FORTERRA plc

12 March 2025

Strong cash generation; improved performance in H2

	Adjusted[1]			Statutory		
	2024	2023	Change	**2024**	2023	Change
	£m	£m	(%)	**£m**	£m	(%)
Revenue	**344.3**	346.4	(0.6)%	**344.3**	346.4	(0.6)%
EBITDA[2]	**52.0**	58.1	(10.5)%	**54.7**	44.1	24.0 %
EBITDA[2] margin	**15.1%**	16.8%	(170) bps	**15.9%**	12.7%	320 bps
Operating profit (EBIT)	**31.2**	38.1	(18.1)%	**33.9**	24.1	40.7 %
Profit before tax	**22.1**	31.1	(28.9)%	**24.8**	17.1	45.0 %
Earnings per share (pence)	**7.6**	11.4	(33.3)%	**8.3**	6.2	33.9 %
Operating cash flow	**60.1**	(5.3)	n/a	**51.8**	(11.2)	n/a
Net debt before leases				**(84.9)**	(93.2)	(8.9)%
Total dividend (pence)				**3.0**	4.4	(31.8)%

[1] *Adjusted results for the Group have been presented before exceptional and adjusting items (2024: income of £2.7m, 2023: expense of £14.0m) relative to statutory profit as explained in Alternative Performance Measures within note 14. Presenting these measures allows a consistent comparison with prior periods.*

[2] *EBITDA, adjusted EBITDA and net debt before leases are APMs, as explained in note 14. They are presented above under the statutory heading, being calculated with reference to statutory results without adjustment.*

RESULTS HIGHLIGHTS

- Revenue flat year-on-year, with a double digit increase in H2 24 relative to both the prior year and H1 24
- 2024 UK brick industry despatches up 2% compared with 2023, with Q4 despatches c.20% ahead of the corresponding period; total UK brick consumption remains c.30% behind 2022 levels
- Pricing discipline maintained with selling prices remaining relatively stable across our product range
- Adjusted EBITDA of £52.0m, slightly ahead of our revised expectations of around £50m
- Strong improvement in cash generation with adjusted operation cash flow of £60.1m
- Good ongoing strategic progress at Desford, Wilnecote and Accrington with our solar farm also commencing generation in the year
- Net debt before leases of £84.9m, equating to leverage of c.1.9 times on a banking covenant basis; further debt reduction expected in 2025
- Recommended final dividend of 2.0p per share (2023: 2.0p) in line with our temporary policy of distributing 40% of earnings

Neil Ash, Chief Executive Officer, commented:

“2024 saw the continuation of the challenging market conditions we have witnessed over the last two years, though the second half saw an improving position. Our focus has been on the areas we can control and delivered a resilient performance by successfully aligning our production to demand and returning the Group to a position of strong cash generation. We also continued to make good progress with our £140m strategic capital investment programme at Desford, Wilnecote and Accrington, which is now nearing completion.

“Trading in the first two months of 2025 has continued the positive trends seen in the final quarter of 2024, with our brick despatches 17% ahead of the prior year. We are currently concluding our customer pricing discussions and expect to deliver necessary price increases to offset cost inflation. We continue to take encouragement from the Government’s ambition to materially increase housebuilding but remain wary of the challenges in delivering this. During 2025, we anticipate some recovery in our markets, whilst remaining mindful of the wider macroeconomic conditions. Following our significant strategic investment in increased manufacturing capacity, the Group remains well placed as its key markets recover.”

ENQUIRIES

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A presentation for analysts will be held today, 12 March 2025, at 09.00am. A video webcast of the presentation will be available on the Investors section of our website (http://forterraplc.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.

INTRODUCTION

2024 was another challenging year for our industry. Whilst we saw a continuation of the depressed trading conditions we first experienced in 2023 with subdued demand across our product range, we did see some modest improvement through the second half. Our brick production output was below 60% of installed capacity which has clearly led to significant operating inefficiency with brick factories in particular having a high percentage of fixed costs. Against this, we delivered a resilient response, successfully aligning our production to demand and returning the Group to a position of strong cash generation.

Notwithstanding the market driven headwinds and uncertainty that we faced, we made continued progress on our strategy with our £140m programme of capital investment in our three projects at Desford, Wilnecote and Accrington nearing completion. We made excellent progress with the commissioning of our new £12m brick slip production facility at Accrington, which will be delivered both on time and on budget. This investment sits at the heart of the 'beyond the core' arm of our strategy which will capitalise on the growth opportunities afforded by modern methods of construction.

Under the 'strengthening the core' arm of our strategy, we continue to make progress on ramping up production and increasing efficiency at our Desford brick factory, where we successfully addressed a number of snagging and efficiency issues during an extended shutdown in the summer of 2024. We are also making progress on the reinstatement of our Wilnecote factory despite setbacks with our supply chain. This will offer us greater diversification through strengthening our offering to the attractive commercial and specification market. The £30m redevelopment is on course for completion in Q2 2025 with the kiln expected to be lit in the near future.

OUR MARKETS

2024 industry brick despatches increased by 2% relative to the low point of 2023. Whilst demand remained depressed throughout the year, 2024 did see a more stable pattern whilst 2023 was subject to significant monthly fluctuation. At the half year, UK brick industry despatches were 9% behind the prior year, offset by the second half being 15% ahead, bringing the full year variance to a 2% increase.

The Construction Products Association estimates that in 2024 new housing completions fell by 21% relative to 2023. Housing starts are also estimated to have fallen by 10%. In 2023 demand for bricks fell more markedly than the headline housing starts and completion figures, this being a function of housebuilder order books, work in progress and the inventories of construction materials they held. 2024 showed slight improvement in brick demand, whilst housing starts and completions statistics showed further reductions.

With imports of bricks to the UK falling by 4% in the year to 316 million bricks, total UK brick consumption remained at approximately 1.7 billion bricks (2023: 1.7 billion), which is still around 30% below 2022 consumption of 2.5 billion bricks. At the same time housing starts and completions were 35% and 19% below 2022 levels respectively. With brick consumption falling further from 2022 levels relative to completions, this supports the view that brick consumption has the potential to grow at a faster rate than housing completions in the short-term.

CURRENT TRADING AND OUTLOOK

Trading in the first two months of 2025 continued the positive trends seen in the final quarter of 2024, with our brick despatches around 17% ahead of the prior year, although the comparative was impacted by adverse weather conditions. This is supported by DBT statistics showing that industry brick despatches in January were 11% ahead of the prior year. Entering 2025, we are facing more normal levels of cost inflation, but with the added challenge of increasing Employers' National Insurance contributions from April 2025 as outlined in the Autumn Budget. We are currently concluding our customer pricing discussions and expect to deliver necessary price increases to offset cost inflation.

We continue to take encouragement from the Government's ambition to materially increase housebuilding, but remain wary of the challenges in delivering this. We look forward to the Government considering wider levers to stimulate both supply and demand for new housing. During 2025, we anticipate a steady but modest recovery in our markets, whilst remaining mindful of wider macroeconomic conditions. We believe the Group remains well placed to capitalise as its key markets recover and retain our view that based on 2022 performance coupled with benefits of our strategic investments, notably Desford, the Group is capable of delivering an annual EBITDA of c.120m in the medium-term.

RESULTS FOR THE YEAR

REVENUE

Total revenue of £344.3m is in line with the prior year (2023: £346.4m) although sales volumes to some extent varied by product. Our brick despatches were closely aligned to the wider market, being flat year-on-year, although with an improving trend through 2024. Despatches in the second half demonstrated a double digit increase relative to the first half. Demand for our concrete products did improve, particularly in the second half, with Aircrete showing the strongest increase, driven by both changes in Building Regulations as well as production challenges faced by our competitors. Pricing remained broadly stable across our product range.

ADJUSTED EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (EBITDA)

Adjusted EBITDA was £52.0m (2023: £58.1m) with profitability impacted not only by depressed demand, but also by the significant operating inefficiencies that we are forced to carry until demand recovers to normalised levels. As a reminder, our 2023 result benefited from the absorption of fixed costs as we increased our inventory levels, something we didn't do in 2024.

Our business is managed as two segments and we allocate our central overheads to each segment based on a historic revenue-driven allocation mechanism, with central overheads allocated to Bricks and Blocks and Bespoke Products in the ratio 80%:20% respectively. In practice, the allocation of overheads to Bespoke Products exceeds the level of overheads that are directly applicable to this segment, such that if this segment was to be discontinued or divested then the saving of overheads, would in reality, be modest. Accordingly, we also disclose the allocation of central overheads to give greater visibility of the underlying profitability of our segments, in particular Bespoke Products. Bricks and Blocks segmental adjusted EBITDA was £49.0m (2023: £52.1m) and Bespoke Products contributed an adjusted EBITDA of £3.0m (2023: £6.0m).

ADJUSTED PROFIT BEFORE TAX

Adjusted profit before tax was £22.1m (2023: £31.1m) with the reduction driven primarily by the fall in EBITDA as highlighted above, along with an increase in both the level and cost of borrowing.

STATUTORY PROFIT BEFORE TAX

On a statutory basis, profit before tax (PBT) was £24.8m (2023: £17.1m). This is stated after charging adjusting and exceptional items as set out under the sections for exceptional and adjusting items.

OPERATING INEFFICIENCIES

Following the sharp fall in demand for our products in 2023, we successfully aligned our production with prevailing market demand. These actions were substantially completed in 2023 and in 2024 our brick production aligned to demand, albeit with a resultant but unavoidable operating inefficiency within our factory network.

Overall, in 2024 our brick production output was below 60% of our installed capacity (excluding Howley Park, which we have now closed permanently) leading to significant operating inefficiencies, with brick factories having a high percentage of fixed costs within their cost base.

We mothballed our brick factories at Howley Park and Claughton in 2023 and we have since determined that our Howley Park factory will not reopen as it was approaching the end of its useful life when it was mothballed and

would not be cost effective to reinstate, especially with the optionality of future development at our Swillington site only a short distance away.

Whereas in some cases mothballing is the most cost-efficient option to reduce output, this is not always possible. At other factories we have reduced output by reducing the number of shifts that we operate, most commonly in our concrete products factories where variable input costs are the largest component of our production costs. In other cases, it is more efficient to run factories at full output but for only part of the year.

At Desford we undertook an extended shutdown in the summer to address a number of snagging issues and have made good progress since then. Whilst the factory is not yet able to achieve its designed level of efficiency, mainly because market conditions only allow us to run one of the twin kilns at any one time, we have recently conducted a detailed review into factory performance and remain confident in its ability to achieve its target of £25m annual EBITDA, assuming a return to 2022 market conditions.

OPERATING COSTS

Our cost base was broadly stable throughout the year although we did see a degree of labour cost inflation along with a substantial increase in business rates. Our energy costs have stabilised as expected, but remain significantly above pre-pandemic levels, with the cost of our inputs, particularly those with a high energy component, such as cement, not reducing.

We take a risk-based approach to energy procurement, layering forward purchase positions where we see future value, to provide cost certainty. The Group generally purchases up to 80% of expected energy usage in this manner. Under normal circumstances the Group takes delivery of, and consumes all the gas and electricity purchased under each forward contract, and in doing so the costs associated with the purchase of gas and electricity are accounted for in the income statement at the point of consumption. However, following substantial reductions in output, based on our revised expectations of production, we over-purchased energy and sold any surplus back to the market, crystallising a gain or loss. Forward contracts open at the balance sheet date, where a sell-back is expected to occur, are accounted for as derivative assets or liabilities with any associated fair value movements recognised in the income statement and presented as adjusting items.

Looking ahead, we have forward purchased around 85% of our energy requirement for 2025, providing a high degree of price certainty. From April 2025 we will gain the full financial benefit of the Forterra Solar Farm, having originally signed the 15-year Power Purchase Agreement (PPA) in 2022. Whilst we have been receiving power since May 2024, the first 11 months are chargeable at a higher prevailing market rate ahead of the formal commencement of the PPA providing price certainty over a 15-year period.

BRICKS AND BLOCKS

We possess a unique combination of strong market positions in both clay brick and concrete blocks.

We are the only manufacturer of the iconic and original Fletton brick sold under the London Brick brand. Fletton bricks were used in the original construction of nearly a quarter of England’s existing housing stock and are today used to match existing brickwork by homeowners carrying out extension or improvement work. We operate eight brick factories in seven locations across the country with a total installed production capacity of approximately 600 million bricks per annum.

We are also a leader nationally in the aircrete block market, operating two Thermalite block facilities in the Midlands and South of England. In addition, our aggregate block business has a leading position in the important Southeast and East of England markets where it has two well-located manufacturing facilities. This segment also includes Formpave, the Group’s concrete block paving business.

Our clay reserves are the foundation that our brick business is built upon and are the primary raw material used in manufacturing our bricks. Each of our brick factories is located adjacent to a quarry supplying locally sourced clay

directly into the manufacturing process. Sourcing material locally is sustainable and therefore preferable wherever possible as it avoids the costs and carbon emissions associated with transportation. Our mineral reserves also provide a natural barrier, reducing the threat of new entrants entering the market as the planning process to secure consent for a 'green-field' quarry and associated brick factory can take as long as 10 years. Each of the new brick factories built in the UK over the last two decades have been redevelopments of existing facilities utilising established quarries. We have access to over 90 million tonnes of minerals, and on average these reserves are sufficient to sustain manufacturing operations for 50 years. The majority of our minerals are owned, although a small amount are secured by way of lease with a royalty payable at the point of extraction.

TRADING AND RESULTS

The performance of the Bricks and Blocks segment was principally driven by the demand dynamics outlined above. Bricks and Blocks sales revenues were £276.7m, in line with the prior year (2023: £277.4m). Segmental adjusted EBITDA totalled £49.0m (2023: £52.1m), a decrease of 6.0%. Adjusted EBITDA margin was 17.7% (2023: 18.8%). We were pleased to deliver an EBITDA margin of almost 18% whilst running our network of factories at around 60% of capacity.

	2024 £m		2023 £m	
	Adjusted	**Statutory**	Adjusted	Statutory
Revenue[1]	**276.7**	**276.7**	277.4	277.4
EBITDA[2] before overhead allocations	**66.2**	**71.7**	70.0	56.3
Overhead allocations[3]	**(17.2)**	**(17.2)**	(17.9)	(17.9)
EBITDA[2] after overhead allocations	**49.0**	**54.5**	52.1	38.4
EBITDA[2] margin before overhead allocations	**23.9%**	**25.9%**	25.2%	20.3%
EBITDA[2] margin after overhead allocations	**17.7%**	**19.7%**	18.8%	13.8%

[1]Revenue is stated before inter-segment eliminations.

[2]Both EBITDA and adjusted EBITDA are APMs, as explained within note 14. EBITDA is presented above under the statutory heading, being calculated with reference to statutory results without adjustment.

[3]Overhead allocations are costs centrally incurred by the Group, including general administrative expenses.

SALES VOLUMES

Our own brick despatches remained closely correlated with wider market trends. Our aggregate block business also reported year-on-year growth in despatches aligned to the wider brick market. Our aircrete block business demonstrated the strongest volume performance with volumes increasing by more than 20%, allowing us to reduce the significant inventory we had accumulated in 2023. We believe this increase in demand was attributable in part to changes in the Building Regulations, increasing usage of thermally efficient aircrete, although we also likely benefited from our competitors experiencing supply constraints.

PRICING AND COSTS

We saw a continued stabilisation of our cost base in 2024 following the significant cost inflation seen in recent years. As expected, our energy costs peaked in 2023 and although we have seen some stabilisation in 2024, these remained significantly ahead of longer-term norms. We did however experience continued cost inflation in other categories, namely staff costs and in particular business rates.

Armed with forward visibility of these increases in our cost base, in late 2023 we announced modest price increases aimed at recovering this cost inflation to apply from early 2024. Unfortunately, challenging market conditions and competitor behaviours determined that these price increases did not hold in the market, as we needed to ensure our pricing remained competitive. Despite this, brick pricing remained broadly stable throughout the year and at the end of 2024 our brick prices remain only mid-high single digits below the levels achieved at the end of 2022. Pricing of our aggregate and aircrete block products followed a similar pattern to bricks, remaining broadly stable in the year.

OPERATIONS

This year brought a degree of stability to our manufacturing operations. With the management actions necessary to align our production with customer demand announced and committed towards the end of 2023, 2024 saw the completion of these measures with a number of colleagues regrettably leaving the business in the first quarter. Thereafter, our manufacturing operations ran consistently at a reduced level of output. Aside from some continuing commissioning challenges at Desford, which we substantially addressed through an extended two-month summer shut down, our factories ran well and we made good progress on our renewed focus on manufacturing excellence, delivering a number of savings in the year and contributing to our successful cash management.

As the end of the year approached we took the first steps in what we refer to as ‘Project Rebound’, our roadmap to increasing the Group's output back to 2022 levels and beyond. The first step was to increase production of our aircrete blocks after a strong 2024 performance which saw a significant reduction in our inventories of this product. We have created 40 new roles within the business with production increasing from January 2025.

Each of our previous rationalisation actions were taken with a view to reducing output in the short-term without diminishing the long-term productive capacity of the business. However during 2024 we considered the position of our Howley Park brick factory, taking the decision that the mothballing of this plant would in fact become a permanent closure. Howley Park was the oldest and least efficient brick factory in our network, originally opening in the 1970s. The plant was already approaching the end of its useful life when it was mothballed, with the Group having optionality to develop a replacement factory at nearby Swillington.

With the opening of our new factory at Desford giving us an effective 22% increase in our brick production capacity, our market projections did not envisage requiring Howley Park until 2029 or beyond, by which time it would have been mothballed for around six years and the costs of recommissioning the factory would not have made financial sense given the plant’s relatively short remaining life and high cost of production. The Group currently retains the factory site and is considering its future use. Inclusive of the closure of Howley Park, our investments at Desford and Wilnecote will leave us with a net 15% increase in brick production capacity relative to the last turn of the cycle, supplemented by our new market-leading brick slip manufacturing facility at Accrington.

BESPOKE PRODUCTS

Precast concrete products are designed, manufactured and shipped nationwide under the Bison Precast brand from two facilities situated in the Midlands. Our products comprise beam and block flooring, including Jetfloor, which was the UK’s first suspended ground floor system to use expanded polystyrene blocks combined with a structural concrete topping to provide high levels of thermal insulation; hollowcore floors alongside accompanying staircases and landings are used for upper floors of multi-family and commercial developments, structural precast components including precast concrete walls used in applications such as hotels and prisons, and concrete beams used in the construction of building frames as well as stadia components; architectural precast concrete façades, in a variety of finishes including brick facings.

TRADING AND RESULTS

Precast concrete flooring solutions represent by far the largest component of this segment by revenue and profitability. The performance of this segment was correlated to that of bricks and blocks. Segmental turnover in the year was broadly flat at £71.5m (2023: £72.7m).

Segmental adjusted EBITDA stated before allocation of Group overheads was £7.3m (2023: £10.5m). It is worth highlighting that in contrast to Bricks and Blocks, this segment had a particularly strong 2023 with performance ahead of 2022. After an allocation of Group overheads totalling £4.3m (2023: £4.5m), the segment's adjusted EBITDA was £3.0m (2023: £6.0m).

	2024 £m		2023 £m	
	Adjusted	**Statutory**	Adjusted	Statutory
Revenue[1]	**71.5**	**71.5**	72.7	72.7
EBITDA[2] before overhead allocations	**7.3**	**7.2**	10.5	10.2
Overhead allocations[3]	**(4.3)**	**(4.3)**	(4.5)	(4.5)
EBITDA[2] after overhead allocations	**3.0**	**2.9**	6.0	5.7
EBITDA[2] margin before overhead allocations	**10.2%**	**10.1%**	14.4%	14.0%
EBITDA[2] margin after overhead allocations	**4.2%**	**4.1%**	8.3%	7.8%

[1]Revenue is stated before inter-segment eliminations.

[2]Both EBITDA and adjusted EBITDA are APMs, as explained within note 14. EBITDA is presented above under the statutory heading, being calculated with reference to statutory results without adjustment.

[3]Overhead allocations are costs centrally incurred by the Group, including general administrative expenses.

SALES VOLUMES

Overall, floor beam despatches increased by around 10% relative to the prior year with a significant improvement seen in the second half of the year, with despatches approximately 20% ahead of the first half. Hollowcore was more challenging as despite a strong order book, we suffered from slippage and delay of customer projects which meant we manufactured and despatched less product than the previous year.

PRICING AND COSTS

In common with Bricks and Blocks, this segment experienced a modest level of underlying cost inflation although there was some additional volatility in the cost of insulation, its largest single input cost. Challenging market conditions resulted in some small reductions in selling prices which meant we were unable to offset the volatility in insulation costs, impacting margins accordingly.

ALTERNATIVE PERFORMANCE MEASURES

In order to provide the most transparent understanding of the Group's performance, we use alternative performance measures (APMs) which are not defined or specified under IFRS. The Group believes that these APMs provide additional helpful information on how the trading performance of the Group is reported and reviewed internally by management and the Board, allowing non-trading items which are less likely to recur to be assessed separately.

Management and the Board use several profit related APMs in assessing Group performance and profitability. These are considered before the impact of exceptional and adjusting items. Exceptional and adjusting items are detailed below and a full reconciliation between adjusted and statutory results is presented within note 14 to the consolidated financial information.

EXCEPTIONAL ITEMS

Exceptional items include redundancy and termination costs associated with the restructuring of our operations in response to the market downturn. Whilst the bulk of these actions were announced in 2023, modest further restructuring measures took place during 2024. In addition, the Group incurred exceptional costs of £2.7m in respect of an aborted corporate transaction as announced at the time of the interim results. The Board actively considers opportunities for inorganic growth through acquisition, however will only proceed should opportunities not only meet our strategic objectives but also provide demonstrable value for our shareholders.

ADJUSTING ITEMS

In addition to exceptional items, we have also identified further adjusting items, the separate disclosure of which allows us to present our results in a manner that will allow 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.

Adjusting items in the current and previous year relate to both realised and open energy positions where committed energy purchased by the Group has or is expected to exceed consumption. Where forward energy contracts are expected to be utilised in full, we apply the own use exception within IFRS 9 Financial Instruments and these are not marked to market. Where we have energy in excess of our anticipated needs secured under forward contracts, these contracts do not meet the own use exemption and as such are treated as derivatives and marked to market, resulting in gains and losses as market prices fluctuate. Any impact on the profit and loss as a result of this marked to market treatment, along with profits and losses on the sale of surplus energy, are shown as adjusting items.

	2024 £m	2023 £m
Adjusted EBITDA[1]	**52.0**	58.1
Exceptional costs:		
Restructuring costs	**(0.2)**	(9.0)
Aborted corporate transaction	**(2.7)**	–
Impairment of plant and equipment	**–**	(5.0)
Adjusting items:		
Realised loss on the sale of surplus energy	**(1.5)**	(0.8)
Derivative gain on future energy contracts	**7.1**	0.8
EBITDA[1]	**54.7**	44.1

[1]Both EBITDA and adjusted EBITDA are APMs, as explained within note 14. EBITDA is presented above under the statutory heading, being calculated with reference to statutory results without adjustment.

FINANCE COSTS

Finance costs totalled £9.1m (2023: £7.0m). The increase in our finance costs relative to the prior year was primarily a function of increasing levels of borrowing through 2023 along with increasing interest rates through 2023, with these only falling slightly towards the end of 2024. In addition, an increased margin became payable as leverage increased. Finance costs are stated net of capitalised interest of £2.1m (2023: £nil) in respect of the capital investment projects at Wilnecote and Accrington.

Under the terms of the credit agreement, interest is payable according to a margin grid dependent on leverage starting with a margin of SONIA plus 1.65% applicable whilst leverage (net debt/adjusted EBITDA, as measured before the impact of IFRS 16) is less than 0.5 times, rising to a margin of 3.5% if leverage is greater than 3.5 times. A commitment fee of 35% of the margin was payable on the undrawn credit facility.

TAXATION

The adjusted effective tax rate (ETR) excluding the impacts of exceptional and adjusted items was 27.1% (2023: 24.5%). The increase in the ETR is partly driven by the full year effect of the increase in the UK statutory rate of corporation tax to 25.0% (2023: 23.5%). The ETR is higher than the UK main rate of corporation tax due to the permanent impact of non-deductible items such as depreciation on non-qualifying assets. With adjusted profits in 2024 being lower than 2023, the impact of permanent non-deducible items as a percentage of profit is higher and has increased the adjusted ETR. The statutory ETR was 29.5% (2023: 25.0%) with the increase attributable to the reasons laid out above, along with the impact of non-deductible professional fees incurred on an aborted corporate transaction.

EARNINGS PER SHARE (EPS)

Adjusted basic EPS was 7.6p (2023: 11.4p). Statutory basic EPS was 8.3p (2023: 6.2p). EPS is calculated as the weighted average number of shares in issue during the year (excluding those held by the Employee Benefit Trust (EBT)) which in 2024 was 210.6 million shares (2023: 206.6 million).

CASH FLOW

It is within our cash flow statement that our improved year-on-year performance is most visible. 2023 was characterised by a large increase in borrowings as inventories increased markedly as it took time to right-size our business in response to the sudden reduction in market demand. Cash and balance sheet management have been key focus areas and in 2024 we are reporting a return to a strong adjusted operating cash flow, demonstrating the success of our management actions in placing the Group on a firm financial footing.

Adjusted operating cash flow recovered to £60.1m (2023: adjusted operating cash outflow of £5.3m), a year-on-year improvement of £65.4m. This helped drive a £8.3m reduction in net debt before leases to £84.9m (2023: £93.2m) despite a total capital expenditure of £25.6m including £21.6m on our three strategic projects at Desford, Wilnecote and Accrington. This improved performance is primarily a result of our ability to align production to demand, with inventories, particularly of our concrete products, reducing in the year, demonstrating that despite a continuation of challenging market conditions, we have successfully adapted our operations to current demand. Inventories decreased by a total of £13.8m with brick inventories remaining broadly stable.

The cash flows driven by movements in receivables and payables are primarily a function of increasing sales activity, particularly in the final part of the year where the prior year comparatives were particularly weak.

Cash outflows in respect of adjusting items comprise restructuring costs of £3.8m, the majority of which were committed in the prior year, fees in respect of the aborted corporate transaction of £2.7m and payments to settle surplus gas contracts of £1.8m.

The Group received a net tax refund of £0.4m, driven by a refund of £2.2m received in respect of 2023. The Corporation tax charge in respect of 2024 is £3.2m, this liability was satisfied by payments to HMRC of £1.8m and an estimated R&D tax credit claim for 2024 of £1.4m.

The new lease liabilities entered into in the year primarily relate to plant and equipment and vehicles with these assets renewed on a regular basis in the ordinary course of business.

Net receipts from the EBT in the year totalled £5.1m (2023: payment of £1.0m). With challenging trading conditions determining that Performance Share Plan (PSP) awards due to vest in 2024 will not do so, the EBT's current requirement for shares to satisfy awards is diminished, hence no contributions are being made to the EBT at present. During the year the Company received proceeds of £3.5m from the EBT in respect of the 2023 SAYE scheme that vested in late 2023. As at the year end, the EBT held 1.9 million shares (2023: 5.5 million shares) with a market value of £3.1m (2023: £9.7m) with the decrease primarily attributable to the 2.3 million shares used to satisfy exercised sharesave awards. It remains our policy to provide shares for settlement of our share-based employee reward schemes through open market purchases as opposed to the issue of new share capital.

	2024 £m	2023 £m
Adjusted EBITDA	**52.0**	58.1
Purchase and settlement of carbon credits	**6.0**	3.1
Other cash flow items	**(6.5)**	(4.1)
Changes in working capital		
– Inventories	**13.8**	(52.8)
– Trade and other receivables	**(8.0)**	13.3
– Trade and other payables	**2.8**	(22.9)
Adjusted operating cash flow	**60.1**	(5.3)
Payments made in respect of adjusted items	**(8.3)**	(5.9)
Operating cash flow after adjusted items	**51.8**	(11.2)
Interest paid	**(10.0)**	(6.1)
Tax credit/(paid)	**0.4**	(2.7)
Capital expenditure		
– Maintenance	**(4.0)**	(14.8)
– Strategic	**(21.6)**	(19.3)
Dividends paid	**(6.3)**	(25.7)
Net cash flow from sale and purchase of shares by Employee Benefit Trust	**5.1**	(1.0)
Repayment of lease liabilities	**(5.9)**	(5.9)
Other movements	**(1.2)**	(0.6)
Decrease/(increase) in net debt before leases	**8.3**	(87.3)
Debtor days	**41**	33

CAPITAL EXPENDITURE

The cash outflow in relation to capital expenditure excluding capitalised borrowing costs totalled £25.6m (2023: £34.1m) with strategic capital expenditure totalling £21.6m (2023: £19.3m) and maintenance capital expenditure totalling £4.0m (2023: £14.8m).

Strategic capital expenditure has been focused upon the projects at Wilnecote and Accrington. The Accrington project is nearing completion, and is expected to be delivered in line with both timetable and budget, with commissioning underway ahead of the year end. Cash spend was £8.0m (2023: £3.2m) in the year excluding capitalised borrowing costs of £0.5m (2023: £nil).

Each of our three strategic capital investment projects have been executed under fixed price contracts which have provided us with price certainty at a time of significant cost inflation. Were the Desford project to commence today, management estimate the cost would rise to approximately £120m compared to the budget of £95m which we set in 2019 and still expect to meet.

The Wilnecote project continues to progress although it has been subject to a number of supplier-driven delays. Whilst we have benefited significantly from a fixed price contract, this has placed significant pressure on our suppliers and has contributed to delays. Cash spend on Wilnecote in the year totalled £10.7m (2023: £10.9m) bringing total spend on the project to £28.6m, excluding capitalised interest. We still expect to deliver the factory broadly within its original £30m budget.

The reduction in maintenance capital spend reflects our balance sheet management and also the temporary reduction in our output. The prior year comparative also included around £6.0m of one-off items including solar panels at our Desford facility. Our capex spend in 2025 is expected to reduce to around £15m, with approximately £8m of this related to the completion of the strategic projects.

BORROWINGS AND FACILITIES

At 31 December 2024 net debt before leases was £84.9m equating to leverage of c.1.9 times on a banking covenant basis and an £8.3m reduction on 2023 (£93.2m) notwithstanding capital spend of over £20m on our strategic projects during the year. Net debt after adding lease liabilities of £20.9m (2023: £24.2m) was £105.8m (2023: £117.4m). These leases primarily relate to plant and equipment, in particular the fleet of heavy goods vehicles used to deliver our products to our customers.

The Group's credit facility comprises a committed revolving credit facility (RCF) of £170m extending to January 2027 with an option for an extension to June 2028 subject to lender consent. At the year-end a total of £100.0m was drawn on the facility, leaving headroom of £70.0m.

The facility is normally subject to covenant restrictions of net debt/EBITDA (as measured before the impact of IFRS 16) of less than three times and interest cover of greater than four times. The Group also benefits from an uncommitted overdraft facility of £10.0m. The Group has traded comfortably within these covenants throughout 2024 although in order to ensure a sufficient degree of headroom, amended covenants were agreed with the Group's lenders. Accordingly, the Group's leverage covenant was increased to 3.75 times in December 2024 with interest cover decreasing to 3 times. In addition, quarterly covenant testing has been introduced for the period of the covenant relaxation. As such, in March 2025 leverage is set at 3.75 times and interest cover at 3 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 was amended to 4 times EBITDA in 2024 before returning to 3 times in 2025.

The facility is linked to our sustainability targets with the opportunity to adjust 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, primarily as a consequence of our response to market conditions and the subsequent loss in operating efficiency, these targets were not achieved in 2024. Further information is included in our Sustainability Report.

We expect a further acceleration in debt reduction in 2025 with improving markets and strategic capex spend expected to total £8.0m (2024: £21.6m) as we complete the three projects at Desford, Wilnecote and Accrington. In line with previous seasonal trends, this debt reduction is likely in H2 2025 with a modest increase in net debt likely at HY 2025. The Board reiterates its long-term leverage target of 1.5 times or below, and presently expects this to be achieved at the end of 2025.

STRATEGY

Our strategy for growth together with clear capital allocation priorities positions the Group to deliver long-term shareholder value. Our strategy is to capitalise on the UK's long-term shortage of housing supply, along with a structural shortfall in the supply of the domestically manufactured building products necessary to address this housing shortage, leveraging our extensive mineral reserves and strong market positions.

This strategy encapsulates the following strategic imperatives, the achievement of which will deliver sustained shareholder value:

- 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; and
- Safety and engagement: Safety remains our number one priority and through prioritising employee engagement we will maximise the potential of our workforce.

During 2024 we made demonstrable progress toward our strategic objectives, particularly with progress on our strategic capital investment programme with commissioning of our new brick slip manufacturing facility commencing ahead of the year end, and with the Wilnecote brick factory redevelopment nearing completion with commissioning commencing in the first half of 2025.

CAPITAL ALLOCATION

Our capital allocation policies are clearly outlined and designed to maximise shareholder value:

- Strategic organic capital investment to deliver attractive returns;
- Attractive ordinary dividend 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.

We are coming to the end of our £140m investment in our three exciting expansion projects at Desford, Wilnecote and Accrington. The challenging market conditions we have faced during this period of investment did initially place our balance sheet under some pressure and we significantly increased inventory levels whilst taking steps to reduce output as efficiently as possible. We have successfully addressed these pressures in 2024 as we reduced our net debt whilst still spending over £20m on our strategic capital projects. We expect a further reduction of both net debt and leverage in 2025.

DIVIDEND

Our established dividend policy had been to distribute 55% of our adjusted earnings. In light of current trading conditions and the Group's presently elevated levels of leverage, the Board has considered the Group's dividend policy and has elected to temporarily reduce the level of dividend distribution. The Board is proposing to distribute 40% of adjusted earnings for 2024 and accordingly is recommending a final dividend of 2.0p per share (2023: 2.0p) which, in addition to the interim dividend of 1.0p per share paid in October (2023: 2.4p), will bring the total dividend to 3.0p per share (2023: 4.4p). Subject to approval by shareholders, the final dividend will be paid on 4 July 2025 to shareholders on the register as at 13 June 2025.

The Board remains confident in the long-term prospects of the Group and in its ability to benefit from the recent capacity investments as the market recovers. The Board expects borrowings to steadily reduce as our markets recover and our £140m programme of strategic capital investment draws to a conclusion. The Board intends to keep its dividend policy under review and will look to return the level of distribution to the previous 55% as soon as market conditions and the balance sheet permit.

SUSTAINABILITY

Our carbon reduction journey is a long-term one, underpinned by strategic investment in our manufacturing footprint, with continuing research and development into emerging technologies. This journey to decarbonisation and ultimately to net zero needs to be considered alongside short-term factors that influence our carbon emissions.

In addition to our long-term goal of achieving net zero by 2050, we have clear short to mid-term targets including a 32% reduction in our carbon emissions intensity (from a 2019 baseline) by the end of the decade. At present we are reporting a significant reduction in our absolute carbon emissions both against a 2019 baseline and in comparison with the prior year, as we have significantly reduced our output, however our carbon emission intensity suffers as a result of the operating inefficiency we are presently carrying. Each of our strategic products provides a measurable and meaningful sustainability gain, with the new Desford and Wilnecote brick factories both reducing carbon emissions by approximately 25% relative to their predecessor factories. Our innovative brick slip production facility at Accrington will manufacture brick slips with around a 75% reduction in both energy and raw material usage as well as embodied carbon relative to traditional bricks.

During 2024 we have made significant strides in utilising calcined clay derived from our London Brick production waste as a low carbon cement substitute. 2024 also saw the commencement of power generation from our dedicated solar farm which is designed to provide around 70% of our electricity demand at full production.

HEALTH, SAFETY AND WELLBEING

Safety has long been the Group's number one priority and this has not changed. Nothing comes before the safety and wellbeing of not only our colleagues, but everybody that we come across in the course of running our business.

2024 was the final year of our planned zero harm strategy that we set out in 2021. Aligned to our cultural drive to enhance engagement, in this final year, we focused on launching our programme of visible felt leadership (VFL) training, training our leaders to have effective safety conversations. In this three-year period we have seen our lost time incident frequency rate (LTIFR) reduce by 43%. Our ambition is to achieve zero harm and we will not rest whilst we still have accidents and injuries happening in our business.

We have now embarked on the next phase of our journey which focuses on behavioural safety titled 'From base to brilliant' incorporating the rollout of a full behavioural health and safety programme through the business. Starting at the 'base', where 'we do the right thing' then moving to taking responsibility through a dependent safety culture where colleagues actively look after their own health and safety, through to the 'brilliant' where colleagues will actively look after their own and others health, safety and wellbeing.

BOARD CHANGES

As previously announced, Justin Atkinson will stand down as Chair at the conclusion of the forthcoming AGM. Nigel Lingwood will be joining the Board as Chair Designate on 1 April 2025 and he shall be appointed as Chair on conclusion of the AGM in May. Nigel is an experienced listed company director and chair who spent the largest part of his executive career as Group Finance Director of FTSE 100 value-add distribution business Diploma Plc, and now is Chair of FTSE 250 ventilation products business, Volution Group Plc.

In addition, we also said goodbye to Divya Seshamani during the year as she stood down as a Non-Executive Director in September after more than eight years of service. We would like to take this opportunity to pass on our thanks to Divya for her significant contribution during her tenure and the Board wish her every success in the future.

As announced on 6 March 2025, Aysegul Sabanci will join the Board on 1 April 2025 as an Independent Non-Executive Director. Aysegul was previously Group Head of Procurement at ISG and a Non-Executive Director at T Clarke plc and brings a strong background in relevant industry procurement.

CORPORATE CULTURE

The Board is aware of its responsibility to foster a corporate culture based upon strong leadership and transparency, ensuring we do business responsibly, adhering to the highest ethical standards, whilst minimising the impact our business has on the environment. Our corporate values, being the principles of behaviour that will allow us to achieve our strategic goals, are defined below and having been rolled out to all employees in early 2024, our focus has been on building adherence to these values in everything we do:

- Innovate to lead: We're empowered to continuously improve;
- Pride in excellence: We relish achievement and success; and
- Collaborate and care: We work in partnership and look after each other.

Our purpose is to manufacture and supply building products used to construct homes and other structures, helping to create lasting legacies in the form of communities that will exist for centuries to come.

GOING CONCERN

The Group's debt facility comprises a committed revolving credit facility (RCF) of £170m extending to January 2027 with an option for an extension to June 2028 subject to lender consent. The option is available to be requested in the period from 17 March to 16 April 2025. At the balance sheet date, borrowings against the facility totalled £100m with £70m of headroom remaining. The cash balance stood at £15.2m with reported net debt before leases of £84.9m (2023: £93.2m) (net debt is presented inclusive of capitalised arrangement fees). The Group also benefits from an uncommitted overdraft facility of £10m which was undrawn at the year end.

The Group meets its working capital requirements through these cash reserves and facilities and closely manages working capital to ensure sufficient daily liquidity and prepares financial forecasts under various scenarios to ensure sufficient liquidity over the medium-term. Management maintains strong relationships with the Group's lenders and advisors and remains confident in the Group's ability to continue to access the financing it requires.

The facility is normally subject to covenant restrictions of leverage (net debt/EBITDA) (as measured before leases) of less than 3 times and interest cover of greater than 4 times. However, given the combination of the Group's reduced EBITDA and increases in net debt in 2023, driven by inventory build, capital outflows and higher interest rates, amended covenants were agreed with the Group's lenders in March 2024 to provide additional headroom during 2024 and to March 2025. Quarterly covenant testing was introduced for the period of these amended covenants. Accordingly, the Group's leverage covenant for March 2025 is set at 3.75 times, with interest cover at 3 times. The covenants return to normal levels from June 2025 with testing reverting to half yearly. The Group has comfortably traded with its original covenants throughout 2024 and anticipates remaining within these covenants throughout 2025.

Management has modelled two financial scenarios for the period to 30 June 2026, comprising a base case and a plausible downside scenario, reflecting both macroeconomic and industry-specific projections. In addition to this, a reverse stress test has also been modelled.

Assumptions underpinning these scenarios are outlined as follows:

- The base case scenario is aligned to our current demand expectations, with short-term market conditions improving in 2025, reflected in sales volume growth;
- Following the production reductions made in 2023, management continues to align production to anticipated sales, minimising inventory growth. This in turn increases free cash flows and facilitates a reduction net debt;
- Capital expenditure reduces from prior years, with the Group's spend on strategic projects largely complete. As above, this increases free cash flows and reduces net debt; and
- As in the prior year, the Group's plausible downside scenario takes into account the current levels of market demand which, for most of our products, remains approximately 30% below the levels last seen in 2022. 2022 is considered to be representative of a normalised market for the Group and as such is seen as a reasonable benchmark for scenario modelling. It is not considered plausible that demand could fall further than the assumptions detailed within the downside scenario laid out below.

Scenario	Sales volume assumptions	Management mitigations
Base	Volumes for 2025 increase, for the majority of products, between 6% and 11%, versus 2024. However these remain between 3% and 32% below 2022. Volumes continue to recover in 2026 but remain up to 23% below 2022	None necessary
Plausible downside	Volumes remain flat in 2025 versus 2024, which is a reduction of between 11% and 38% relative to 2022. Volumes begin to recover in 2026 but remain up to 35% below 2022	None necessary

Under both of the above scenarios, there is no breach in covenants throughout 2025 and in the period up to June 2026.

In addition to the scenarios, the Group has prepared a reverse stress test to determine the level of market decline that could potentially breach covenants, before further mitigating actions are taken. The reverse stress test indicated, that should volumes fall by a further 8% from the plausible downside, the Group would be at risk of breaching its covenants. This is viewed by the Board to be a highly unlikely scenario. The Board takes encouragement from the Government's ambition to materially increase housebuilding, although remains wary of the challenges in delivering this. A steady recovery in the market is anticipated during 2025 and the Board remains confident in the Group's ability to benefit significantly as markets recover and its strategic investments generate returns.

Further to this, in the event of sales volumes falling in line with those modelled in the reverse stress test, the Group would seek to enact further mitigating actions including additional cost savings, production reductions, curtailment in the quantum of dividend distributions and the sale of surplus land and buildings.

Taking the above into consideration, alongside trading performance for the first two months of 2025 which has continued the positive trends seen in the last quarter of 2024, with our brick volumes around 17% ahead of the prior year, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the going concern period to 30 June 2026. The Group therefore adopts the going concern basis in preparing this consolidated financial information.

FORWARD LOOKING STATEMENTS

Certain statements in this announcement are forward looking. Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, we can give no assurance that these expectations will prove to have been correct. Because these statements contain risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements. We undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

DIRECTORS' RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

1. the Consolidated Financial Statements of the Group, which have been prepared in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006 give a true and fair view of the assets, liabilities, financial position and profit of the Group; and

2. the announcement includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

Neil Ash	Ben Guyatt
Chief Executive Officer	Chief Financial Officer
11 March 2025	

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	**2024** **£m**	2023 £m
Revenue	3	**344.3**	346.4
Cost of sales		**(241.3)**	(245.7)
Gross profit		**103.0**	100.7
Distribution costs		**(46.1)**	(48.6)
Administrative expenses		**(29.4)**	(28.5)
Other operating income		**6.4**	0.5
Operating profit		**33.9**	24.1
Finance expense	5	**(9.1)**	(7.0)
Profit before tax		**24.8**	17.1
Income tax expense	6	**(7.3)**	(4.3)
Profit for the financial year attributable to equity shareholders		**17.5**	12.8
Other comprehensive loss			
Effective portion of changes of cash flow hedges (net of tax impact)		**(0.1)**	(0.7)
Total comprehensive income for the year attributable to equity shareholders		**17.4**	12.1
Earnings per share		**Pence**	Pence
Basic earnings	8	**8.3**	6.2
Diluted earnings	8	**8.3**	6.2

	Note	**2024** **£m**	2023 £m
Adjusted profit measures			
Adjusted EBITDA		**52.0**	58.1
Exceptional items	4	**(2.9)**	(14.0)
Adjusting items	14	**5.6**	–
EBITDA		**54.7**	44.1
Depreciation and amortisation		**(20.8)**	(20.0)
Operating profit		**33.9**	24.1
Adjusted profit before tax		**22.1**	31.1
Exceptional items	4	**(2.9)**	(14.0)
Adjusting items	14	**5.6**	–
Profit before tax		**24.8**	17.1
Adjusted earnings per share		**Pence**	Pence
Basic earnings	8	**7.6**	11.4
Diluted earnings	8	**7.6**	11.3

FORTERRA PLC CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2024

	Note	**2024 £m**	2023 £m
Non-current assets			
Intangible assets		**11.6**	19.2
Property, plant and equipment		**263.8**	249.7
Right-of-use assets		**20.5**	24.1
Derivative financial assets		**2.8**	5.0
		298.7	298.0
Current assets			
Inventories		**82.0**	95.8
Trade and other receivables		**39.0**	31.0
Income tax asset		**2.4**	2.3
Cash and cash equivalents		**15.2**	16.0
Derivative financial assets		**5.1**	1.6
		143.7	146.7
Total assets		**442.4**	444.7
Current liabilities			
Trade and other payables		**(68.7)**	(66.3)
Loans and borrowings	9	**(0.7)**	(0.4)
Lease liabilities		**(5.8)**	(5.7)
Provisions for other liabilities and charges		**(6.6)**	(15.7)
Derivative financial liabilities		**(0.1)**	(5.8)
		(81.9)	(93.9)
Non-current liabilities			
Loans and borrowings	9	**(99.4)**	(108.8)
Lease liabilities		**(15.1)**	(18.5)
Provisions for other liabilities and charges		**(8.2)**	(9.4)
Deferred tax liabilities		**(12.9)**	(6.3)
		(135.6)	(143.0)
Total liabilities		**(217.5)**	(236.9)
Net assets		**224.9**	207.8
Capital and reserves attributable to equity shareholders			
Ordinary shares		**2.1**	2.1
Retained earnings		**228.2**	219.8
Cash flow hedge reserve		**(0.2)**	(0.1)
Reserve for own shares		**(5.4)**	(14.2)
Capital redemption reserve		**0.2**	0.2
Total equity		**224.9**	207.8

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	**2024** **£m**	2023 £m
Cash generated from/(used in) operations	10	**51.8**	(11.2)
Interest paid		**(10.0)**	(6.1)
Tax credit/(paid)		**0.4**	(2.7)
Net cash inflow/(outflow) from operating activities		**42.2**	(20.0)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(25.4)**	(33.0)
Purchase of intangible assets		**(0.2)**	(1.1)
Proceeds from sale of property, plant and equipment		**–**	0.3
Net cash used in investing activities		**(25.6)**	(33.8)
Cash flows from financing activities			
Repayment of lease liabilities		**(5.9)**	(5.9)
Dividends paid	7	**(6.3)**	(25.7)
Drawdown of borrowings		**93.0**	137.0
Repayment of borrowings		**(103.0)**	(67.0)
Purchase of shares by Employee Benefit Trust		**–**	(2.1)
Proceeds from sales of shares by Employee Benefit Trust		**5.1**	1.1
Financing fees		**(0.3)**	(1.9)
Net cash (used in)/generated from financing activities		**(17.4)**	35.5
Net decrease in cash and cash equivalents		**(0.8)**	(18.3)
Cash and cash equivalents at the beginning of the period		**16.0**	34.3
Cash and cash equivalents at the end of the period		**15.2**	16.0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	Ordinary shares £m	Capital redemption reserve £m	Reserve for own shares £m	Cash flow hedge reserve £m	Retained earnings £m	Total equity £m
Balance at 1 January 2023		2.1	0.2	(15.8)	0.6	233.4	220.5
Profit for the 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
Dividends paid	7	–	–	–	–	(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

	Note	Ordinary shares £m	Capital redemption reserve £m	Reserve for own share £m	Cash flow hedge reserve £m	Retained earnings £m	Total equity £m
Balance at 1 January 2024		**2.1**	**0.2**	**(14.2)**	**(0.1)**	**219.8**	**207.8**
Profit for the year		**–**	**–**	**–**	**–**	**17.5**	**17.5**
Other comprehensive loss		**–**	**–**	**–**	**(0.1)**	**–**	**(0.1)**
Total comprehensive (loss)/income for the year		**–**	**–**	**–**	**(0.1)**	**17.5**	**17.4**
Dividends paid	7	**–**	**–**	**–**	**–**	**(6.3)**	**(6.3)**
Proceeds from sale of shares by Employee Benefit Trust		**–**	**–**	**5.1**	**–**	**–**	**5.1**
Share-based payments charge		**–**	**–**	**–**	**–**	**1.0**	**1.0**
Share-based payments exercised		**–**	**–**	**3.7**	**–**	**(3.7)**	**–**
Tax on share-based payments		**–**	**–**	**–**	**–**	**(0.1)**	**(0.1)**
Balance at 31 December 2024		**2.1**	**0.2**	**(5.4)**	**(0.2)**	**228.2**	**224.9**

1. General information

Forterra plc (Forterra or the Company) and its subsidiaries (together referred to as the Group) are domiciled in the United Kingdom. The address of the registered office of the Company and its subsidiaries is 5 Grange Park Court, Roman Way, Northampton, NN4 5EA. The Company is the parent of Forterra Holdings Limited and Forterra Building Products Limited, which together comprise 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.

Forterra plc was incorporated on 21 January 2016 for the purpose of listing the Group on the London Stock Exchange. Forterra plc acquired the shares of Forterra Building Products Limited on 20 April 2016, which to that date held the Group's trade and assets, before admission to the main market of the London Stock Exchange.

2. Basis of preparation

The consolidated financial information for the year ended 31 December 2024 has been extracted from the audited consolidated financial statements, which were approved by the Board of Directors on 11 March 2025. The audited consolidated financial statements have not yet been delivered to the Registrar of Companies but are expected to be published in March 2025 and will be available on our website https://www.forterra.co.uk/. The auditors have reported on those accounts; their report was unqualified and did not contain statements under s498(2) or (3) of the Companies Act 2006.

This consolidated financial information has been prepared in accordance with UK-adopted international accounting standards. Whilst the financial information included in this preliminary announcement has been prepared in accordance with IFRS, this announcement does not itself contain sufficient information to comply with IFRS. This preliminary announcement constitutes a dissemination announcement in accordance with Section 6.3 of the Disclosures and Transparency Rules (DTR).

The financial information set out in this announcement does not constitute the statutory accounts for the Group within the meaning of Sections 434 to 436 of the Companies Act 2006 and is an abridged version of the consolidated financial statements for the year ended 31 December 2024. Copies of the Annual Report for the year ended 31 December 2024 will be mailed to those shareholders who have opted to receive them by the end of April 2025 and will be available from the Company's registered office at Forterra plc, 5 Grange Park Court, Northampton and the Company's website (http://forterraplc.co.uk/) after that date.

The consolidated financial information are presented in pounds sterling and all values are rounded to the nearest hundred thousand unless otherwise indicated.

Going concern

The Group's debt facility comprises a committed revolving credit facility (RCF) of £170m extending to January 2027 with an option for an extension to June 2028 subject to lender consent. The option is available to be requested in the period from 17 March to 16 April 2025. At the balance sheet date, borrowings against the facility totalled £100m with £70m of headroom remaining. The cash balance stood at £15.2m with reported net debt before leases of £84.9m (2023: £93.2m) (net debt is presented inclusive of capitalised arrangement fees). The Group also benefits from an uncommitted overdraft facility of £10m which was undrawn at the year end.

The Group meets its working capital requirements through these cash reserves and facilities and closely manages working capital to ensure sufficient daily liquidity and prepares financial forecasts under various scenarios to

ensure sufficient liquidity over the medium-term. Management maintains strong relationships with the Group's lenders and advisors and remains confident in the Group's ability to continue to access the financing it requires.

The facility is normally subject to covenant restrictions of leverage (net debt/EBITDA) (as measured before leases) of less than 3 times and interest cover of greater than 4 times. However, given the combination of the Group's reduced EBITDA and increases in net debt in 2023, driven by inventory build, capital outflows and higher interest rates, amended covenants were agreed with the Group's lenders in March 2024 to provide additional headroom during 2024 and to March 2025. Quarterly covenant testing was introduced for the period of these amended covenants. Accordingly, the Group's leverage covenant for March 2025 is set at 3.75 times, with interest cover at 3 times. The covenants return to normal levels from June 2025 with testing reverting to half yearly. The Group has comfortably traded with its original covenants throughout 2024 and anticipates remaining within these covenants throughout 2025.

Management has modelled two financial scenarios for the period to 30 June 2026, comprising a base case and a plausible downside scenario, reflecting both macroeconomic and industry-specific projections. In addition to this, a reverse stress test has also been modelled.

Assumptions underpinning these scenarios are outlined as follows:

- The base case scenario is aligned to our current demand expectations, with short-term market conditions improving in 2025, reflected in sales volume growth;
- Following the production reductions made in 2023, management continues to align production to anticipated sales, minimising inventory growth. This in turn increases free cash flows and facilitates a reduction net debt;
- Capital expenditure reduces from prior years, with the Group's spend on strategic projects largely complete. As above, this increases free cash flows and reduces net debt; and
- As in the prior year, the Group's plausible downside scenario takes into account the current levels of market demand which, for most of our products, remains approximately 30% below the levels last seen in 2022. 2022 is considered to be representative of a normalised market for the Group and as such is seen as a reasonable benchmark for scenario modelling. It is not considered plausible that demand could fall further than the assumptions detailed within the downside scenario laid out below.

Scenario	**Sales volume assumptions**	**Management mitigations**
Base	Volumes for 2025 increase, for the majority of products, between 6% and 11%, versus 2024. However these remain between 3% and 32% below 2022. Volumes continue to recover in 2026 but remain up to 23% below 2022	None necessary
Plausible downside	Volumes remain flat in 2025 versus 2024, which is a reduction of between 11% and 38% relative to 2022. Volumes begin to recover in 2026 but remain up to 35% below 2022	None necessary

Under both of the above scenarios, there is no breach in covenants throughout 2025 and in the period up to June 2026.

In addition to the scenarios, the Group has prepared a reverse stress test to determine the level of market decline that could potentially breach covenants, before further mitigating actions are taken. The reverse stress test indicated, that should volumes fall by a further 8% from the plausible downside, the Group would be at risk of breaching its covenants. This is viewed by the Board to be a highly unlikely scenario. The Board takes encouragement from the Government's ambition to materially increase housebuilding, although remains wary of the challenges in delivering this. A steady recovery in the market is anticipated during 2025 and the Board remains

confident in the Group's ability to benefit significantly as markets recover and its strategic investments generate returns.

Further to this, in the event of sales volumes falling in line with those modelled in the reverse stress test, the Group would seek to enact further mitigating actions including additional cost savings, production reductions, curtailment in the quantum of dividend distributions and the sale of surplus land and buildings.

Taking the above into consideration, alongside trading performance for the first two months of 2025 which has continued the positive trends seen in the last quarter of 2024, with our brick volumes around 17% ahead of the prior year, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the going concern period to 30 June 2026. The Group therefore adopts the going concern basis in preparing this consolidated financial information.

3. Segmental reporting

Management has determined the operating segments based on the management reports reviewed by the Executive Committee 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; and
- 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 processes, suppliers, customers and distribution methods.

The Bespoke Products range includes precast concrete (marketed under the 'Bison Precast' brand), chimney and roofing solutions, each of which are typically made-to-measure or customised to meet the customer's specific needs. The precast concrete products are complemented by the Group's full design and nationwide installation services.

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 Consolidated Statement of Total Comprehensive Income 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 complementary building products.

Substantially all revenue recognised in the Consolidated Statement of Total Comprehensive Income arose within the UK

Segment revenue and results

		2024			2023		
	Note	**Bricks and Blocks £m**	**Bespoke Products £m**	**Total £m**	Bricks and Blocks £m	Bespoke Products £m	Total £m
Segment revenue		**276.7**	**71.5**	**348.2**	277.4	72.7	350.1
Inter-segment eliminations				**(3.9)**			(3.7)
Revenue				**344.3**			346.4
EBITDA before adjusted items		**49.0**	**3.0**	**52.0**	52.1	6.0	58.1
Depreciation and amortisation		**(19.1)**	**(1.7)**	**(20.8)**	(18.6)	(1.4)	(20.0)
Operating profit before adjusted items		**29.9**	**1.3**	**31.2**	33.5	4.6	38.1
Allocated exceptional items	4	**(0.1)**	**(0.1)**	**(0.2)**	(13.7)	(0.3)	(14.0)
Unallocated exceptional items	4			**(2.7)**			–
Allocated adjusting items	14	**5.6**	**–**	**5.6**	–	–	–
Operating profit				**33.9**			24.1
Finance expense	5			**(9.1)**			(7.0)
Profit before tax				**24.8**			17.1

Segment assets

	2024			2023		
	Bricks and Blocks £m	**Bespoke Products £m**	**Total £m**	Bricks and Blocks £m	Bespoke Products £m	Total £m
Intangible assets	**9.7**	**1.9**	**11.6**	16.8	2.4	19.2
Property, plant and equipment	**255.4**	**8.4**	**263.8**	240.8	8.9	249.7
Right-of-use assets	**19.4**	**1.1**	**20.5**	22.9	1.2	24.1
Inventories	**79.0**	**3.0**	**82.0**	92.1	3.7	95.8
Segment assets	**363.5**	**14.4**	**377.9**	372.6	16.2	388.8
Unallocated assets			**64.5**			55.9
Total assets			**442.4**			444.7

Property, plant and equipment, intangible assets, 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 segment information

	2024			2023		
	Bricks and Blocks £m	**Bespoke Products £m**	**Total £m**	Bricks and Blocks £m	Bespoke Products £m	Total £m
Intangible asset additions	**0.1**	**–**	**0.1**	5.3	0.8	6.1
Property, plant and equipment additions	**27.7**	**0.2**	**27.9**	32.6	0.9	33.5
Right-of-use asset additions	**2.5**	**0.2**	**2.7**	11.2	1.1	12.3

Customers representing 10% or greater of revenues

	2024			2023		
	Bricks and Blocks £m	**Bespoke Products £m**	**Total £m**	Bricks and Blocks £m	Bespoke Products £m	Total £m
Customer A	**35.6**	**0.4**	**36.0**	40.1	0.2	40.3

4. Exceptional items

	2024 £m	2023 £m
Restructuring costs	**(0.2)**	(9.0)
Aborted corporate transaction	**(2.7)**	–
Impairment of plant and equipment	**–**	(5.0)
	(2.9)	(14.0)

2024 exceptional items
During the year, the Group incurred exceptional expenses of £2.9m, of which £0.2m relates to restructuring costs and £2.7m relates to professional fees associated with an aborted corporate transaction.

2023 exceptional items
Exceptional items in 2023 relate to costs associated with the restructuring of our operations. Restructuring activities were undertaken to reduce output in response to the decline in demand for our products. Cash restructuring costs totalled £9.0m, of which £8.8m related to redundancies and terminations made across the Group. In addition to this, non-cash impairment losses of £5.0m were recognised in respect of the carrying value of plant and equipment at the Howley Park and Claughton brick factories which were mothballed in the year.

Presentation of exceptional items

	Cost of sales £m	**Distribution costs £m**	**Administrative expenses £m**	**Total £m**
2024				
Restructuring costs	**(0.1)**	**–**	**(0.1)**	**(0.2)**
Aborted corporate transaction	**–**	**–**	**(2.7)**	**(2.7)**
	(0.1)	**–**	**(2.8)**	**(2.9)**
2023				
Restructuring costs	(7.0)	(1.6)	(0.4)	(9.0)
Impairment of plant and equipment	(5.0)	–	–	(5.0)
	(12.0)	(1.6)	(0.4)	(14.0)

Tax on exceptional items
The restructuring costs incurred in the year, including redundancies and legal costs, were tax deductible.

5. Finance expense

	2024 **£m**	2023 £m
Interest payable on loans and borrowings	**7.4**	5.7
Interest payable on lease liabilities	**1.0**	0.7
Other finance expenses	**0.1**	–
Amortisation of capitalised financing costs	**0.6**	0.6
	9.1	7.0

Interest payable on loans and borrowings is presented net of borrowings costs which have been capitalised against qualifying assets. In the year to 31 December 2024 interest of £2.1m (2023: £nil) was capitalised against qualifying assets, with an average capitalisation rate of 6.6%.

Tax relief has been claimed on capitalised interest at the UK main rate of 25%.

6. Taxation

	2024 **£m**	2023 £m
Current tax		
UK corporation tax on profit for the year	**3.2**	3.5
Prior year adjustment on UK corporation tax	**(2.4)**	(0.7)
Total current tax	**0.8**	2.8
Deferred tax		
Origination and reversal of temporary differences	**4.1**	0.9
Effect of changes in tax rates	**–**	0.1
Effect of prior period adjustments	**2.4**	0.5
Total deferred tax	**6.5**	1.5
Income tax expense	**7.3**	4.3

	2024 **£m**	2023 £m
Current tax		
Profit before taxation	**24.8**	17.1
Expected tax charge	**6.2**	4.0
Expenses not deductible for tax purposes	**1.1**	0.4
Effect of prior period adjustments	**–**	(0.1)
Effect of change on deferred tax rate	**–**	–
Income tax expense	**7.3**	4.3

The effective tax rate (ETR) used for statutory measures is 29.5% (2023: 25.0%) and the adjusted ETR is 27.1% (2023: 24.5%). Deferred tax is calculated at the rate at which the provision is expected to reverse. The UK main rate of corporation tax increased to 25% on 1 April 2023. There has been no change in the Finance Bill 2023.

7. Dividends

	2024	2023
	£m	£m
Amounts recognised as distributions to equity holders in the year		
Interim dividend of 1.0p per share (2023: 2.4p)	**2.1**	4.9
Final dividend of 2.0p per share in respect of prior year (2023: 10.1p)	**4.2**	20.8
	6.3	25.7

The Directors are proposing a final dividend for 2024 of 2.0p per share, making a total payment for the year of 3.0p (2023: 4.4p). This is subject to approval by the shareholders at the AGM and has not been included as a liability in this consolidated financial information.

8. Earnings per share

The calculation of earnings per Ordinary Share is based on profit or loss after tax and the weighted average number of Ordinary shares in issue during the year. Adjusted earnings per share is presented as an alternative performance measure to provide an additional year-on-year comparison. A reconciliation between adjusted and statutory results is presented within note 14.

For diluted earnings per share, the weighted average number of Ordinary shares in issue is adjusted to assume conversion of all dilutive potential Ordinary shares. The Group has four types of dilutive potential Ordinary shares: those share options granted to employees under the Sharesave scheme; unvested shares granted under the Deferred Annual Bonus Plan; unvested shares granted under the Share Incentive Plan; and unvested shares within the Performance Share Plan that have met the relevant performance conditions at the end of the reporting period. If, for any of the above schemes, the average share price for the year is lower than the option price, these shares become anti-dilutive and are excluded from the calculation.

		Adjusted		**Statutory**	
		2024	2023	**2024**	2023
	Note	**£m**	£m	**£m**	£m
Operating profit for the year		**31.2**	38.1	**33.9**	24.1
Finance expense	5	**(9.1)**	(7.0)	**(9.1)**	(7.0)
Profit before tax		**22.1**	31.1	**24.8**	17.1
Income tax expense	6	**(6.0)**	(7.6)	**(7.3)**	(4.3)
Profit for the financial year		**16.1**	23.5	**17.5**	12.8
Weighted average number of shares (millions)		**210.6**	206.6	**210.6**	206.6
Effect of share incentive awards and options (millions)		**0.7**	1.4	**0.7**	1.4
Diluted weighted average number of shares (millions)		**211.3**	208.0	**211.3**	208.0
Earnings per share		**Pence**	Pence	**Pence**	Pence
Basic earnings		**7.6**	11.4	**8.3**	6.2
Diluted earnings		**7.6**	11.3	**8.3**	6.2

Adjusted earnings per share is presented as an APM and is calculated by excluding both exceptional and adjusting items as detailed within note 14 to this consolidated financial information. The associated adjusted tax charge is calculated using the rate excluding these exceptional and adjusting items, being 27.1% (2023: 24.5%).

9. Loans and borrowings

	2024 £m	2023 £m
Current loans and borrowings:		
Interest	**0.7**	0.4
Non-current loans and borrowings:		
Capitalised financing costs	**(0.6)**	(1.2)
Revolving credit facility	**100.0**	110.0
	100.1	109.2

The Group's credit facility comprises a committed revolving credit facility (RCF) of £170m extending to January 2027 with an option for an extension to June 2028 subject to lender consent. The Group also benefits from an uncommitted overdraft facility of £10.0m.

Interest 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 the impact of IFRS 16) of less than 3 times and interest cover of greater than 4 times.

The business has traded comfortably within these covenants throughout 2024, although in order to ensure a sufficient degree of headroom during 2024, amended covenants were agreed with the Group's lenders. Accordingly, the Group's leverage covenant was increased to 3.75 times in December 2024, with interest cover decreasing to 3 times. In addition, quarterly covenant testing was introduced for the period of the covenant relaxation. As such, in March 2025 leverage is set at 3.75 times and interest cover at 3 times. The covenants return to normal levels from June 2025 with testing reverting to half yearly.

In line with the above, the existing restriction prohibiting the declaration or payment of dividends should leverage exceed 3 times EBITDA was amended to 4 times EBITDA in 2024. This will return to 3 times in 2025.

The facility is linked to our sustainability targets with the opportunity to adjust 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. These targets were not achieved in 2023 or 2024. Further information is included in our Sustainability Report within the Annual Report and Accounts for the Group, due to be published in March 2025.

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

10. Notes to the Consolidated Statement of Cash Flows

		2024 **£m**	2023 £m
Cash flows from operating activities			
Profit before tax		**24.8**	17.1
Finance expense	5	**9.1**	7.0
Exceptional items	4	**2.9**	14.0
Adjusting items	14	**(5.6)**	–
Operating profit before adjusted items		**31.2**	38.1
Adjustments for:			
Depreciation and amortisation		**20.8**	20.0
Loss on disposal of property, plant and equipment and right-of use assets		**–**	0.2
Movement in provisions		**(5.6)**	(2.9)
Purchase of carbon credits		**–**	(5.2)
Settlement of carbon credits		**6.0**	8.3
Share-based payments		**1.0**	0.9
Other non-cash items		**(1.9)**	(2.3)
Changes in working capital:			
Inventories		**13.8**	(52.8)
Trade and other receivables		**(8.0)**	13.3
Trade and other payables		**2.8**	(22.9)
Adjusted cash generated from/(used in) operations		**60.1**	(5.3)
Cash flows relating to operating exceptional items		**(6.5)**	(5.1)
Cash flows relating to operating adjusting items		**(1.8)**	(0.8)
Cash generated from/(used in) from operations		**51.8**	(11.2)

11. Net debt

	2024 **£m**	2023 £m
Cash and cash equivalents	**15.2**	16.0
Loans and borrowings	**(100.1)**	(109.2)
Lease liabilities	**(20.9)**	(24.2)
Net debt	**(105.8)**	(117.4)

Reconciliation of net debt

	Note	**2024** **£m**	2023 £m
Adjusted cash flow generated from/(used in) operations		**60.1**	(5.3)
Payments made in respect of exceptional items		**(6.5)**	(5.1)
Payments made in respect of adjusting items		**(1.8)**	(0.8)
Cash flow generated from/(used in) operations		**51.8**	(11.2)
Interest paid		**(10.0)**	(6.1)
Tax paid		**0.4**	(2.7)
Net cash outflow from investing activities		**(25.6)**	(33.8)
Dividends paid	7	**(6.3)**	(25.7)
Purchase of shares by Employee Benefit Trust		**–**	(2.1)
Proceeds from sale of shares by Employee Benefit Trust		**5.1**	1.1
New lease liabilities		**(2.7)**	(12.3)
Other financing movement		**(1.1)**	(0.7)
Decrease/(Increase) in net debt		**11.6**	(93.5)
Net debt at the start of the period		**(117.4)**	(23.9)
Net debt at the end of the period		**(105.8)**	(117.4)

12. 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.

The decline in market conditions during 2023, and subsequent reductions made to production across the Group, resulted in open forward contracts for some periods where the committed volume of gas will exceed budgeted total consumption. In these instances, the quantities which have been ‘over purchased’ will be sold back to the market, crystallising a realised gain or loss. As was the case at 31 December 2023, any open contracts where management expects to sell surplus gas back to the market fail the own use exemption, and in accordance with IFRS 9, are accounted for as derivatives. As at 31 December 2024 the Group has recognised a current asset of

£5.1m (2023: £1.6m) and a non-current asset of £2.8m (2023: £5.0m) in relation to these contracts. The 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 during 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 £7.1m, has been presented as an adjusting item in this consolidated financial information.

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.

13. Related party transactions

Transactions with key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. The Directors of the Company and the Directors of the Group's subsidiary companies fall within this category.

	2024	2023
	£m	£m
Emoluments including taxable benefits	**2.7**	2.8
Share-based payments	**0.7**	0.4
Pension and other post-employment benefits	**0.2**	0.2
	3.6	3.4

Information relating to Directors' emoluments, pension entitlements, share options and long-term incentive plans appear in the Annual Report on Remuneration within the Annual Report and Accounts, which is expected to be published in March 2025.

14. Alternative performance measure

APM	Definition and/or purpose
Adjusted EBITDA, adjusted EBITDA margin, adjusted operating profit (EBIT), adjusted profit before tax, adjusted earnings per share, adjusted operating cash flow	These APMs are calculated by excluding both exceptional and adjusting items
Adjusted operating cash conversion	Adjusted operating cash conversion is calculated as adjusted operating cash flow, less capital expenditure (excluding spend on strategic projects), divided by adjusted operating profit
Net (debt)/cash before leases	Net (debt)/cash before leases is presented as the total cash and cash equivalent and borrowings, inclusive of capitalised financing costs and excluding lease liabilities at the balance sheet date

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

2024	**Adjusted £m**	**Exceptional items £m**	**Exceptional items £m**	**Adjusting items £m**	**Adjusting items £m**	**Statutory £m**
		Restructuring costs	**Aborted corporate transaction**	**Realised loss on sale of surplus energy**	**Energy contract derivatives**	
Revenue	**344.3**	**–**	**–**	**–**	**–**	**344.3**
EBITDA	**52.0**	**(0.2)**	**(2.7)**	**(1.5)**	**7.1**	**54.7**
EBITDA margin %	**15.1%**	**–**	**–**	**–**	**–**	**15.9%**
Operating profit (EBIT)	**31.2**	**(0.2)**	**(2.7)**	**(1.5)**	**7.1**	**33.9**
Profit before tax	**22.1**	**(0.2)**	**(2.7)**	**(1.5)**	**7.1**	**24.8**

2023	Adjusted £m	Exceptional items £m	Adjusting items £m	Adjusting items £m	Statutory £m
		Restructuring and impairment costs	Realised loss on sale of surplus energy	Energy contract derivatives	
Revenue	346.4	–	–	–	346.4
EBITDA	58.1	(14.0)	(0.8)	0.8	44.1
EBITDA margin %	16.8%	–	–	–	12.7%
Operating profit (EBIT)	38.1	(14.0)	(0.8)	0.8	24.1
Profit before tax	31.1	(14.0)	(0.8)	0.8	17.1

Segmental: Revenue, EBITDA, EBITDA margin

Bricks and Blocks

2024	**Adjusted £m**	**Exceptional items £m**	**Adjusting items £m**	**Adjusting items £m**	**Statutory £m**
		Restructuring costs	**Realised loss on sale of surplus energy**	**Energy contract derivatives**	
Revenue	**276.7**	**–**	**–**	**–**	**276.7**
EBITDA	**49.0**	**(0.1)**	**(1.5)**	**7.1**	**54.5**
EBITDA margin %	**17.7%**	**–**	**–**	**–**	**19.7%**

2023	Adjusted £m	Exceptional items £m Restructuring costs	Adjusting items £m Realised loss on sale of surplus energy	Adjusting items £m Energy contract derivatives	Statutory £m
Revenue	277.4	–	–	–	277.4
EBITDA	52.1	(13.7)	(0.8)	0.8	38.4
EBITDA margin %	18.8%	–	–	–	13.8%

Bespoke Products

2024	**Adjusted £m**	**Exceptional items £m** **Restructuring costs**	**Adjusting items £m** **Realised loss on sale of surplus energy**	**Adjusting items £m** **Energy contract derivatives**	**Statutory £m**
Revenue	**71.5**	**–**	**–**	**–**	**71.5**
EBITDA	**3.0**	**(0.1)**	**–**	**–**	**2.9**
EBITDA margin %	**4.2%**	**–**	**–**	**–**	**4.1%**

2023	Adjusted £m	Exceptional items £m Restructuring costs	Adjusting items £m Realised loss on sale of surplus energy	Adjusting items £m Energy contract derivatives	Statutory £m
Revenue	72.7	–	–	–	72.7
EBITDA	6.0	(0.3)	–	–	5.7
EBITDA margin %	8.3%	–	–	–	7.8%

2024	Adjusted £m	Adjusting items £m	Exceptional items £m	Statutory £m
EBITDA	**52.0**	**5.6**	**(2.9)**	**54.7**
Purchase and settlement of carbon credits	**6.0**	**–**	**–**	**6.0**
Other cash flow items[1]	**(6.5)**	**(7.1)**	**(3.6)**	**(17.2)**
Changes in working capital:				
– Inventories	**13.8**	**–**	**–**	**13.8**
– Trade and other receivables	**(8.0)**	**–**	**–**	**(8.0)**
– Trade and other payables	**2.8**	**(0.3)**	**–**	**2.5**
Operating cash flow	**60.1**	**(1.8)**	**(6.5)**	**51.8**

15. Post balance sheet events

There were no events which occurred since the balance sheet date that would merit separate disclosure.

RISK MANAGEMENT AND KEY RISKS

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 this 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.

Sustainability

Sustainability continues to be a key 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 extensive disclosure in our 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.

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 in a consistent and appropriate manner.

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 in place procedures 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.

The Group's risk appetite reflects the fact 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.

KEY RISKS AND UNCERTAINTIES

1. HEALTH, SAFETY AND WELLBEING (HS&W)	Gross change: Static	Net change: Static
Principal risk and why it is relevant	Key mitigation, change and sponsor	
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.	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. 2024 has seen the final year of our Zero Harm strategy which focused on Visible Felt Leadership, where our senior managers have been trained to undertake safety observations throughout the business. These proactive 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. The next stage of our health and safety strategy, covering phases 2025-2027 and 2028-2030, is linked to our manufacturing excellence programme and redefined values. This strategy will continue to ensure our compliance to core HS&W legislation, whilst continuing to move the focus towards positive culture and behaviours. Executive sponsor: Neil Ash	

2. SUSTAINABILITY / CLIMATE CHANGE	Gross change: Static	Net change: Static
Principal risk and why it is relevant	Key mitigation, change and sponsor	
We recognise the importance of sustainability and climate change and both the positive and negative impacts our products and processes have on the environment.	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. 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. 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. A comprehensive sustainability report is included within this Annual Report and is also available as a separate document, providing detailed disclosure of the sustainability-related risks faced by our business. 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 CO_2 emissions, but we also benefit financially from reducing the amount of energy and carbon credits we need to purchase. Market conditions in recent periods have caused a number of shorter-term sustainability challenges, with operational inefficiencies resulting from reduced production requirements. Whilst this has reduced absolute emissions it has negatively impacted emissions intensity and offset some of the positive decarbonisation initiatives that have been implemented. Acknowledging the continued importance of the subject matter, since January 2024, all sustainability risks have been governed by the standalone Sustainability Committee. Executive sponsor: Ben Guyatt	

3. ECONOMIC CONDITIONS	Gross change: Static	Net change: Static
Principal risk and why it is relevant	Key mitigation, change and sponsor	
Demand for our products is closely correlated with residential and commercial construction activity. Changes in the wider macroeconomic environment can have significant impact in this respect and we monitor these closely as a result.	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. A cyclical downturn in the UK housing market is ongoing, driven primarily by Government economic policy and domestic drivers; 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 market recovery and the subsequent medium to long-term outlook. The trajectory of the recovery however is not only dependent on domestic factors with global factors including the US as well as wider geopolitical issues adding uncertainty, something we remain watchful of moving into 2025. 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. Executive sponsor: Neil Ash	

4. GOVERNMENT ACTION AND POLICY	Gross change: Decrease	Net change: Decrease
Principal risk and why it is relevant	Key mitigation, change and sponsor	
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 profitability and in the longer-term, strategic growth plans.	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. The impact of higher interest rates and the wider macroeconomy on this sector has a notable impact on demand levels in recent years and we remain watchful entering 2025. The investment in the redevelopment of the Wilnecote 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. Executive sponsor: Neil Ash	

5. RESIDENTIAL SECTOR ACTIVITY LEVELS	Gross change: Static	Net change: Static
Principal risk and why it is relevant	Key mitigation, change and sponsor	
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6. INVENTORY MANAGEMENT	Gross change: Decrease	Net change: Decrease
Principal risk and why it is relevant	Key mitigation, change and sponsor	
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 two years 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 successfully managed production levels resulting in a fall in inventory, whilst ensuring sufficient 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. Executive sponsor: Adam Smith and Mark Davies	

7. CUSTOMER RELATIONSHIPS AND REPUTATION	Gross change: Static	Net change: Static
Principal risk and why it is relevant	Key mitigation, change and sponsor	
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 longstanding 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 also facing challenging conditions. Executive sponsor: Adam Smith	

8. ATTRACTING, RETAINING AND DEVELOPING EMPLOYEES	Gross change: Static	Net change: Static
Principal risk and why it is relevant	Key mitigation, change and sponsor	
We recognise that our greatest asset is our workforce and a failure to attract, retain and develop talent will be detrimental to Group performance.	We understand where key person dependencies and skills gaps exist and continue to develop succession, talent acquisition and retention plans. We continue to focus on safe working practices, employee support and strong communication/employee engagement. 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 ongoing success of the Group which is dependent on our people. Executive sponsor: Sarah Renton	

9. INNOVATION	Gross change: Static	Net change: Static
Principal risk and why it is relevant	Key mitigation, change and sponsor	
Failure to respond to market developments could lead to a fall in demand for the products that we manufacture. This in turn could cause revenue and margins to suffer.	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. In a period of softer demand for our products, providing innovative products for both our core markets to 'strengthen the core' and the wider construction market, 'beyond the core', is of increased importance and we strive to ensure that we are in a position to do so. New product development and related initiatives are therefore ongoing and we continue to commit to further investment in research and development (R&D) with clear links between investment in R&D and the work undertaken in relation to sustainability. Executive sponsor: Nicola Chapman	

10. IT INFRASTRUCTURE AND SYSTEMS	Gross change: Static	Net change: Static
Principal risk and why it is relevant	Key mitigation, change and sponsor	
Disruption or interruption to IT systems could have a material adverse impact on performance and position.	In our time as a listed entity we have continued to invest in, consolidate and modernise our IT systems, maintaining ISO 27001 Information Security accreditation. This investment has ensured our ability to maintain the level of customer service that our customers expect. 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. Executive sponsor: Ben Guyatt	

11. BUSINESS CONTINUITY	Gross change: Static	Net change: Static
Principal risk and why it is relevant	Key mitigation, change and sponsor	
Group 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.	Plans are in place to allow key centralised functions to continue to operate in the event of business interruption and remote working capabilities have been maintained and continually strengthened in recent years, ensuring the business is able to continue operating with minimal disruption. 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. 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. 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. Executive sponsor: Neil Ash and Ben Guyatt	

12. PROJECT DELIVERY	Gross change: Static	Net change: Static
Principal risk and why it is relevant	Key mitigation, change and sponsor	
We are coming to the end of an extensive programme of capital investment within our business which sees a number of large projects add production capacity. Ensuring these projects are delivered and commissioned as intended is essential to the future success of the business.	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. Management closely monitor all current strategic projects for potential challenges, cost over-runs and delays, and act promptly to ensure that risks are mitigated. Recommissioning of the new Wilnecote factory is now expected in 2025, 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. 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. Executive sponsor: George Stewart	