



Solid performance despite challenging trading conditions, better than expected H1 net debt position

Six months ended 30 June 2024

	Adjusted ¹			Statutory		
	2024	2023	Change	2024	2023	Change
	£m	£m		£m	£m	
Revenue	162.1	183.2	(11.5) %	162.1	183.2	(11.5) %
EBITDA ²	24.3	31.1	(21.9) %	28.0	30.0	(6.7) %
EBITDA margin ²	15.0%	17.0%	(200) bps	17.3%	16.4%	90 bps
Operating profit (EBIT)	14.0	21.7	(35.5) %	17.7	20.6	(14.1) %
Profit before tax (PBT)	9.1	19.2	(52.6) %	12.8	18.1	(29.3) %
Earnings per share (pence)	3.2	7.1	(54.9) %	4.3	6.7	(35.8) %
Operating cash flow	13.3	(16.3)	n/a	4.9	(18.3)	n/a
Net debt before leases ²				(101.2)	(50.1)	102.0 %
Interim dividend (pence)				1.0	2.4	(58.3) %

¹Adjusted results for the Group have been presented before exceptional items and adjusting items (2024: income of £3.7m, 2023: expense of £1.1m) relative to statutory profit as explained in Alternative Performance Measures (APM) within note 4. Presenting these measures allows a consistent comparison with prior periods.

²EBITDA, adjusted EBITDA and net debt before leases are APMs, as explained in note 4. They are presented above under the statutory heading, being calculated with reference to statutory results without adjustment.

H1 RESULTS

- Group revenue for the period of £162.1m, represents a decrease of 11.5% relative to the prior period (2023: £183.2m)
- H1 UK brick industry despatches estimated to have fallen approximately 9% relative to the prior period, with our own brick despatches in line with this
- Despite the weaker than expected market conditions, effective cost management has delivered a result for the first half which is in line with our expectations
- Adjusted EBITDA of £24.3m (2023: £31.1m) and adjusted PBT of £9.1m (2023: £19.2m)
- Selling prices remain relatively stable with competitive market conditions restricting our ability to implement our announced price increases
- Cost environment remains stable with expected cost savings delivered, output reductions however limit the visibility of these savings
- Disciplined working capital management and timing of capital spend contributed to a stronger than expected half year cash performance with net debt before leases of £101.2m (2023 year end: £93.2m) which equates to 2.3 x adjusted EBITDA on a last 12 months (LTM) banking covenant basis
- Interim 2024 dividend of 1.0 pence per share (2023: 2.4 pence) declared in line with temporary 40% pay-out ratio

OUTLOOK

- With softer comparatives, the expected 9% reduction in UK brick despatches seen in H1 is expected to improve in H2; although overall, full year 2024 demand is expected to be lower than 2023
- With H1 despatches generally below our previous expectations, we have acted decisively to adjust our production plans and reduce output accordingly, prioritising working capital over short-term operating efficiency
- Whilst we have seen some modest signs of improving demand in recent months, disaggregating the effects of a catch up from an unusually wet winter, routine seasonality and any wider market recovery is difficult, with little evidence of a sustained recovery in the near-term
- With expected reductions in interest rates now delayed into H2 and mortgage rates remaining high, the challenging trading conditions which have persisted in H1 are expected to continue in the near term and we therefore now expect FY 2024 adjusted EBITDA to be around £50m
- Looking beyond the current financial year, the Board is encouraged by the new Government's commitment to increase housing supply and remains confident that the Group is well positioned to capitalise on a recovery of its key markets in due course

Neil Ash, Chief Executive Officer, commented:

"The Group delivered a solid performance in the first half of 2024, despite a continuing backdrop of challenging market conditions. Decisive management actions assisted in producing a result in line with our expectations and a better than expected net debt position at the period end.

"We are encouraged by the new Government's focus on significantly increasing housing supply which will clearly provide medium to long-term structural benefits for Forterra. Our strategic investment in Desford and Wilnecote addresses previous capacity constraints and positions us well to satisfy increased demand for our products.

"While the short-term outlook remains challenging, as we look further ahead the Group is well positioned to capitalise on the recovery of our key markets as it occurs."

ENQUIRIES

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A presentation for analysts will be held today, 30 July 2024, at 9.00am. A video webcast of the presentation will be available on the Investors section of our website (<http://forterrapl.co.uk/>).

ABOUT FORTERRA PLC

Forterra is a leading UK manufacturer of essential clay and concrete building products, with a unique combination of strong market positions in clay bricks, concrete blocks and precast concrete flooring. Our heritage dates back many decades and the durability, longevity and inherent sustainability of our products is evident in the construction of buildings that last for generations; wherever you are in Britain, you won't be far from a building with a Forterra product within its fabric.

Our clay brick business combines our extensive secure mineral reserves with modern and efficient high-volume manufacturing processes to produce large quantities of extruded and soft mud bricks, primarily for the new build housing market. We are also the sole manufacturer of the iconic Fletton brick, sold under the London Brick brand, used in the original construction of nearly a quarter of England's housing stock and today used extensively by homeowners carrying out extension or improvement work. Within our concrete blocks business, we are one of the leading producers of aircrete and aggregate blocks, the former being sold under one of the sector's principal brands of Thermalite. Our precast concrete products are sold under the established Bison Precast brand, and are utilised in a wide spectrum of applications, from new build housing to commercial and infrastructure.

SUMMARY

The Group delivered a solid performance in the first half of 2024 against a continuing backdrop of challenging market conditions which were a little weaker than had been anticipated at the beginning of the year. Notwithstanding this, we have delivered an H1 result in line with our expectations. Revenue in the first half totalled £162.1m (2023: £183.2m) a fall of £21.1m or 11.5% relative to the corresponding prior year period. Market conditions limited our ability to implement our announced selling price increases leaving selling prices broadly stable in the period. Adjusted EBITDA for the period was £24.3m (2023: £31.1m) assisted by firm cost control with adjusted PBT of £9.1m (2023: £19.2m).

Our disciplined cash and working capital management, assisted by the timing of capital expenditure and other payments, allowed the Group to report a better than expected half year net debt and leverage position which remains comfortably within our original covenants. As at 30 June 2024 our net debt before leases was £101.2m (31 December 2023: £93.2m) with leverage calculated in accordance with our banking covenants of 2.3 times (31 December 2023: 1.9 times). We continue to expect 2024 year end net debt before leases to be at a similar level to the 31 December 2023 position.

OUR MARKETS

Challenging trading conditions persisted throughout the period with weak demand experienced across our product range and end markets. Figures published by the Department for Business and Trade show that domestic brick despatches were 7% down relative to the prior year in the five months to May 2024, and with June being the strongest month of 2023, we expect this year on year deficit to widen to approximately 9% when the 2024 half year statistics are published. With the second half of 2023 providing a weaker comparative, it is likely that this deficit will improve in H2 although full year demand is likely to remain below 2023 levels. Our previous expectations for our 2024 full year performance were based upon an assumption of a broadly flat market.

Imports of bricks into the UK have continued to decline, with imports for the period to the end of May falling by 15% relative to the corresponding prior year period, currently satisfying approximately 20% of UK demand. Market conditions are believed to be similarly challenging in continental Europe, acting as a stimulant to continued imports, albeit at a modest level.

We were encouraged to see the housing crisis receive significant coverage during the general election campaign, and we now urge the new Government to deliver upon its commitment to significantly increase housing supply. Whilst we remain realistic as to what is achievable in the short-term, a change of government with a clear focus on increasing housing supply offers hope that, in the coming years, a modest level of housebuilding growth above 2022 levels is achievable even if the target of an average of 300,000 net new homes a year during the course of this parliament remains challenging in the near term. In addition to the promised planning reforms, the industry will also need to see labour supply constraints addressed along with significant incentives to ensure the private sector is rewarded for materially increasing build rates.

Both the wider UK brick industry and our own business were capacity constrained in the last cycle with the country importing approximately 570m bricks in 2022 when only 208,000 new home completions were registered. With the addition of our new Desford brick factory along with the recommissioning of the Wilnecote factory, our brick production capacity will increase by 23% relative to 2022 and even if we ultimately choose not to reopen the presently mothballed factory at Howley Park, our capacity will still be 15% greater. This represents an uplift of approximately 115% and 100% on our expected 2024 brick production respectively.

RESULTS FOR THE PERIOD

Our revenues reflect the weaker market conditions with our own brick despatches in line with the wider market trend. Our concrete products have fared a little better with aircrete blocks despatches increasing year on year. Pricing remains relatively stable leading to total revenue of £162.1m representing a decrease of 11.5% on the prior period (2023: £183.2m).

Adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) were £24.3m, a decrease of 21.9% relative to the prior year (2023: £31.1m). Group adjusted EBITDA margin of 15.0% compares to 17.0% in 2023. This decline in profitability is primarily driven by our aligning of production with current sales levels. The first half of 2023 saw reported EBITDA supported by a significant growth in inventory with fixed costs absorbed onto the balance sheet. This is demonstrated by our H1 adjusted operating cash inflow of £13.3m which compares to an outflow of £16.3m in the prior period, an improvement of £29.6m. During H1 we successfully aligned production to sales and accordingly, have seen our inventory stabilise.

The effective rate of corporation tax before adjusting items in the period was 26.6% (2023: 23.7%) which is in line with our expectations and closely aligned to the 25% headline rate of corporation tax. Adjusted profit before tax of £9.1m compares with a 2023 profit of £19.2m. Statutory profit before tax of £12.8m compares with a 2023 profit of £18.1m.

OUTLOOK

UK brick industry despatches for the first half of 2024 are expected to be around 9% below the prior year. Whilst this deficit is expected to improve by the end of the year given softer comparatives in the second half, we expect full year demand will still fall below the prior year comparative.

With H1 despatches generally below our previous expectations, we have adjusted our production plans to reduce output accordingly, prioritising cash over short-term efficiency and this will have an impact on H2 earnings. Whilst we have seen modest signs of improving demand in recent months, disaggregating the impacts of a catch up from an unusually wet winter, routine seasonality and any wider market recovery is difficult, with little evidence of sustained recovery in the near-term.

With the expected reduction in interest rates now delayed into H2, and having considered recent commentary from our listed customers, we now expect the challenging trading conditions which have persisted in the first half of the year to continue in the near term and we therefore expect FY 2024 adjusted EBITDA to be around £50m. Looking beyond this financial year, the Board is encouraged by the new Government's commitment to increase housing output and remains confident that Group is well positioned to capitalise on a recovery of its key markets in due course.

WELL POSITIONED FOR MARKET RECOVERY

Whilst the new Government's published target of 300,000 new homes per annum is challenging in the near-term, we are encouraged by its commitment to planning reform and the priority being given to delivering a significant increase in housing supply in the coming years. The supply and demand characteristics of the UK brick market dictated that, in 2022 with only 208,000 new home completions, the industry was capacity constrained with over 570m bricks imported representing 23% of market demand. Our £140m programme of organic capacity investment addresses our previous capacity constraints, leaving the Group well-positioned to benefit significantly from the market recovery as interest rates fall and housing demand increases.

Our capital investments at Desford and Wilnecote will provide us with an extra 23% brick manufacturing capacity and even without reopening the Howley Park facility, we will still have a 15% greater capacity in the next turn of the cycle. This represents an uplift of approximately 115% and 100% on our expected 2024 brick production respectively highlighting the operating leverage of our business. Assuming a return to market conditions seen in 2022, the investment in new capacity has created an enlarged Group capable of delivering EBITDA of approximately £120m in the mid-term, with Desford and Wilnecote contributing £25m and £7m respectively. (2022 adjusted EBITDA: £89.2m).

ALTERNATIVE PERFORMANCE MEASURES

In order to provide the most transparent understanding of the Group's performance, the Group uses alternative performance measures (APMs) which are not defined or specified under IFRS and may not be comparable with similarly titled measures used by other companies. The Group believes that its APMs provide additional helpful information on how the trading performance of the business is reported externally and assessed internally by management and the Board.

Adjusted results for the Group have been presented before: i) exceptional items and ii) adjusting items.

	2024	2023
	£m	£m
Adjusted PBT	9.1	19.2
<u>Exceptional costs</u>		
Restructuring costs	(0.2)	(2.1)
Impairment of plant and machinery	-	(0.9)
Aborted corporate transaction	(2.6)	-
<u>Adjusting items</u>		
Realised loss on the sale of surplus energy	(2.1)	-
Fair value movement on energy derivatives	6.9	-
Accounting for carbon credits	1.7	1.9

Accounting for carbon credits
Statutory PBT	12.8	18.1

EXCEPTIONAL ITEMS

Exceptional items in the period totalled £2.8m (2023: £3.0m) comprising professional fees associated with an aborted corporate transaction of £2.6m and restructuring costs of £0.2m. Exceptional items in 2023 primarily related to redundancy and termination costs associated with the restructuring of our operations in order to reduce output in response to the decline in demand for our products. These costs totalled £2.1m with a further £0.9m of non-cash impairment charges.

ADJUSTING ITEMS

Realised and unrealised movements in forward energy purchases

In addition to exceptional items we have also identified further adjusting items, the separate disclosure of which presents our results in a manner that allows users of our financial statements to understand the underlying trading performance of the business, applying consistent treatments as used by management to monitor the performance of the Group.

In the period, the Group realised a £2.1m loss in respect of surplus energy sold back to the market, which has been presented as an adjusting item. Alongside this, the statutory results include a £6.9m benefit in the period, which is the result of the Group no longer being able to benefit from the own use exemption as detailed within IFRS 9 Financial Instruments. For internal reporting purposes, we continue to recognise the cost of energy consumed at the forward contracted rate in the period of consumption. In order to allow users of the accounts to understand this more operationally aligned method of reporting, the impact to the profit and loss of these fair value movements in the period to 30 June 2024, being £6.9m, has been presented as an adjusting item.

In the comparative period to 30 June 2023, all forward contracted energy purchases qualified for the own use exemption under IFRS 9 and no adjusting items for energy accounting were presented.

Accounting for carbon credits

The statutory results consider carbon credits as being utilised on a first in, first out basis. Under this method, the Group's free allocation of carbon credits is utilised before recognising any liability to purchase further credits, which has the effect of weighting the cost of compliance into the second half of the year rather than spreading the cost more evenly across the full year in line with production.

The Group's free allocation of carbon credits is based on expected emissions over the full compliance period, which is aligned to the Group's financial year. As such, we believe a more operationally aligned method for measurement, consistent with our management reporting, is to recognise the cost of carbon compliance over the full financial year using a weighted average basis, aligned proportionately with the production that drives our carbon emissions. Accordingly, this has been presented within the adjusted results for the period.

We believe this approach provides users of the interim accounts with a more representative presentation of underlying trading performance in the first half of the year. As at 30 June 2024, the impact of this is to decrease adjusted profit before tax by £1.7m (2023: £1.9m) relative to the statutory measure. This only affects the interim results and has no impact on the full year results.

BRICKS AND BLOCKS

	Adjusted		Statutory	
	Restated ¹		Restated ¹	
	2024	2023	2024	2023
	£m	£m	£m	£m
Revenue²	130.2	146.5	130.2	146.5
EBITDA³ before overhead allocations	31.8	37.3	38.2	36.2
Overhead allocations⁴	(9.1)	(9.3)	(9.1)	(9.3)
EBITDA³ after overhead allocations	22.7	28.0	29.1	26.9
EBITDA³ margin before overhead allocations	24.4%	25.4%	29.3%	24.7%
EBITDA³ margin after overhead allocations	17.4%	19.1%	22.4%	18.4%

¹Restated to report Red Bank results within the Brick and Block segment as a result of internal restructure. Further details are contained within note 6.

²Revenue is stated before inter-segment eliminations.

³Both EBITDA and adjusted EBITDA are APMs, as explained within note 4. EBITDA is presented above under the statutory heading, being calculated with reference to statutory results without adjustment.

⁴Overhead allocations are costs centrally incurred on behalf of both segments, including general administrative expenses.

Bricks and Blocks revenues decreased by 11.1% with UK brick industry despatches estimated to have fallen approximately 9% relative to the prior year in the first half, with our own despatches in line with this. Alongside this, we have seen a slightly stronger year on year performance in both aircrete and aggregate blocks.

Pricing remains relatively stable albeit with competitive market conditions restricting our ability to implement our announced selling price increases. Not unsurprisingly at this stage of the cycle, we have seen a continuation of short-term offers and incentives aimed at stimulating demand and, following 18 months of these challenging market conditions, brick pricing remains only modestly below the peak seen in late 2022 and early 2023.

Segmental adjusted EBITDA of £22.7m compares to £28.0m in 2023 with the 2024 H1 EBITDA margin of 17.4%, as stated after overhead allocations, falling short of the H1 2023 equivalent of 19.1%. The primary driver of this was the significant reduction in operating efficiency following the reductions made to output in H2 2023 with the H1 2023 result

significant reduction in operating efficiency following the reductions made to output in H1 2023 and the H1 2023 result still benefiting from significant inventory growth.

Our cost base also remains broadly stable with inflation returning to more normal levels. Energy costs have stabilised from the peak experienced in 2023 but still remain significantly above historic norms. Our energy requirements for the remainder of the year are over 90% forward purchased which includes supply from our new solar farm which is now operational and supplying over 80% of our electricity demand. With our electricity requirements now substantially secured for the next 16 years and with forward gas purchases currently being layered out to 2027 we are able to make decisions with a high degree of certainty as to mid-term energy pricing.

BESPOKE PRODUCTS

	Adjusted		Statutory	
	Restated ¹		Restated ¹	
	2024	2023	2024	2023
	£m	£m	£m	£m
Revenue²	33.7	38.7	33.7	38.7
EBITDA³ before overhead allocations	3.9	5.4	3.8	5.4
Overhead allocations⁴	(2.3)	(2.3)	(2.3)	(2.3)
EBITDA³ after overhead allocations	1.6	3.1	1.5	3.1
EBITDA³ margin before overhead allocations	11.6%	14.0%	11.3%	14.0%
EBITDA³ margin after overhead allocations	4.7%	8.0%	4.5%	8.0%

¹ Restated to report Red Bank results within the Brick and Block segment as a result of internal restructure. Further details are contained within note 6.

² Revenue is stated before inter-segment eliminations.

³ Both EBITDA and adjusted EBITDA are APMs, as explained within note 4. EBITDA is presented above under the statutory heading, being calculated with reference to statutory results without adjustment.

⁴ Overhead allocations are costs centrally incurred on behalf of both segments, including general administrative expenses.

Our Bespoke Products business, the largest component of which is our precast concrete flooring business, has experienced the same challenging market conditions as the wider business. Revenues in the period totalled £33.7m, a decrease of £5.0m or 12.9% relative to 2023.

Pricing remains broadly stable and whilst the majority of the cost base also remains stable, we have seen some volatility in the cost of insulation, which is a significant input cost within this business, impacting margins. We have recently seen a modest upturn in orders for our floor beams and with the floor being the first part of the house to be constructed, this could signal an increase in build rates although the difficulties of differentiating between catch up from a wet winter, traditional seasonality and wider market recovery mean that we remain cautious in the near term. Sales of hollowcore flooring, used in multifamily or commercial construction, have been more muted in recent months with a number of projects impacted by delays and timetables for the installation of our products often slipping.

Segmental adjusted EBITDA, after allocated Group overheads, totalled £1.6m: (2023: £3.1m). EBITDA margin prior to allocation of Group overheads was 11.6% compared to 14.0% in 2023. We have disclosed previously that the method of allocation of overheads places an additional burden on this segment than would be required if it was a stand-alone business. Before overhead allocation, the EBITDA contribution of £3.9m for the period represents an excellent result delivered against a challenging market backdrop and an attractive level of return on capital employed given the modest asset base of this segment.

EARNINGS PER SHARE AND DIVIDEND

Adjusted earnings per share (EPS) in the period of 3.2 pence represents a decrease of 54.9% relative to the 2023 equivalent EPS of 7.1 pence. EPS is calculated based on the average number of shares in issue during the period, adjusted for the shares held by the Employee Benefit Trust.

The Board has elected to retain the Group's temporary dividend pay-out ratio of 40% of earnings which it expects to remain in place until leverage falls to a more sustainable level. In line with this policy and based upon its expectations of full year 2024 earnings, the Board has declared an interim dividend of 1.0 pence per share with the distribution approximating to 1/3 interim, 2/3 final. The interim dividend will be paid on 11 October 2024 to shareholders on the register at 20 September 2024.

CASH FLOW AND WORKING CAPITAL

	2024	2023
	£m	£m
Adjusted EBITDA	24.3	31.1
Purchase and settlement of carbon credits	6.0	4.8
Other cash flow items	(7.4)	(4.4)
Changes in working capital		
- Inventories	(1.3)	(29.6)
- Trade and other receivables	(20.2)	(16.8)
- Trade and other payables	11.9	(1.4)
Adjusted operating cash flow	13.3	(16.3)
Payments made in respect of adjusting items	(8.4)	(2.0)
Operating cash flow after adjusting items	4.9	(18.3)
Interest paid	(5.2)	(2.1)
Tax paid	0.4	(3.6)
Capital expenditure		
- Maintenance	(1.4)	(6.1)
- Strategic	(8.1)	(9.2)
Net cash flow from sale and purchase of shares by Employee Benefit Trust	5.1	(1.8)
Repayment of lease liabilities	(3.2)	(2.9)

Other movements	(0.5)	(0.2)
Increase in net debt before leases	(8.0)	(44.2)

Adjusted operating cash flow in the first half of the year was an inflow of £13.3m (2023: outflow of £16.3m) demonstrating disciplined working capital management with the inventory build seen in the prior year not repeated. At 30 June 2024 finished goods inventories totalled £82.6m, compared to £79.7m at the end of 2023.

Capital expenditure in the period totalled £9.5m with £8.1m of this relating to our three ongoing strategic projects and the remainder being business as usual maintenance capex. During the period we spent £4.4m on the redevelopment of our Wilnecote factory and £3.6m on the brick slip facility at our Accrington plant, with the balance being attributable to Desford. This expenditure takes the total spend on Desford to £91.1m, Wilnecote to £22.3m and £6.7m on Accrington. In addition, interest of £0.8m (2023: £nil) and £0.1m (2023: £nil) has been capitalised in the period in respect of the Wilnecote and Accrington projects with this amount excluded from the figures above.

We expect further capital expenditure totalling approximately £15m in the second half of the year with £11m attributable to the three strategic expansion projects. By the end of this year we expect each of the three projects to be substantially complete although some final payments will fall into 2025. We continue to expect a reduction in capital expenditure in 2025 which will support our goal of deleveraging.

BORROWINGS AND FACILITIES

Closing net debt (excluding lease liabilities) was £101.2m (31 December 2023: £93.2m) with the increase in borrowing attributable to both seasonality and also £9.5m of capital spend in the period.

Leverage as calculated in line with our banking covenants was 2.3 times EBITDA (31 December 2023: 1.9 times). Borrowings and leverage were both significantly lower than previously expected at the half year with disciplined management of working capital having a positive impact. Alongside this, the temporary peak in net debt and leverage that we had forecast at the half year was mitigated by a delay in the capital expenditure at Wilnecote for reasons beyond our control and we also benefitted from delayed invoicing from a major supplier, resulting in our payments being delayed. These are matters of timing and therefore our expectations for year end net debt and leverage remain largely unchanged. Accordingly, we continue to expect 2024 year end net debt to be at a similar level to 2023 with full year leverage of around two times. Beyond this, significantly reduced capex spend will see leverage fall steadily with this accelerating when a market recovery gains traction.

The Group's credit facility comprises a committed revolving credit facility (RCF) of £170m extending to January 2027. At the period-end a total of £113.0m was drawn on the facility (31 December 2023: £110.0m) leaving facility headroom of £57.0m. The previous carve out of the facility to provide letters of credit has expired with the whole facility now available to be borrowed if required.

As previously announced, in anticipation of a peak of debt and leverage at the half year, we secured prudent variations to our banking covenants to ensure we retained sufficient headroom. The facility is normally subject to covenant restrictions of net debt/EBITDA (as measured before leases) of less than three times and interest cover of greater than four times. The Group also benefits from an uncommitted overdraft facility of £10m. The business has traded within these covenants to date and expects to continue to do so.

However, given continued challenging trading conditions and the need to demonstrate headroom above covenant levels, amended covenants were agreed with the Group's lenders to provide the required additional headroom given the combination of the Group's reduced EBITDA, and increased net debt. The Group's leverage covenant has increased to 4 times in June 2024 and 3.75 times in December 2024 with interest cover decreasing to 3 times in December 2024. In addition, quarterly covenant testing has been introduced for the period of the covenant relaxation. As such, in September 2024, leverage is set at four times and interest cover three times and in March 2025 leverage is set at 3.75 times and interest cover at three times. The covenants return to normal levels from June 2025 with testing reverting to half yearly. The existing restriction prohibiting the declaration or payment of dividends should leverage exceed 3 times EBITDA has been amended to 4 times EBITDA in 2024 before returning to 3 times in 2025.

Finance expense for the period totalled £4.9m (2023: £2.5m). The margin grid that determines the rate of interest payable has also been adjusted such that the grid commences at SONIA plus 1.65% whilst leverage remains under 0.5 times EBITDA, increasing to a margin of 3.50% should leverage exceed 3.5 times. In the first half, with the 2023 year end leverage under 2.0 times a margin of 2.25% was payable with this increasing to a margin of 2.50% in the second half following the increase in our leverage measured at the half year to under 2.5 times.

The facility is linked to our sustainability targets with the opportunity to reduce the margin by 5 bps subject to achieving annual sustainability targets covering decarbonisation, plastic reduction and increasing the number of employees in earn and learn positions. Unfortunately in 2023 the achievement of these targets was hindered by the reduction in market demand meaning that we are not currently benefiting from this reduction in margin.

STRATEGY AND CAPITAL ALLOCATION

Our strategy which is designed to deliver long-term earnings and cash flow growth is summarised as follows:

- Strengthen the core: Investing in new capacity to deliver growth in sales volumes along with enhanced efficiency
- Beyond the core: Expanding our product range beyond our traditional focus of mainstream residential construction focusing on new and evolving solutions such as brick slips
- Sustainability: Making our business more sustainable in everything we do
- Safety and engagement: Safety remains our number one priority and through prioritising employee engagement we will maximise the potential of our workforce

This, along with our capital allocation policy, which is centred on providing compelling returns for our shareholders, leaves the Group well placed to deliver long-term shareholder value.

The Group's capital allocation priorities are summarised as follows:

- strategic organic capital investment to deliver attractive returns;
- attractive ordinary dividend policy with a mid-term pay-out ratio of 55% of earnings, temporarily reduced to 40% until leverage has reduced to a more sustainable level;
- bolt-on acquisitions as suitable opportunities arise in adjacent or complementary markets; and
- supplementary shareholder returns as appropriate.

Our expectations were for leverage to peak in June 2024 although due to the circumstances highlighted above, that peak is less pronounced than previously expected. We continue to expect net debt at the end of 2024 to be broadly consistent with the 2023 figure (£93.2m before leases). Our present capital allocation priority is to reduce this level of leverage, and with our strategic capital projects nearing completion, we remain confident we will reduce our debt levels in 2025 even with only a modest market recovery.

STRATEGIC ORGANIC CAPITAL INVESTMENT

During the period we spent a combined £8.1m on our three strategic expansion projects at Desford, Wilnecote and Accrington bringing total spend on these projects to £120.1m.

Our brick factory at Wilnecote is benefiting from a £30m reconstruction, effectively installing a brand new factory within the existing building, creating a highly flexible facility designed to produce a wide range of specialist bricks in a variety of colours, finishes and sizes which we expect to sell into the commercial and specification channel. We now expect to recommission that factory at the end of the year which represents a significant delay compared with our original plans. The delays are attributable to challenges faced by the Group's suppliers and are connected to wider global economic and supply chain challenges arising firstly from Covid and then subsequently the conflict in Ukraine.

Were the Desford project to commence today, management estimate the cost would rise to approximately £120m compared to the actual expected cost of £95m. Similarly, the cost of the Wilnecote factory would increase to well beyond its £30m budget, broadly within which the project is still expected to be delivered. Whilst we have benefited significantly from these fixed-price contracts, these contractual provisions have challenged our supply chain and the economic impacts they have faced have contributed to the Wilnecote project in particular facing delays.

Our £12m brick slip facility at Accrington, which also benefits from a fixed price contract, continues to progress in line with expectations and we expect to commission this facility as anticipated in the second half of the year.

As we approach the end of our current £140m programme of capital investment, we continue to progress our pipeline of attractive organic investment opportunities although any decision to commit to these will be taken with both our balance sheet as well as market conditions in mind. Similarly, whilst we remain open to the possibility of bolt-on acquisitions, we will only progress such opportunities where there is a clear strategic rationale and where the acquisition would not put pressure on the balance sheet.

SUSTAINABILITY

We continue to prioritise our sustainability goals, although as we reported at the last year end, the current drop in demand for our products and the corresponding reductions in our output and corresponding loss of efficiency means that our sustainability progress is less evident in our published statistics.

Each of our organic investments provides a meaningful sustainability benefit with the new Desford and Wilnecote brick factories both reducing carbon emissions by approximately 25% per brick relative to their predecessor factories. Our innovative brick slip production facility at Accrington offers real sustainability benefits in manufacturing brick slips with around a 75% reduction in energy consumption, raw material usage and embodied carbon relative to traditional bricks.

We continue to progress a range of wider sustainability initiatives in addition to our strategic investments. We were delighted that our dedicated Forterra solar farm, funded through a 15 year PPA commitment entered into back in 2021, commenced generation at the end of April and is now providing over 70% of our electricity requirement. We will benefit from the full cost benefits of this arrangement from April 2025.

The recent announcement by the new Government that they will remove the prohibition on new onshore wind turbine developments also creates opportunity for our business and we will now reconsider the appropriateness and feasibility of future investment in this area.

We have continued to progress our efforts to reduce our use of plastic packaging in line with our target of a 50% reduction by 2025. This ambitious target has presented more challenges than initially envisaged, with safety our upmost priority, although we are confident we have now addressed many of these challenges allowing us to progress towards our goal.

We continue to investigate the opportunities presented by calcined clay as a cement substitute. As custodian of over 90m tonnes of clay reserves this presents an opportunity for us. We are most excited by the prospect of utilising our production waste from our unique London Brick manufacturing process where the calcination of the clay has already been undertaken during the brick firing process meaning a cement substitute can be created with a much reduced energy consumption. We are currently working with partners to establish the most economical way of bringing this product both to market and into our own concrete products.

We are continuing our work to better understand how we can utilise alternative fuels including hydrogen, synthetic gas and biomass in both our current and future factories. Having previously undertaken trials to demonstrate the use of hydrogen for firing bricks, we are now in discussions with those who may be able to provide us with a hydrogen supply in the future, both individual providers and wider hydrogen supply clusters who aim to connect industrial users to large scale producers through regional networks.

In addition, we continue to engage with suppliers of carbon capture use and storage technologies (CCUS) monitoring

In addition, we continue to engage with suppliers of carbon capture use and storage technologies (CCUS) monitoring progress in this rapidly developing area and learning how these technologies could be deployed within our own business in a cost effective manner.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the business have been appended to this interim statement and include a summary of risks emerging and an update to each of the risks recently presented in the 2023 Annual Report and Accounts.

GOING CONCERN

At the balance sheet date, the cash balance stood at £11.4m, with £113.0m borrowed against £170.0m of committed bank facilities, leaving undrawn facilities of £57.0m. The Group also benefits from an uncommitted overdraft facility of £10m. The Group meets its working capital requirements through these cash reserves and borrowings, and closely manages working capital to ensure sufficient daily liquidity, preparing financial forecasts and stress tests to ensure sufficient liquidity over the medium-term. The Group has operated within its banking covenants throughout the period, with funding secured through an RCF facility extending until January 2027.

The facility is normally subject to covenant restrictions of net debt/EBITDA (as measured before leases) of less than three times and interest cover of greater than four times. However, given continued challenging trading conditions and the need to demonstrate headroom above covenant levels, amended covenants have been agreed with the Group's lenders to provide the required additional headroom given the combination of the Group's reduced EBITDA, and increased net debt resulting from inventory build, committed capital outflows and higher interest rates. Accordingly, the Group's leverage covenant has increased to 4 times in June 2024 and 3.75 times in December 2024 with interest cover decreasing to 3 times in December 2024. In addition, quarterly covenant testing has been introduced for the period of the covenant relaxation. As such, in September 2024, leverage is set at four times and interest cover three times and in March 2025 leverage is set at 3.75 times and interest cover at three times. The covenants return to normal levels from June 2025 with testing reverting to half yearly. The existing restriction prohibiting the declaration or payment of dividends should leverage exceed 3 times EBITDA has been amended to 4 times EBITDA in 2024 before returning to 3 times in 2025.

The Group continues to update internal forecasts, reflecting current economic conditions, incorporating management experience, future expectations and sensitivity analysis. As at 30 June 2024, management are confident that the Group will remain resilient under all reasonably likely scenarios, whilst supporting the funding of the ongoing capital projects outlined in more detail in this announcement, and will continue to have headroom in both its banking covenants and existing bank facilities. We have modelled a plausible downside scenario which sensitises volumes and within which there is headroom against our covenants and available liquidity. We have further modelled a breach scenario to assess the fall in EBITDA required to breach the covenants within the credit facility in the period to 31 December 2025, and we believe that considering the new Government's commitment to increasing housing supply, coupled with the reduction in Group EBITDA that would be required, and the fact that our £140m programme of strategic investment is close to completion, the probability of such a scenario is remote. Even if such a scenario was to occur, we have identified mitigations including reduced capital expenditure, dividend reductions and operational cost savings which we would implement.

Taking account of all reasonably possible changes in trading performance and the current financial position of the Group, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the going concern period to 31 December 2025. The Group therefore adopts the going concern basis in preparing these Condensed Consolidated Financial Statements.

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 be 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 Financial Statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the UK;
- 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 Consolidated 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

Neil Ash
Chief Executive Officer

Ben Guyatt
Chief Financial Officer

29 July 2024

INDEPENDENT REVIEW REPORT TO FORTERRA PLC

CONCLUSION

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 2024 which comprises Condensed Consolidated Statement of Total Comprehensive Income, Condensed Consolidated Statement of Financial Position, Condensed Consolidated Statement of Changes in Equity, Condensed Consolidated Statement of Changes in Cash Flows and related notes 1 - 18. 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.

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 2024 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

BASIS FOR CONCLUSION

We conducted our review in accordance with International Standard on Review Engagements 2410 (UK) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE) issued by the Financial Reporting Council. 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.

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

CONCLUSION RELATING TO GOING CONCERN

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for Conclusion section of this report, nothing has come to our attention to suggest that management have inappropriately adopted the going concern basis of accounting or that management have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with this ISRE, however future events or conditions may cause the entity to cease to continue as a going concern.

RESPONSIBILITIES OF 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.

In preparing the half-yearly financial report, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE REVIEW OF THE FINANCIAL INFORMATION

In reviewing the half-yearly report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

USE OF OUR REPORT

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. 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.

Ernst & Young LLP
Luton

29 July 2024

CONDENSED CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 30 JUNE 2024 (UNAUDITED)

		Six months ended 30 June 2024 Unaudited £m	2023 Unaudited £m	Year ended 31 December 2023 Audited £m
	Note			
Revenue	6	162.1	183.2	346.4
Cost of sales		(106.1)	(123.1)	(245.7)
Gross profit		56.0	60.1	100.7
Distribution costs		(21.5)	(24.9)	(48.6)
Administrative expenses		(16.9)	(14.8)	(28.5)
Other operating income		0.1	0.2	0.5
Operating profit		17.7	20.6	24.1
EBITDA before exceptional items		30.8	33.0	58.1
Exceptional items	7	(2.8)	(3.0)	(14.0)
EBITDA		28.0	30.0	44.1
Depreciation and amortisation		(10.3)	(9.4)	(20.0)
Operating profit		17.7	20.6	24.1
Finance expense	8	(4.9)	(2.5)	(7.0)
Profit before tax		12.8	18.1	17.1
Income tax expense	9	(3.8)	(4.3)	(4.3)
Profit for the financial period attributable to equity shareholders		9.0	13.8	12.8
Other comprehensive loss				
Effective portion of changes of cash flow hedges (net of tax impact)		(0.2)	(0.8)	(0.7)
Total comprehensive income for the period attributable to equity shareholders		8.8	13.0	12.1
Earnings per share:		Pence	Pence	Pence
Basic (in pence)	10	4.3	6.7	6.2
Diluted (in pence)	10	4.3	6.6	6.2

The notes on pages 22 to 37 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 2024 (UNAUDITED)

		As at 30 June 2024 Unaudited £m	2023 Unaudited £m	As at 31 December 2023 Audited £m
	Note			
Non-current assets				
Intangible assets		12.2	18.2	19.2
Property, plant and equipment		252.5	245.1	249.7
Right-of-use assets		22.4	21.4	24.1
Derivative financial asset	15	3.7	-	5.0
		290.8	284.7	298.0
Current assets				
Inventories		97.1	72.6	95.8
Trade and other receivables		51.2	61.1	31.0
Income tax asset		0.7	0.6	2.3
Cash and cash equivalents		11.4	16.7	16.0
Derivative financial asset	15	4.0	-	1.6
		164.4	151.0	146.7
Total assets		455.2	435.7	444.7
Current liabilities				
Trade and other payables		(81.6)	(112.3)	(66.3)
Loans and borrowings	12	(0.5)	(0.3)	(0.4)
Lease liabilities		(5.5)	(5.2)	(5.7)
Provisions for other liabilities and charges		(3.9)	(7.7)	(15.7)
Derivative financial liabilities		(0.1)	(0.2)	(5.8)

		(91.6)	(125.7)	(93.9)
Non-current liabilities				
Loans and borrowings	12	(112.1)	(66.5)	(108.8)
Lease liabilities		(17.1)	(16.1)	(18.5)
Provisions for other liabilities and charges		(7.9)	(10.0)	(9.4)
Deferred tax liabilities		(8.8)	(5.9)	(6.3)
		(145.9)	(98.5)	(143.0)
Total liabilities		(237.5)	(224.2)	(236.9)
Net assets		217.7	211.5	207.8

Capital and reserves attributable to equity shareholders

Ordinary shares		2.1	2.1	2.1
Capital redemption reserve		0.2	0.2	0.2
Retained earnings		221.4	226.4	219.8
Cash flow hedge reserve		(0.3)	(0.2)	(0.1)
Reserve for own shares		(5.7)	(17.0)	(14.2)
Total equity		217.7	211.5	207.8

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 30 JUNE 2024 (UNAUDITED)

	Ordinary shares £m	Capital redemption reserve £m	Reserve for own shares £m	Cash flow hedge reserve £m	Retained earnings £m	Total equity £m
Current half year:						
Balance at 1 January 2024	2.1	0.2	(14.2)	(0.1)	219.8	207.8
Profit for the financial period	-	-	-	-	9.0	9.0
Other comprehensive income	-	-	-	(0.2)	-	(0.2)
Total comprehensive income for the period	-	-	-	(0.2)	9.0	8.8
Dividend payable	-	-	-	-	(4.2)	(4.2)
Proceeds from sale of shares by Employee Benefit Trust	-	-	5.1	-	-	5.1
Share-based payments charge	-	-	-	-	0.6	0.6
Share-based payments exercised	-	-	3.4	-	(3.4)	-
Tax on share-based payments	-	-	-	-	(0.4)	(0.4)
Balance at 30 June 2024	2.1	0.2	(5.7)	(0.3)	221.4	217.7

	Ordinary shares £m	Capital redemption reserve £m	Reserve for own shares £m	Cash flow hedge reserve £m	Retained earnings £m	Total equity £m
Prior half year:						
Balance at 1 January 2023	2.1	0.2	(15.8)	0.6	233.4	220.5
Profit for the financial period	-	-	-	-	13.8	13.8
Other comprehensive loss	-	-	-	(0.8)	-	(0.8)
Total comprehensive (loss)/income for the period	-	-	-	(0.8)	13.8	13.0
Dividend payable	-	-	-	-	(20.9)	(20.9)
Purchase of shares by Employee Benefit Trust	-	-	(1.8)	-	-	(1.8)
Share-based payments charge	-	-	-	-	1.3	1.3
Share-based payments exercised	-	-	0.6	-	(0.6)	-
Tax on share-based payments	-	-	-	-	(0.6)	(0.6)
Balance at 30 June 2023	2.1	0.2	(17.0)	(0.2)	226.4	211.5

	Ordinary shares £m	Capital redemption reserve £m	Reserve for own shares £m	Cash flow hedge reserve £m	Retained earnings £m	Total equity £m
Prior year:						
Balance at 1 January 2022	2.1	0.2	(15.8)	0.6	233.4	220.5

Balance at 1 January 2023	2.1	0.2	(15.8)	0.6	233.4	220.5
Profit for the financial year	-	-	-	-	12.8	12.8
Other comprehensive loss	-	-	-	(0.7)	-	(0.7)
Total comprehensive (loss)/income for the year	-	-	-	(0.7)	12.8	12.1
Dividend paid	-	-	-	-	(25.7)	(25.7)
Purchase of shares by Employee Benefit Trust	-	-	(2.1)	-	-	(2.1)
Proceeds from sale of shares by Employee Benefit Trust	-	-	1.1	-	-	1.1
Share-based payments charge	-	-	-	-	1.7	1.7
Share-based payments exercised	-	-	2.6	-	(2.6)	-
Tax on share-based payments	-	-	-	-	0.2	0.2
Balance at 31 December 2023	2.1	0.2	(14.2)	(0.1)	219.8	207.8

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN CASH FLOWS FOR THE HALF YEAR ENDED 30 JUNE 2024 (UNAUDITED)

		Six months ended 30 June 2024	Year ended 31 December 2023	
		Unaudited	Unaudited	Audited
	Note	£m	£m	£m
Cash generated from/(used in) operations	13	4.9	(18.3)	(11.2)
Interest paid		(5.2)	(2.1)	(6.1)
Tax credit/(paid)		0.4	(3.6)	(2.7)
Net cash inflow/(outflow) from operating activities		0.1	(24.0)	(20.0)
Cash flows from investing activities				
Purchase of property, plant and equipment		(9.4)	(14.9)	(33.0)
Purchase of intangible assets		(0.1)	(0.4)	(1.1)
Proceeds from sale of property, plant and equipment		-	-	0.3
Net cash used in investing activities		(9.5)	(15.3)	(33.8)
Cash flows from financing activities				
Repayment of lease liabilities		(3.2)	(2.9)	(5.9)
Dividends paid		-	-	(25.7)
Drawdown of borrowings		48.0	77.0	137.0
Repayment of borrowings		(45.0)	(49.0)	(67.0)
Purchase of shares by Employee Benefit Trust		-	(1.8)	(2.1)
Proceeds from sales of shares by Employee Benefit Trust		5.1	-	1.1
Financing fees		(0.1)	(1.6)	(1.9)
Net cash generated from financing activities		4.8	21.7	35.5
Net decrease in cash and cash equivalents		(4.6)	(17.6)	(18.3)
Cash and cash equivalents at the beginning of the period		16.0	34.3	34.3
Cash and cash equivalents at the end of the period		11.4	16.7	16.0

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2024 (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 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 29 July 2024.

The Condensed Consolidated Financial Statements for the six months ended 30 June 2024 and the comparative period for the six months ended 30 June 2023 have not been audited. The auditor has carried out a review of the financial information and their report is set out on pages 15 and 16.

These Condensed Consolidated Financial Statements are unaudited and do not constitute statutory accounts of the Group within the meaning of Section 435 of the Companies Act 2006. The auditors have carried out a review of the financial information in accordance with the guidance contained in ISRE 2410 (UK and Ireland) 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board. Financial Statements for the year ended 31 December 2023 were approved by the Board of Directors on 26 March 2024 and delivered to the Registrar of Companies. 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 did not contain a statement under section 498 of the Companies Act 2006.

BASIS OF PREPARATION

The Condensed Consolidated Financial Statements for the half year ended 30 June 2024 have been prepared in accordance with the Disclosure and Transparency Rules of the UK Financial Conduct Authority (DTR), and the requirements of UK-adopted 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 Consolidated Financial Statements for the year ended 31 December 2023 and any public announcements made by the Company during the interim period. The Condensed Consolidated Financial Statements are prepared on the historical cost basis.

GOING CONCERN BASIS

At the balance sheet date, the cash balance stood at £11.4m, with £113.0m borrowed against £170.0m of committed bank facilities, leaving undrawn facilities of £57.0m. The Group also benefits from an uncommitted overdraft facility of £10m. The Group meets its working capital requirements through these cash reserves and borrowings, and closely manages working capital to ensure sufficient daily liquidity, preparing financial forecasts and stress tests to ensure sufficient liquidity over the medium-term. The Group has operated within its banking covenants throughout the period, with funding secured through an RCF facility extending until January 2027.

The facility is normally subject to covenant restrictions of net debt/EBITDA (as measured before leases) of less than three times and interest cover of greater than four times. However, given continued challenging trading conditions and the need to demonstrate headroom above covenant levels, amended covenants have been agreed with the Group's lenders to provide the required additional headroom given the combination of the Group's reduced EBITDA, and increased net debt resulting from inventory build, committed capital outflows and higher interest rates. Accordingly, the Group's leverage covenant has increased to 4 times in June 2024 and 3.75 times in December 2024 with interest cover decreasing to 3 times in December 2024. In addition, quarterly covenant testing has been introduced for the period of the covenant relaxation. As such, in September 2024, leverage is set at four times and interest cover three times and in March 2025 leverage is set at 3.75 times and interest cover at three times. The covenants return to normal levels from June 2025 with testing reverting to half yearly. The existing restriction prohibiting the declaration or payment of dividends should leverage exceed 3 times EBITDA has been amended to 4 times EBITDA in 2024 before returning to 3 times in 2025.

The Group continues to update internal forecasts, reflecting current economic conditions, incorporating management experience, future expectations and sensitivity analysis. As at 30 June 2024, management are confident that the Group will remain resilient under all reasonably likely scenarios, whilst supporting the funding of the ongoing capital projects outlined in more detail in this announcement, and will continue to have headroom in both its banking covenants and existing bank facilities. We have modelled a plausible downside scenario which sensitises volumes and within which there is headroom against our covenants and available liquidity. We have further modelled a breach scenario to assess the fall in EBITDA required to breach the covenants within the credit facility in the period to 31 December 2025, and we believe that considering the new Government's commitment to increasing housing supply, coupled with the reduction in Group EBITDA that would be required, and the fact that our £140m programme of strategic investment is close to completion, the probability of such a scenario is remote. Even if such a scenario was to occur, we have identified mitigations including reduced capital expenditure, dividend reductions and operational cost savings which we would implement.

Taking account of all reasonably possible changes in trading performance and the current financial position of the Group, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the going concern period to 31 December 2025. The Group therefore adopts the going concern basis in preparing these Condensed Consolidated Financial Statements.

2 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 Consolidated Financial Statements for the year ended 31 December 2023, with the exception of those outlined below. The accounting standards that became applicable in the period did not impact the Group's accounting policies and did not require retrospective adjustments.

Loans and borrowings

Borrowing costs incurred by the Group which are directly attributable to the construction of a qualifying asset are capitalised as part of the asset, until the point at which the qualifying asset is determined substantially complete. Strategic projects with an expected timeline to completion of greater than one year are considered qualifying assets by the Group.

Interest capitalised is determined either by way of interest incurred on specific borrowings entered in respect of qualifying assets, or through the determination of a capitalisation rate which is based on the interest on general

qualifying assets, or through the determination of a capitalisation rate which is based on the interest on general borrowings of the Group, being the Group's Revolving Credit Facility, which is then applied to expenditure on qualifying assets. In the current period to 30 June 2024 the Group capitalised interest of £0.9m in respect of qualifying assets.

3 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 2023.

4 ALTERNATIVE PERFORMANCE MEASURES

In order to provide the most transparent understanding of the Group's performance, the Group uses alternative performance measures (APMs) which are not defined or specified under IFRS and may not be comparable with similarly titled measures used by other companies. The Group believes that its APMs provide additional helpful information on how the trading performance of the business is reported externally and assessed internally by management and the Board.

Adjusted results for the Group have been presented before: i) exceptional items and ii) adjusting items.

- **Profit related APMs**

Management and the Board use several profit related APMs in assessing Group performance and profitability. Those being EBITDA, EBITDA before exceptional items, adjusted EBITDA, EBITDA margin, adjusted EBITDA margin, adjusted operating profit (EBIT), adjusted profit before tax, adjusted earnings per share and adjusted operating cash flow. These are considered before the impact of exceptional and adjusting items as outlined below.

(I) Exceptional items

The Group presents as exceptional items on the face of the Consolidated Statement of Total Comprehensive Income, those material items of income and expense, which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better elements of financial performance in the period.

In the current year, management considers restructuring costs and costs incurred through an aborted corporate transaction to meet this definition. Exceptional items are further detailed in note 7.

(II) Adjusting items

Realised and unrealised movements in forward energy purchases

Adjusting items are disclosed separately in these Condensed Consolidated Financial Statements where management believes it is necessary to show an alternative measure of performance in presenting the financial results of the Group. The term adjusted is not defined under IFRS and may not be comparable with similarly titled measures used by other companies. In the current year, management has presented the below as adjusting items:

- the realised loss of £2.1m, recognised within the Consolidated Statement of Total Comprehensive Income for the sale of excess energy volumes in 2024, where committed volume exceeded actual consumption by the Group;

and

- the movement in fair value of forward energy contracts held where committed future volume is expected by management to exceed total consumption by the Group. For these contracts, the Group can no longer apply the own use exemption under IFRS 9 and instead, within statutory reporting, recognises these contracts as derivatives held at fair value on the balance sheet at 30 June 2024, in line with the accounting treatment previously applied at 31 December 2023. For the purposes of internal reporting to management and the Board, the Group continues to measure these contracts as if the own use exemption could still be applied, recognising energy purchased at the forward contracted rate in the period of consumption. In order to allow users of the accounts to review this more operationally aligned method of reporting, the impact to the profit and loss of these fair value movements in the period to 30 June 2024, being £6.9m, has been presented as an adjusting item.

Accounting for carbon credits

Under the UK Emissions Trading Scheme, the Group receives an annual allocation of free carbon credits, which are used to satisfy a portion of the Groups carbon emissions liability as incurred over the compliance period, which falls in line with the accounting period of the Group. These are recorded at nil value within the Consolidated Financial Statements. As this allocation is less than the total carbon compliance liability incurred by the Group over the compliance period, additional carbon credits are purchased to satisfy the shortfall.

The liability for the shortfall is measured, up to the level of credits purchased, at the cost of the purchased credits. Where the liability to surrender carbon credits exceeds the carbon allowances purchased, the shortfall is measured

where the liability to surrender carbon credits exceeds the carbon allowances purchased, the shortfall is measured at the prevailing market price and remeasured at the reporting date.

The Group's free allocation of carbon credits is based on expected emissions over the full compliance period, which is in line with the Group's financial year. As such, management believes a more operationally aligned method for measurement recognises these free allowances over the full financial year using a weighted average basis, aligned proportionately with production which drives carbon emissions, in line with management reporting. Accordingly, this has been presented within the adjusted results for the period.

The results which are presented as statutory consider carbon credits as being utilised on a first in, first out basis. Under this method, the Group's free allocation of carbon credits is utilised before recognising any liability to purchase further credits, which has the effect of weighting the cost of compliance into the second half of the year rather than spreading the cost more evenly across the full year. As at 30 June 2024, the impact of this alternative performance measure is to reduce statutory profit before tax by £1.7m (2023: £1.9m). This only affects the interim results and will have no impact on the full year results for the Group.

Reconciliation of APMs to statutory results

EBITDA is calculated as operating profit before depreciation and amortisation. EBITDA before exceptional items is further presented before the impact of exceptional items.

For reporting purposes, 'adjusted results' are those presented before both adjusting and exceptional items. A full reconciliation from adjusted results through to statutory results is shown as follows.

Although both EBITDA and adjusted EBITDA are APMs, EBITDA presented as below under the statutory heading is calculated with reference to statutory results without adjustment.

	Note	2024 £m	2023 £m
Restructuring costs		(0.2)	(2.1)
Aborted corporate transaction		(2.6)	-
Impairment of plant and equipment		-	(0.9)
Total exceptional items	7	(2.8)	(3.0)
Realised loss on the sale of surplus energy		(2.1)	-
Fair value movement on energy derivatives		6.9	-
Accounting for carbon credits		1.7	1.9
Total adjusting items		6.5	1.9

Group: Revenue, EBITDA, EBITDA margin, operating profit, profit before tax

Six months ended 30 June 2024	Adjusted results £m	Exceptional items £m	Adjusting items £m	Statutory results £m
Revenue	162.1	-	-	162.1
EBITDA	24.3	(2.8)	6.5	28.0
EBITDA margin	15.0%			17.3%
Operating profit (EBIT)	14.0	(2.8)	6.5	17.7
Profit before tax	9.1	(2.8)	6.5	12.8

Six months ended 30 June 2023	Adjusted results £m	Exceptional items £m	Adjusting items £m	Statutory results £m
Revenue	183.2	-	-	183.2
EBITDA	31.1	(3.0)	1.9	30.0
EBITDA margin	17.0%			16.4%
Operating profit (EBIT)	21.7	(3.0)	1.9	20.6
Profit before tax	19.2	(3.0)	1.9	18.1

Segmental: Revenue, EBITDA, EBITDA margin

Bricks & Blocks

Six months ended 30 June 2024	Adjusted results £m	Exceptional items £m	Adjusting items £m	Statutory results £m
Revenue	130.2	-	-	130.2
EBITDA	22.7	(0.1)	6.5	29.1
EBITDA margin	17.4%			22.4%

		Restated ¹		
Six months ended 30 June 2023	Adjusted results £m	Exceptional items £m	Adjusting items £m	Statutory results £m

	2023	2022	2021	2020
Revenue	146.5	-	-	146.5
EBITDA	28.0	(3.0)	1.9	26.9
EBITDA margin	19.1%			18.4%

¹ Restated to report Red Bank results within the Brick and Block segment as a result of internal restructure. Further details are contained within note 6.

Bespoke Products

Six months ended 30 June 2024	Adjusted results £m	Exceptional items £m	Adjusting items £m	Statutory results £m
Revenue	33.7	-	-	33.7
EBITDA	1.6	(0.1)	-	1.5
EBITDA margin	4.7%			4.5%

The Bespoke Products segment did not contain exceptional items in the period ended 30 June 2023. Further, it is not captured under UK ETS and is therefore not affected by accounting treatment for carbon credits. As such, there was no difference between Statutory and Adjusted results for this segment for the period ended 30 June 2023.

- **Other APMs**

Net debt before leases: Net debt before leases is presented as the total of cash and cash equivalents and borrowings, inclusive of capitalised financing costs and excluding lease liabilities reported at the balance sheet date.

5 SEASONALITY OF OPERATIONS

The Group is typically subject to seasonality consistent with the general construction market, with stronger volumes witnessed across the spring and summer months when conditions are more favourable. The accounting policy adopted for the treatment of carbon credits also has a seasonal impact on the business with a higher compliance cost recognised in the second half of the year, as explained in note 4. Adjusted results have been presented as an alternative performance measure to remove this variation.

6 SEGMENTAL REPORTING

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

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

The principal activity of the operating segments are:

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

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

In the second half of 2023, the Red Bank business was reclassified from the Bespoke Products segment to the Brick and Block segment after an internal restructure that combined the Cradley Special Brick and Red Bank operations. The segmental revenue and results, assets and other information that follows for the period ended 30 June 2023 has been restated to reflect this change comparatively across periods.

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

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

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 Financial Statements arose from contracts with external customers within the UK.

SEGMENTAL REVENUE AND RESULTS:

	Six months ended 30 June 2024		
	Bricks & Blocks £m	Bespoke Products £m	Total £m
Segment revenue	130.2	33.7	163.9
Inter-segment eliminations			(1.8)

Revenue			162.1
EBITDA before exceptional items	29.2	1.6	30.8
Depreciation and amortisation	(9.4)	(0.9)	(10.3)
Operating profit before exceptional items	19.8	0.7	20.5
Allocated exceptional items	(0.1)	(0.1)	(0.2)
Unallocated exceptional items	-	-	(2.6)
Operating profit	19.7	0.6	17.7
Net finance expense			(4.9)
Profit before tax			12.8

SEGMENTAL ASSETS:

	As at 30 June 2024		
	Bricks & Blocks	Bespoke Products	Total
	£m	£m	£m
Intangible assets	10.1	2.1	12.2
Property, plant and equipment	243.8	8.7	252.5
Right-of-use assets	21.3	1.1	22.4
Inventories	93.7	3.4	97.1
Segment assets	368.9	15.3	384.2
Unallocated assets			71.0
Total assets			455.2

Intangible assets, property, plant and equipment, right-of-use assets and inventories are allocated to segments and considered when appraising segment performance. Trade and other receivables, income tax assets, cash and cash equivalents and derivative assets are centrally controlled and unallocated.

Movement in the net book value of intangible assets at the 30 June 2024 from the prior period comparative is predominantly due to the purchase and settlement of carbon credits over the period (purchases: £1.7m and settlement: £6.0m).

OTHER SEGMENTAL INFORMATION:

	Six months ended 30 June 2024		
	Bricks & Blocks	Bespoke Products	Total
	£m	£m	£m
Intangible asset additions	-	-	-
Property, plant and equipment additions	9.6	0.1	9.7
Right-of-use asset additions	1.5	0.1	1.6

SEGMENTAL REVENUE AND RESULTS:

	Six months ended 30 June 2023		
	Bricks & Blocks	Bespoke Products	Total
	£m	£m	£m
Segment revenue	146.5	38.7	185.2
Inter-segment eliminations			(2.0)
Revenue			183.2
EBITDA before exceptional items	29.9	3.1	33.0
Depreciation and amortisation	(8.7)	(0.7)	(9.4)
Operating profit before exceptional item	21.2	2.4	23.6
Exceptional items	(3.0)	-	(3.0)
Operating profit	18.2	2.4	20.6
Net finance expense			(2.5)
Profit before tax			18.1

¹ Restated to report Red Bank results within the Brick and Block segment as a result of internal restructure.

SEGMENTAL ASSETS:

	As at 30 June 2023		
	Bricks & Blocks	Bespoke Products	Total
	£m	£m	£m
Intangible assets	15.9	2.3	18.2
Property, plant and equipment	236.0	9.1	245.1
Right-of-use assets	21.0	0.4	21.4
Inventories	69.0	3.6	72.6
Segment assets	341.9	15.4	357.3
Unallocated assets			78.4
Total assets			435.7

¹ Restated to report Red Bank results within the Brick and Block segment as a result of internal restructure.

Intangible assets, property, plant and equipment, right-of-use assets and inventories are allocated to segments and considered when appraising segment performance. Trade and other receivables, income tax assets, cash and cash

equivalents and derivative assets are centrally controlled and unallocated.

OTHER SEGMENTAL INFORMATION:

	Six months ended 30 June 2023		
	Bricks & Blocks £m	Restated ¹ Bespoke Products £m	Total £m
		£m	
Intangible asset additions	3.5	0.4	3.9
Property, plant and equipment additions	17.1	0.8	17.9
Right-of-use asset additions	6.1	0.1	6.2

¹ Restated to report Red Bank results within the Brick and Block segment as a result of internal restructure.

SEGMENTAL REVENUE AND RESULTS:

	Year ended 31 December 2023		
	Bricks & Blocks £m	Bespoke Products £m	Total £m
Segment revenue	277.4	72.7	350.1
Inter-segment eliminations			(3.7)
Revenue			346.4
EBITDA before exceptional items	52.1	6.0	58.1
Depreciation and amortisation	(18.6)	(1.4)	(20.0)
Operating profit before exceptional items	33.5	4.6	38.1
Exceptional items	(13.7)	(0.3)	(14.0)
Operating profit	19.8	4.3	24.1
Net finance expense			(7.0)
Profit before tax			17.1

SEGMENTAL ASSETS:

	As at 31 December 2023		
	Bricks & Blocks £m	Bespoke Products £m	Total £m
Intangible assets	16.8	2.4	19.2
Property, plant and equipment	240.8	8.9	249.7
Right-of-use assets	22.9	1.2	24.1
Inventories	92.1	3.7	95.8
Segment assets	372.6	16.2	388.8
Unallocated assets			55.9
Total assets			444.7

Intangible assets, property, plant and equipment, right-of-use assets and inventories are allocated to segments and considered when appraising segment performance. Trade and other receivables, income tax assets, cash and cash equivalents and derivative assets are centrally controlled and unallocated.

OTHER SEGMENTAL INFORMATION:

	Year ended 31 December 2023		
	Bricks & Blocks £m	Bespoke Products £m	Total £m
Intangible asset additions	5.3	0.8	6.1
Property, plant and equipment additions	32.6	0.9	33.5
Right-of-use asset additions	11.2	1.1	12.3

7 EXCEPTIONAL ITEMS

	Six months ended 30 June		Year ended 31 December
	2024 £m	2023 £m	2023 £m
Restructuring costs	(0.2)	(2.1)	(9.0)
Aborted corporate transaction	(2.6)	-	-
Impairment of plant and equipment	-	(0.9)	(5.0)
	(2.8)	(3.0)	(14.0)

Exceptional items 2024

During the period, the Group incurred exceptional expenses of £2.8m, of which £0.2m relates to restructuring costs and £2.6m relates to professional fees associated with an aborted corporate transaction.

Exceptional items 2023

During the period to 30 June 2023, the Group announced the mothballing of its Howley Park brick factory. Redundancy costs of £2.1m and an impairment charge of £0.9m relating to plant and machinery at this site was recognised at 30 June 2023 as a result of this. Further to this, in the period 31 December 2023, the Group announced

recognised at 30 June 2020 as a result of which, prior to this, in the period to 30 December 2020, the Group announced a wider restructuring across the business, resulting in restructuring costs of £9.0m in relation to the full year. As part of this, the Group announced the mothballing of its Claughton brick factory and an additional impairment charge for the carrying value of plant and machinery at this site was recognised, resulting in a full year impairment charge for the Group of £5.0m.

8 FINANCE EXPENSE

	Six months ended 30 June		Year ended 31 December
	2024	2023	2023
	£m	£m	£m
Interest payable on loans and borrowings	3.9	1.9	5.7
Interest payable on lease liabilities	0.5	0.3	0.7
Other finance expense	0.2	-	-
Amortisation of capitalised financing costs	0.3	0.3	0.6
	4.9	2.5	7.0

Interest payable on loans and borrowings is presented net of borrowings costs which have been capitalised against qualifying assets. In the period to 30 June 2024, £0.9m of interest was capitalised at an average capitalisation rate of 6.4%.

9 TAXATION

The Group recorded a tax charge of £3.8m (2023: charge of £4.3m) on pre-tax profit of £12.8m (2023: profit of £18.1m) for the six months ended 30 June 2024. This results in an effective tax rate (ETR) of 29.6% (2023: 23.6%).

	Six months ended 30 June		Year ended 31 December
	2024	2023	2023
	£m	£m	£m
Profit before taxation	12.8	18.1	17.1
Expected tax charge	3.2	4.3	4.0
Expenses not deductible for tax purposes	0.6	-	0.4
Effect of prior period adjustments	-	-	(0.1)
Income tax expense	3.8	4.3	4.3

The UK main rate of corporation tax is 25%. The expected tax charge is calculated using the statutory tax rate of 25% (2023: 23.5%) for current tax. Deferred tax is calculated at 25% being the rate at which the provision is expected to reverse.

10 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
	2024	2023	2023
	£m	£m	£m
Operating profit for the year	17.7	20.6	24.1
Finance expense	(4.9)	(2.5)	(7.0)
Profit before taxation	12.8	18.1	17.1
Income tax expense	(3.8)	(4.3)	(4.3)
Profit for the year	9.0	13.8	12.8
Weighted average number of shares (millions)	210.1	206.4	206.6
Effect of share incentive awards and options (millions)	0.4	2.0	1.4
Diluted weighted average number of shares (millions)	210.5	208.4	208.0
Earnings per share:	Pence	Pence	Pence
Basic (in pence)	4.3	6.7	6.2
Diluted (in pence)	4.3	6.6	6.2
Adjusted basic earnings per share (in pence)	3.2	7.1	11.4

Adjusted earnings per share (EPS) is presented as an additional performance measure and is calculated by excluding exceptional cost of £2.8m (HY 2023: £3.0m, FY 2023: £14.0m) (note 7) and adjusting items representing a gain of £6.5m (HY 2023: £1.9m, FY 2023: £nil) (note 4) and the associated decrease in tax of £1.4m (HY 2023: increase of £0.3m, FY 2023: increase of £3.3m).

11 DIVIDENDS

A dividend of 2.0 pence per share that relates to the period ending 31 December 2023 was paid on 4 July 2024, making a total distribution of 4.4 pence per share for 2023.

An interim dividend of 1.0 pence per share (2023: 2.4 pence per share) has been declared by the Board and will be paid on 11 October 2024 to shareholders on the register as at 20 September 2024. This interim dividend has not been recognised as a liability as at 30 June 2024. It will be recognised in shareholders equity in the Consolidated Financial Statements for the year ended 31 December 2024.

12 LOANS AND BORROWINGS

	As at 30 June 2024 £m	2023 £m	As at 31 December 2023 £m
Current loans and borrowings:			
- Interest	0.5	0.3	0.4
Non-current loans and borrowings:			
- Unamortised debt issue costs	(0.9)	(1.5)	(1.2)
- Revolving credit facility	113.0	68.0	110.0
	112.6	66.8	109.2

The Group operates under a Revolving Credit Facility of £170m which is in place until January 2027, with an extension option, subject to bank approval, extending the facility to June 2028. The interest rate under this facility is calculated using SONIA plus a margin, with the margin grid ranging from 1.65% at a leverage of less than 0.5 times to 3.5% where leverage is between 3.5 times and 4 times (in line with the covenant relaxations outlined below).

The facility is normally subject to covenant restrictions of net debt/EBITDA (as measured before leases) of less than three times and interest cover of greater than four times. The Group also benefits from an uncommitted overdraft facility of £10m. The business has traded comfortably within these covenants throughout 2023 and whilst the Group expects to remain within these covenants during 2024, amended covenants have been agreed with the Group's lenders to provide additional headroom, given the combination of the Group's reduced EBITDA, increased net debt driven by inventory build, capital outflows and higher interest rates. Accordingly, the Group's leverage covenant has increased to 4 times in June 2024 and 3.75 times in December 2024 with interest cover decreasing to 3 times in December 2024. In addition, quarterly covenant testing has been introduced for the period of the covenant relaxation. As such, in September 2024, leverage is set at four times and interest cover three times and in March 2025 leverage is set at 3.75 times and interest cover at three times. The covenants return to normal levels from June 2025 with testing reverting to half yearly. The existing restriction prohibiting the declaration or payment of dividends should leverage exceed 3 times EBITDA has been amended to 4 times EBITDA in 2024 before returning to 3 times in 2025.

In addition to the above, the loan facility is sustainability-linked and subject to a margin adjustment of 5 bps if the annual sustainability targets are met.

Debt issue costs incurred in relation to the refinancing were capitalised at the date of refinancing and are being amortised over the period of the facility.

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

13 NOTES TO THE STATEMENT OF CASH FLOW

	As at 30 June 2024 £m	2023 £m	Year ended 31 December 2023 £m
Cash flows from operating activities			
Profit before tax	12.8	18.1	17.1
Finance expense	4.9	2.5	7.0
Exceptional items	2.8	3.0	14.0
Operating profit before exceptional items	20.5	23.6	38.1
<i>Adjustments for:</i>			
Depreciation and amortisation	10.3	9.4	20.0
Loss on disposal of property, plant and equipment and leases	0.1	0.2	0.2
Movement in provisions	(15.1)	(6.8)	(3.7)
Purchase of carbon credits	-	(3.5)	(5.2)
Settlement of carbon credits	6.0	8.3	8.3
Share-based payments	0.6	1.3	0.9
Other non-cash items	(1.6)	(1.0)	(2.3)
<i>Changes in working capital:</i>			
Inventories	(1.3)	(29.6)	(52.8)
Trade and other receivables	(20.2)	(16.8)	13.3
Trade and other payables	11.9	(1.4)	(22.9)
Cash generated from/(used in) operations before exceptional items	11.2	(16.3)	(6.1)
Cash flows relating to operating exceptional items	(6.3)	(2.0)	(5.1)
Cash generated from/(used in) operations	4.9	(18.3)	(11.2)

14 NET DEBT

	As at 30 June 2024	2023	As at 31 December 2023
	£m	£m	£m
Cash and cash equivalents	11.4	16.7	16.0
Loans and borrowings	(112.6)	(66.8)	(109.2)
Lease liabilities	(22.6)	(21.3)	(24.2)
Net debt	(123.8)	(71.4)	(117.4)

RECONCILIATION OF NET DEBT

	As at 30 June 2024	2023	Year ended 31 December 2023
	£m	£m	£m
Operating cash flow before exceptional items	11.2	(16.3)	(6.1)
Payments made in respect of exceptional items	(6.3)	(2.0)	(5.1)
Operating cash flow	4.9	(18.3)	(11.2)
Interest paid	(5.2)	(2.1)	(6.1)
Tax credit/(paid)	0.4	(3.6)	(2.7)
Net cash outflow from investing activities	(9.5)	(15.3)	(33.8)
Dividends paid	-	-	(25.7)
Purchase of shares by Employee Benefit Trust	-	(1.8)	(2.1)
Proceeds from sale of shares by Employee Benefit Trust	5.1	-	1.1
New lease liabilities	(1.6)	(6.2)	(12.3)
Other movements	(0.5)	(0.2)	(0.7)
Increase in net debt	(6.4)	(47.5)	(93.5)
Net debt at the start of the period	(117.4)	(23.9)	(23.9)
Net debt at the end of the period	(123.8)	(71.4)	(117.4)

Capital expenditure commitments for which no provision has been made were £16.8m as at 30 June 2024 (30 June 2023: £42.6m).

15 FINANCIAL INSTRUMENTS

Forward purchased energy contracts

The substantial energy requirements of the Group are closely managed to ensure that the impact of fluctuating energy costs can be removed as far as possible; allowing management to have some certainty over likely energy costs and providing a reasonable basis on which to budget. Contracts with energy suppliers are entered into allowing prices to be fixed, by month, for volumes the Group expects to use. Under normal circumstances, the Group takes delivery of and consumes, all of the gas and electricity under each contract, and in doing so satisfies the requirements under IFRS 9 to follow the own use exemption in accounting for these. As such, the costs associated with the purchase of gas and electricity are accounted for in the Statement of Total Comprehensive Income at the point of consumption, and contracts are not held at fair value.

Declining market conditions during 2023, and resulting reductions made to production across the Group, left open contracts where the purchased volume of gas will exceed budgeted total consumption for the Group. In these instances, the quantities which have been 'over purchased' will be sold back to the market, crystallising a realised gain or loss at this point. As was the case at 31 December 2023, any open contracts where this is expected to be the case at 30 June 2024 fail the own use exemption, and in accordance with IFRS 9, are accounted for as derivatives at the balance sheet date. As at 30 June 2024, the Group has recognised a current asset of £4.0m, and a non-current asset of £3.7m in relation to these contracts. These values are calculated with reference to all forward purchased contracts within which a sale back to the market is expected to occur, and reflect not only the portion of such contracts expected to be sold, but also the fair value of the remaining quantity which is expected to be consumed by the Group in the normal course of business.

For the purposes of internal reporting to management and the Board, the Group continues to measure these contracts as if the own use exemption could still be applied, recognising energy costs at the contracted rate in the period of consumption. In order to allow users of the accounts to review this operationally aligned reporting, the movement due to the fair value treatment of energy derivatives since 31 December 2023, being £6.9m, has been presented as adjusting items in these Condensed Consolidated Financial Statements for the period ended 30 June 2024 (the term adjusted is not defined under IFRS and may not be comparable with similarly titled measures used by other companies).

The Group has not historically, and has no future plans to intentionally purchase gas or electricity to sell and these current circumstances are solely the result of market conditions.

16 SHARE-BASED PAYMENTS

On 1 May 2024, 1,407,772 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 40%, with the remaining 20% determined by sustainability-

based targets of decarbonisation and a reduction in the use of plastic packaging.

17 RELATED PARTY TRANSACTIONS

The Group has had no transactions with related parties in the periods ending 30 June 2024, 31 December 2023 and 30 June 2023.

18 POST BALANCE SHEET EVENTS

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

PRINCIPAL RISKS AND UNCERTAINTIES

Overview

Effective risk management is critical to successfully meeting our strategic objectives and delivering long-term value to our shareholders. Instilling a risk management culture at the core of everything we do is a key priority. Our risk management policy, strategy, processes, reporting measures, internal reporting lines and responsibilities are well established.

We continue to monitor developments in the macroeconomic environment due to its impact on our end markets and the core demand for our products, alongside numerous other rapidly evolving business risks; implementing mitigating controls and actions as appropriate. Details of our principal key risks are shown further in the table below.

Our risk management objectives remain to:

- embed risk management into our management culture and cascade this down through the business;
- develop plans and make decisions that are supported by an understanding of risk and opportunity; and
- anticipate change and respond appropriately.

The Board's Audit and Risk Committee continue to provide oversight and governance over the most significant risks the business faces in the short, medium and long-term.

Sustainability

Sustainability continues to be a core focus within our business with the increasing need to make Forterra more resilient against the potential effects of climate change, and evolving sustainability driven risks are highlighted within the extensive disclosure in our most recent annual report. These reflect both the impact of our operations on the environment but also the challenging targets we have set to reduce this, targeting Net Zero by 2050 in line with the Race to Zero.

The Board is committed to compliance with the requirements of the Task Force on Climate Related Financial Disclosure (TCFD) and comprehensive disclosure on both short and long-term climate risks are included in our Sustainability Report. Since January 2024, the Board's now standalone Sustainability Committee, has provided oversight and governance over all matters sustainability and climate, including the risks and opportunities this presents over the short, medium and long-term.

Key risks

Key risks are determined by applying a standard methodology to all risks, considering the potential impact and likelihood of a risk event occurring before then, considering the mitigating actions in place, their effectiveness, their potential to be breached and the severity and likelihood of the risk that remains. This is a robust but straightforward system for identifying, assessing and managing key risks.

Management of key risks is an ongoing process. Many of the key risks that are identified and monitored evolve and new risks regularly emerge.

The foundations of the internal control system are the first line controls in place across all our operations. This first line of control is evidenced through monthly Responsible Manager self-assessments and review controls are scheduled to recur frequently and regularly. Policies, procedures and frameworks in areas such as health and safety, compliance, quality, IT, risk management and security represent the second line of controls and internal audit activities represent the third.

Management continue to monitor risk closely and put procedures in place to mitigate risks promptly wherever possible. Where the risks cannot be mitigated, Management focus on monitoring the risks and ensuring the Group maximises its resilience to the risks, should they fully emerge.

Risk appetite

The Group's risk appetite reflects that effective risk management requires risk and reward to be suitably balanced. Exposure to health and safety, financial and compliance risks are mitigated as far as is reasonably practicable.

The Group is however prepared to take certain strategic, commercial and operational risks in pursuit of its objectives; where these risks and the potential benefits have been fully understood and reasonable mitigating actions have been taken.

RISK MANAGEMENT AND KEY RISKS

1. HEALTH AND SAFETY			
Principal risk and why it is relevant	Key mitigation, change and sponsor	Change from Dec 23	Rationale for rating
We continue to work to ensure the safety of employees exposed to risks such as the operation of heavy machinery, moving parts, noise, dusts and chemicals.	<p>Safety remains our number one priority. We target an accident-free environment and have robust policies in place covering expected levels of performance, responsibilities, communications, controls, reporting, monitoring and review.</p> <p>2024 sees the final year of our Zero Harm strategy and is focused on Visible Felt Leadership, where our senior managers have been trained to undertake safety observations throughout the business. These pro-active discussions with colleagues are designed so our leaders can understand the work they perform and be able to praise safe behaviours or provide assistance in identifying safer ways of completing a task. We continue to promote our Golden Rules as part of this process and drive our safety engagement aligned with our new company values.</p> <p>The next stage of our Health and Safety strategy, covering phases 2025-2027 and 2028-2030, is currently in development and will allow sites to progress within the strategy as they hit certain milestones, tailoring pace to individual site requirements.</p>	<p>Gross change No change</p> <p>Net change No change</p>	<p>Safety first is embedded in all decision making and is never compromised.</p> <p>Reducing accidents and ill-health is critical to strategic success.</p>

2. SUSTAINABILITY / CLIMATE CHANGE			
Principal risk and why it is relevant	Key mitigation, change and sponsor	Change from Dec 23	Rationale for rating
We recognise the importance of sustainability and climate change and both the positive and negative impacts our products and processes have on the environment.	<p>We recognise the positive impact that our products have on the built environment across their lifespan and are keen for the durability, longevity and lower lifecycle carbon footprint of our products to be championed and better understood.</p> <p>Short-term transitional sustainability risks include increasing regulatory burden or cost, an inability to adapt our business model to keep pace with new regulation or customer preferences changing more quickly than anticipated or too quickly for our R&D to keep pace.</p> <p>Several longer-term physical risks could have a material impact on the business. These risks include more severe weather impacts, such as flooding, and potentially changes to the design of buildings in order to adapt to different climatic conditions.</p> <p>A comprehensive sustainability report is included within our last Annual Report and is also available as a separate document, providing detailed disclosure of the sustainability related risks faced by our business.</p> <p>Our desire to reduce our impact upon the environment sits hand-in-hand with maximising the financial performance of our business; by investing in modernising our production facilities not only do we reduce energy consumption and our CO₂ emissions, but we also benefit financially from reducing the amount of energy and carbon credits we need to purchase.</p> <p>Acknowledging the continued importance of the subject matter, from January 2024, all sustainability risks have been governed by the standalone Sustainability Committee.</p>	<p>Gross change No change</p> <p>Net change No change</p>	<p>Focus from all stakeholders has been maintained in 2024 so far and sustainability remains a high priority for management in the short, medium and long-term.</p>

3. ECONOMIC CONDITIONS			
Principal risk and why it is relevant	Key mitigation, change and sponsor	Change from Dec 23	Rationale for rating
Demand for our products is closely correlated with residential and commercial construction activity. Changes in the wider macro-economic environment can have significant impact in this	<p>Understanding business performance in real-time, through our customer order book, strong relationships across the building sector, and a range of internal and external leading indicators, help to inform management and ensure that the business has time to respond to changing market conditions.</p> <p>The cyclical downturn in the UK housing market is ongoing, driven by Government economic policy which</p>	<p>Gross change No change</p> <p>Net change No change</p>	<p>Weaker macro-economic conditions in recent years have caused demand for our products to fall. However, with UK brick despatches</p>

original impact in this respect and we monitor these closely as a result.	<p>resulted in significant increases in borrowing costs and accordingly mortgage affordability, impacting demand for housing in the short-term. However, we recognise that ultimately there remains a shortage of housing in the UK, financing is accessible (though now more expensive) and the population continues to grow and as such we remain confident in the medium to long-term outlook.</p> <p>In a weaker demand environment in 2024 we have displayed our ability to flex output and slow production, ensuring that production is matched to sales in the period. This has been effective in the past and we believe the changes made to our operational footprint in recent periods leave us well positioned to take advantage of attractive market fundamentals in the medium to long-term. Beyond the UK economy, we additionally remain watchful of the wider geopolitical landscape, accepting the impact that changes in this respect can have on our business.</p>	having fallen to levels not seen since 2009, we expect this to be the bottom of the cycle. Having adapted our business to align production to sales we reduced this risk accordingly at December 2023, and it remains unchanged in 2024.
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4. GOVERNMENT ACTION AND POLICY			
Principal risk and why it is relevant	Key mitigation, change and sponsor	Change from Dec 23	Rationale for rating
<p>The general level and type of residential and other construction activity is partly dependent on the UK Government's housebuilding policy, investment in public housing and availability of finance.</p> <p>Changes in Government support towards housebuilding could lead to a reduction in demand for our products.</p> <p>Changes to Government policy or planning regulations could therefore adversely affect Group performance.</p>	<p>We participate in trade associations, attend industry events and track policy changes which could potentially impact housebuilding and the construction sector. Such policy changes can be very broad, covering macro-economic policy and including taxation, interest rates, mortgage availability and incentives aimed at stimulating the housing market. Through our participation in these trade and industry associations we ensure our views are communicated to Government and our Executive team often meet with both ministers and MPs.</p> <p>Where identified, we factor any emerging issues into models of anticipated future demand to guide strategic decision-making.</p> <p>Whilst the new Labour Government is still in its infancy, the need for more quality housing has featured significantly across both the election campaign and within the political narrative since taking power. It is clear that the government's aim is to incentivise construction of new homes, even if different political ideologies may demand different models of home ownership.</p> <p>Changes in monetary policy and the rapid associated increase to interest rates has had a significant impact on mortgage affordability, an additional challenge in a period that has also seen the end of the Help to Buy scheme. We therefore consider a lack of broader support in the longer term unlikely should it risk a reduction in the supply of new high-quality homes where a significant shortfall still exists.</p> <p>Government policy around planning reform, an area of policy that the new Government has already been particularly vocal around, also has the potential to influence demand for our products and we remain watchful as to any further potential changes in this area and their impact on the construction of new homes.</p>	<p>Gross change Decreased</p> <p>Net change Decreased</p>	<p>We continue to invest significantly in growth - in terms of both capacity and range. This investment is made despite the uncertainty presented by changes in Government policy. With the newly elected UK Government giving renewed focus and prioritisation to housebuilding, we have reduced this risk accordingly. However, we remain watchful in the short to medium term as the substance of these supportive policies are developed and implemented.</p>

5. RESIDENTIAL SECTOR ACTIVITY LEVELS			
Principal risk and why it is relevant	Key mitigation, change and sponsor	Change from Dec 23	Rationale for rating
<p>Residential development (both new build and repair, maintenance and improvement) contributes the majority of Group revenue. The dependence of Group revenues on this sector means that any change in activity levels in this sector will affect</p>	<p>Government action and policy as laid out above continues to be a key determinant of demand for housing. We closely follow the demand we are seeing from our key markets, along with market forecasts, end user sentiment, mortgage affordability and credit availability in order to identify and respond to opportunities and risk. Group strategy focuses upon our strength in this sector whilst also continuing to strengthen our commercial offer.</p> <p>The impact of higher interest rates and the wider macroeconomy on this sector had a notable impact on</p>	<p>Gross change No change</p> <p>Net change No change</p>	<p>Serving the residential construction market lies at the heart of our strategy. Whilst we will seek opportunities to broaden our offering, we continue to see</p>

profitability and in the longer term, strategic growth plans.	demand levels across 2023. Whilst we remain watchful in 2024, having reduced this risk at December 2023 it remains static at June. The investment in the redevelopment of the Wlnecote brick factory which will supply the commercial and specification market will provide a degree of diversification away from residential construction, further insulating the Group from the impact of future demand cycles.		residential markets as core. With demand levels reduced to those seen in the global financial crisis, the risk of further reductions in residential construction was deemed reduced at December 2023 and remains at this level.
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6. INVENTORY MANAGEMENT			
Principal risk and why it is relevant	Key mitigation, change and sponsor	Change from Dec 23	Rationale for rating
Ensuring sufficient inventories of our products is critical to meeting our customers' needs, though this should not be at the expense of excessive cash tied up in working capital. Whilst the ability to serve our customers is key, where excessive inventory starts to be built, management must ensure that production is aligned to forecast demand. Cash tied to surplus working capital increases financing costs and could ultimately impact the Group's liquidity, restricting the amount of cash available for other purposes.	After a long period of historically low stock levels, a softening in demand in the last 18 months has allowed these stocks to be replenished. Strong customer relationships and some degree of product range substitution have historically mitigated the risk of inventory levels being too low, and now that levels are growing these relationships remain key, ensuring that visibility of our customers' needs and demand levels can accurately be matched to our production levels. Acknowledging the current weaker demand environment it is crucial to effectively manage working capital levels, and in 2024 we have ensured that production levels are matched to sales, ensuring sufficient stock levels are held to support the requirements of our customers whilst reducing our cost base and ensuring excessive cash is not tied up in inventory.	Gross change No change Net change No change	Managing capacity sufficiently to prevent tying up excessive amounts of working capital in stock, but ensuring that customer demand can continue to be met are crucial to our success. Due to reduced demand and the time necessary to efficiently adjust production we invested over £50m in building inventories in the prior year. It is important we do not build further inventory and as such have taken management actions to reduce production and realise fixed cost savings. Having increased this risk at December 2024 to reflect this, it remains static at June.

7. CUSTOMER RELATIONSHIPS AND REPUTATION			
Principal risk and why it is relevant	Key mitigation, change and sponsor	Change from Dec 23	Rationale for rating
Significant revenues are generated from sales to a number of key customers. Where a customer relationship deteriorates there is a risk to revenue and cash flow.	One of our strategic priorities is to be the supply chain partner of choice for our customers. By delivering excellent customer service, enhancing our brands and offering the right products, we seek to develop our long-standing relationships with our customers. Regular and frequent review meetings focus on our effectiveness in this area. In a softer demand environment, an inability to maintain these relationships could manifest itself in loss of market share, and if not managed correctly, be detrimental in the longer term in periods of stronger demand. To mitigate these risks we remain in constant communication with our customers ensuring they are well informed of the challenges faced by our business. We remain particularly conscious of potential impacts on our customer service and selling prices as we aim to retain our margins in a time where our customers are	Gross change No change Net change No change	Customer focus is a key priority for all employees. Having increased across recent periods of strong demand, in a softening market this risk remains equally heightened.

	retain our margins in a time where our customers are also facing challenging conditions.		
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8. ATTRACTING, RETAINING AND DEVELOPING EMPLOYEES			
Principal risk and why it is relevant	Key mitigation, change and sponsor	Change from Dec 23	Rationale for rating
We recognise that our greatest asset is our workforce and a failure to attract, retain and develop talent will be detrimental to Group performance.	<p>We understand where key person dependencies and skills gaps exist and continue to develop succession, talent acquisition, and retention plans.</p> <p>We continue to focus on safe working practices, employee support and strong communication/employee engagement.</p> <p>Notwithstanding a softer demand environment, challenges associated with labour availability remain across the business in key skilled areas and it is crucial that this continues to be addressed to ensure the continued success of the Group which is dependent on our people.</p>	<p>Gross change No change</p> <p>Net change No change</p>	Our people have always been pivotal to our business and we must remain cautious of the previously increased risk associated with ensuring we attract, retain and develop our employees.

9. INNOVATION			
Principal risk and why it is relevant	Key mitigation, change and sponsor	Change from Dec 23	Rationale for rating
Failure to respond to market developments could lead to a fall in demand for the products that we manufacture. This could in turn cause revenues and margins to suffer.	<p>Strong relationships with customers as well as independently administered customer surveys ensure that we understand current and future demand. Close ties between the Strategy, Operations and Commercial functions ensure that the Group focuses on the right areas of research and development.</p> <p>In a period of softer demand for our products, providing innovative products for both our core markets and the wider construction market is of increased importance and we strive to ensure that we are in a position to do so.</p> <p>New product development and related initiatives therefore continue and we continue to commit to further investment in research and development with clear links between investment in R&D and the work undertaken in relation to sustainability.</p>	<p>Gross change No change</p> <p>Net change No change</p>	The Group is willing to invest in order to grow where the right opportunities present themselves. We have invested in the appropriate skills so that opportunities can be identified and progressed, and we are committed to deploying R&D to reduce the environmental footprint of our operations.

10. IT INFRASTRUCTURE AND SYSTEMS			
Principal risk and why it is relevant	Key mitigation, change and sponsor	Change from Dec 23	Rationale for rating
Disruption or interruption to IT systems could have a material adverse impact on performance and position.	<p>We have undertaken a period of investment in consolidating, modernising and extending the reach of our IT systems in recent years, maintaining ISO 27001 Information Security accreditation. This investment has ensured our ability to maintain the level of customer service that our customers expect.</p> <p>We continue to increase our resilience in this area, ensuring that our people understand their role in any attempt to compromise our cyber security and regular training and tests are carried out as such.</p>	<p>Gross change No change</p> <p>Net change No change</p>	The downside to IT risks significantly outweigh any upside and our risk appetite reflects this. Our assessment of the risk in this area remains unchanged.

11. BUSINESS CONTINUITY			
Principal risk and why it is relevant	Key mitigation, change and sponsor	Change from Dec 23	Rationale for rating
Performance is dependent on key centralised functions operating continuously and manufacturing functions operating uninterrupted. Should we experience significant disruption there is a risk that products cannot be delivered to customers to meet demand and all financial KPIs may suffer.	<p>Having made plans to allow key centralised functions to continue to operate in the event of business interruption, remote working capabilities have been maintained and continually strengthened in recent years, ensuring the business is able to continue operating with minimal disruption.</p> <p>Where a scenario without a pre-envisaged plan is faced, our business continuity policy allows managers to apply clear principles to develop plans quickly in response to emerging events.</p> <p>We consider climate related risks when developing business continuity plans and have learnt lessons from weather related events in recent years which inform these plans.</p> <p>Loss of one of our operating facilities through fire or other catastrophe would impact upon production and our ability to meet customer demand. Working with our insurers and risk advisors we undertake regular factory risk assessments, addressing recommendations as appropriate. We accept it is not possible to mitigate all the risks we face in this area and as such we have a comprehensive package of insurance cover including both property damage and business interruption policies.</p>	<p>Gross change No change</p> <p>Net change No change</p>	Using business continuity plans in response to the pandemic provides real life evidence as opposed to a desktop exercise. In 2024, this risk remains unchanged.

12. PROJECT DELIVERY			
Principal risk and why it is relevant	Key mitigation, change and sponsor	Change from Dec 23	Rationale for rating
We have an extensive program of capital investment ongoing within our business over the next decade which will see a number of large projects to add production capacity. Ensuring these projects are delivered as intended is essential to the future success of the business.	<p>The commissioning of our Desford brick factory in 2023 represented the largest capital investment that we have ever made. Despite the virtually complete Desford project, our vigilance in managing project delivery across the business has not diminished and the focus of this risk has in turn shifted to ongoing projects at both Wilnecote and Accrington.</p> <p>Management closely monitor all current strategic projects for potential challenges, cost over-runs and delays and act promptly to ensure that risks are mitigated.</p> <p>Recommissioning of the new Wilnecote factory is now not expected until the end of the year, a delay attributable to challenges faced by the Group's suppliers and connected to wider global economic and supply chain challenges. Despite the delay, Wilnecote (as with Desford previously), has been procured under a fixed price supply contract ensuring that the price we paid was certain at the outset. Given the unusually high levels of inflation and supply chain challenges in recent years, the Group has benefited significantly from these contract terms.</p> <p>Management recognise the additional risks posed by running concurrent major projects, and to mitigate, separate project management structures are in place for each respective project and where common suppliers are involved procedures are in place to ensure they retain sufficient capacity to deliver on both projects without significant risk.</p>	<p>Gross change No change</p> <p>Net change No change</p>	Management and the Board are closely monitoring the ongoing expansion projects at Wilnecote and Accrington. Risk rating maintained recognising the strategic imperative of both projects to the future success of the Group.

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