retained earnings		116.8	92.9
Reserve for own shares		(1.9)	-
Total equity		<u>116.9</u>	<u>104.7</u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 30 JUNE 2018 (UNAUDITED)**

	Share capital	Reserve for own shares	Retained earnings	Total equity
	£m	£m	£m	£m
Current half year:				
Balance at 1 January 2018	<u>2.0</u>	<u>-</u>	<u>102.7</u>	<u>104.7</u>
Total comprehensive income for the financial period		-	25.9	25.9
Dividend payable	-	-	(12.8)	(12.8)
Share-based payments	-	-	1.3	1.3
Payments to acquire own shares	-	(2.2)	-	(2.2)
Exercise of options	-	0.3	(0.3)	-
Balance at 30 June 2018	<u>2.0</u>	<u>(1.9)</u>	<u>116.8</u>	<u>116.9</u>
Prior half year:				
Balance at 1 January 2017	<u>2.0</u>	<u>-</u>	<u>67.2</u>	<u>69.2</u>
Total comprehensive income for the financial period	-	-	25.1	25.1
Share-based payments	-	-	0.6	0.6
Balance at 30 June 2017	<u>2.0</u>	<u>-</u>	<u>92.9</u>	<u>94.9</u>
Balance at 1 January 2017	<u>2.0</u>	<u>-</u>	<u>67.2</u>	<u>69.2</u>
Total comprehensive income for the year	-	-	47.5	47.5
Dividends paid	-	-	(13.8)	(13.8)
Share-based payments	-	-	1.2	1.2
Tax on share-based payments	-	-	0.6	0.6
Balance at 31 December 2017	<u>2.0</u>	<u>-</u>	<u>102.7</u>	<u>104.7</u>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 30 JUNE 2018 (UNAUDITED)**

	Six months ended 30 June		Year ended 31 December
	2018 Unaudited £m	2017 Unaudited £m	2017 Audited £m
Cash flows from operating activities			
Operating profit before exceptional items	33.5	33.6	64.5
Adjustments for:			
Depreciation and amortisation	5.7	5.1	10.9
Non-cash movement on provisions	1.4	0.6	3.1
Share-based payments	1.4	0.6	1.5
Profit on sale of property, plant and equipment	-	-	(0.4)
Changes in working capital:			
Inventories	(0.4)	1.8	3.0
Trade and other receivables	(23.9)	(14.4)	(1.4)
Trade and other payables	8.4	5.0	9.5
Cash movement on provisions	(2.1)	(0.5)	(0.5)
Cash generated from operations	24.0	31.8	90.2
Interest paid	(1.0)	(2.0)	(3.3)
Tax paid	(5.9)	(3.7)	(9.3)
Net cash inflow from operating activities	17.1	26.1	77.6
Cash flows from investing activities			
Cash outflow on business combinations	-	-	(20.0)
Purchase of property, plant and equipment	(4.9)	(2.2)	(9.0)
Purchase of intangible assets	(1.1)	(0.8)	(1.8)
Proceeds from sale of property, plant and equipment	-	-	0.6
Net cash used in investing activities	(6.0)	(3.0)	(30.2)
Cash flows from financing activities			
Dividends paid	-	-	(13.8)
Drawdown of borrowings	-	-	100.0
Repayment of borrowings	(10.0)	(10.0)	(160.0)
Finance arrangement fees paid	-	-	(0.8)
Cash payments to acquire equity shares	(2.2)	-	-
Net cash (used in)/generated from financing activities	(12.2)	(10.0)	(74.6)
Net (decrease)/increase in cash and cash equivalents	(1.1)	13.1	(27.2)
Cash and cash equivalents at beginning of the period	29.0	56.2	56.2
Cash and cash equivalents at the end of the period	27.9	69.3	29.0

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2018 (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 2018.

The condensed consolidated financial statements for the six months ended 30 June 2018 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.

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 2017 were approved by the Board of Directors on 14 March 2018, 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 2018 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 2017 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 condensed consolidated financial statements are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 December 2017, except as disclosed below.

The following new standards became applicable in the reporting period;

IFRS 9 – Financial Instruments (effective 1 January 2018)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2018 (UNAUDITED) (CONTINUED)

IFRS 9 makes changes to accounting for financial instruments in the areas of classification and measurement, impairment and hedge accounting. There is no impact on the classification or measurement of financial instruments for the Group as a result of IFRS 9 and hedge accounting is not applied. IFRS 9 replaces the incurred credit loss impairment model for financial assets in IAS 39 with an expected credit loss model. This has no impact on the Group financial statements due to the short term nature of receivables.

IFRS 15 – Revenue from contracts with customers (effective 1 January 2018)

In 2017 a detailed review of contracts was carried out to identify and analyse the impact of IFRS 15 on the Group. A further review has been carried out in 2018 and reconfirmed that, whilst the nature of contracts in the bespoke products segment is different to that of the bricks and blocks segments in that they are typically made to measure or custom orders, the timing of the transfer of control is unchanged. Therefore revenue recognition and profit before tax are not impacted by the implementation of IFRS 15.

IFRS 16 – Leases (effective 1 January 2019)

IFRS 16 will impact the treatment of the operating leases held by the Group, with these leases being recognised on the balance sheet in future periods. Work to assess the full impact of IFRS 16 remains ongoing.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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 2017.

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 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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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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 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.

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.

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 75% Bricks and Blocks and 25% Bespoke Products. 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 from contracts with external customers within the UK.

Segment revenue and results:

	Six months ended 30 June 2018		
	Bricks & Blocks	Bespoke products	Total
	£m	£m	£m
Segment revenue	132.4	48.5	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

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Segment assets:

	As at 30 June 2018		
	Bricks & Blocks	Bespoke products	Total
	£m	£m	£m
Property, plant and equipment	130.3	34.1	164.4
Intangible assets	8.9	7.8	16.7
Inventories	29.9	6.8	36.7
Segment assets	169.1	48.7	217.8
Unallocated assets			84.8
Total assets			302.6

Other segment information:

	As at 30 June 2018		
	Bricks & Blocks	Bespoke products	Total
	£m	£m	£m
Property, plant and equipment additions	4.3	0.6	4.9
Intangible asset additions	0.8	0.3	1.1

Segment revenue and results:

	Six months ended 30 June 2017		
	Bricks & Blocks	Bespoke products	Total
	£m	£m	£m
Segment revenue	123.7	40.0	163.7
Intercompany eliminations			(1.0)
Revenue			162.7
EBITDA	35.7	3.0	38.7
Depreciation and amortisation	(4.7)	(0.4)	(5.1)
Operating profit	31.0	2.6	33.6
Net finance expense			(2.2)
Profit before tax			31.4

Segment assets:

	As at 30 June 2017		
	Bricks & Blocks	Bespoke products	Total
	£m	£m	£m
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
Segment assets	170.6	25.0	195.6
Unallocated assets			115.4
Total assets			311.0

Other segment information:

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As at 30 June 2017

	Bricks & Blocks	Bespoke products	Total
	£m	£m	£m
Property, plant and equipment additions	1.6	0.7	2.3
Intangible asset additions	0.2	0.1	0.3

Segment revenue and results:

Year ended 31 December 2017

	Bricks & Blocks	Bespoke products	Total
	£m	£m	£m
Segment revenue	249.5	83.6	333.1
Intercompany eliminations			(2.1)
Revenue			331.0
EBITDA	69.1	6.3	75.4
Depreciation and amortisation	(9.6)	(1.3)	(10.9)
Operating profit	59.5	5.0	64.5
Net finance expense			(5.2)
Profit before tax			59.3

Segment assets:

As at 31 December 2017

	Bricks & Blocks	Bespoke products	Total
	£m	£m	£m
Property, plant and equipment	130.7	34.5	165.2
Intangible assets	8.1	7.7	15.8
Inventories	30.5	5.8	36.3
Total segment assets	169.3	48.0	217.3
Unallocated assets			62.0
Total assets			279.3

Other segment information:

As at 31 December 2017

	Bricks & Blocks	Bespoke products	Total
	£m	£m	£m
Property, plant and equipment additions	7.3	1.4	8.7
Property, plant and equipment acquired on business combination	-	20.0	20.0
Intangible asset additions	1.1	0.3	1.4
Intangible assets acquired on business combination	-	1.2	1.2

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7. NET FINANCE EXPENSE

	Six months ended 30 June		Year ended 31 December
	2018	2017	2017
	£m	£m	£m
Interest payable on external borrowings	(1.2)	(2.2)	(3.4)
IPO capitalised financing costs written off	-	-	(1.8)
	<u>(1.2)</u>	<u>(2.2)</u>	<u>(5.2)</u>

The Group reports non-trading income or expenditure as exceptional where 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. Following the refinancing of the Group's borrowings facility during 2017 the balance of the capitalised financing costs incurred at IPO was written off.

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 2017
	2018 Basic	2017 Basic	December 2017 Basic
	£m	£m	£m
Operating profit for the period	33.5	33.6	64.5
Net finance expense	<u>(1.2)</u>	<u>(2.2)</u>	<u>(5.2)</u>
Profit before taxation	32.3	31.4	59.3
Tax charge	<u>(6.4)</u>	<u>(6.3)</u>	<u>(11.8)</u>
Profit for the period	<u>25.9</u>	<u>25.1</u>	<u>47.5</u>
Number of ordinary shares in issue (millions)	199.8	200.0	200.0
Effect of share incentive awards and options	<u>3.1</u>	<u>2.5</u>	<u>2.9</u>
Diluted weighted average number of ordinary shares	<u>202.9</u>	<u>202.5</u>	<u>202.9</u>
Earnings per share			
Basic (in pence)	13.0	12.6	23.8
Diluted (in pence)	12.8	12.4	23.4

Earnings per share before exceptionals for 2017 has been calculated by adding back £1.8m of exceptional finance costs and tax related to this:

Earnings per share before exceptionals			
Basic (in pence)	13.0	12.6	24.5
Diluted (in pence)	12.8	12.4	24.1

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9. DIVIDENDS

A dividend of 6.4 pence per share that relates to the period ending 31 December 2017 was paid on 5 July 2018, making a total distribution of 9.5 pence per share for 2017.

An interim dividend of 3.3 pence per share (2017: 3.1 pence per share) has been declared by the Board and will be paid on 11 October 2018 to shareholders on the register at 21 September 2018. This interim dividend has not been recognised as a liability at 30 June 2018. It will be recognised in shareholders equity in the financial statements for the year ended 31 December 2018.

10. LOANS AND BORROWINGS

	As at 30 June		As at 31 December
	2018	2017	2017
	£m	£m	£m
Non-current loans and borrowings:			
External bank loans - principal	(80.0)	(130.0)	(90.0)
- unamortised debt issue costs	0.6	1.9	0.6
	<u>(79.4)</u>	<u>(128.1)</u>	<u>(89.4)</u>
Current loans and borrowings:			
External bank loans - principal	-	(10.0)	-
- interest	(0.4)	(0.6)	(0.4)
	<u>(0.4)</u>	<u>(10.6)</u>	<u>(0.4)</u>
	<u><u>(79.8)</u></u>	<u><u>(138.7)</u></u>	<u><u>(89.8)</u></u>

On 26 July 2017 the Group refinanced by repaying amounts outstanding under existing facilities and entering into a committed £150m revolving credit facility with a new group of leading banks. The new facility was extended by a year over the original facility and therefore is in place until July 2022. An accordion facility of £50m was also agreed.

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
	2018	2017	2017
	£m	£m	£m
Cash and cash equivalents	27.9	69.3	29.0
Loans and borrowings	(79.8)	(138.7)	(89.8)
Net debt	<u><u>(51.9)</u></u>	<u><u>(69.4)</u></u>	<u><u>(60.8)</u></u>

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2018 (UNAUDITED) (CONTINUED)**

Reconciliation of net cash flow to net debt

	Six months ended		Year ended
	30 June		31 December
	2018	2017	2017
	£m	£m	£m
Net cash inflow from operating activities	17.1	26.1	77.6
Net cash outflow from investing activities	(6.0)	(3.0)	(30.2)
Dividends paid	-	-	(13.8)
Net cash flow in period	<u>11.1</u>	<u>23.1</u>	<u>33.6</u>
Other movements	(2.2)	(0.2)	(2.1)
Decrease in net debt	<u>8.9</u>	<u>22.9</u>	<u>31.5</u>
Net debt at the start of the period	(60.8)	(92.3)	(92.3)
Net debt at the end of the period	<u>(51.9)</u>	<u>(69.4)</u>	<u>(60.8)</u>

12. SHARE-BASED PAYMENTS

In March 2018, 658,999 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, 76,990 shares were awarded in March 2018 under the Deferred Annual Bonus Scheme, deferring a portion of the 2017 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 2017.

13. RELATED PARTY TRANSACTIONS

	Six months ended		Year ended
	30 June		31 December
	2018	2017	2017
	£m	£m	£m
Transactions with related parties:			
Purchases from related parties	-	(1.0)	(1.0)

Lone Star Funds and its affiliates had a majority holding in Forterra plc up until 25 April 2017. On this date, Lone Star Funds completed the full sell-down of its shareholding.

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.

14. POST BALANCE SHEET EVENTS

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