20 July 2015

Michelmersh Brick Holdings Plc
(“MBH”, the “Company”, or the “Group”)

Half Year Results for the six months ended 30 June 2015

Michelmersh Brick Holdings Plc (AIM:MBH), the specialist brick manufacturer and landfill company, is pleased to report its half year results for the six months ended 30 June 2015.

HIGHLIGHTS

Financial Highlights:

- **Turnover increased by 13% over H1 2014**
- **Gross margin increased by 5.3% to 38.6% over H1 2014**
- **Operating Profit £2.7 million comparable to £1.4 million in H1 2014**
- **Cash generated from operations £2.8 million (H1 2014: £0.0 million)**
- **Net debt at £0.8 million (H1 2014: £5.3 million)**
- **Dividend paid 0.5 pence per share– first dividend since 2007**

Operational Highlights

- **Completed the Freshfield Lane project to increase capacity at the plant by 20%**
- **Increase in first half production volumes from 34 million in H1 2014 to 35 million**
- **Despatch volumes of 36 million (H1 2014: 34 million)**
- **Average selling price increased by 9% over comparable period**
- **Ceased landfill operations at Telford**
- **A new corporate video giving an insight into the Company’s operation is now available to watch on the Company’s website: http://www.mbhplc.co.uk/media**

Commenting on the results, Eric Gadsden, Chairman of Michelmersh Brick Holdings Plc, said:

“The results for the first half of 2015 demonstrate that Michelmersh continues to make progress in the market. The sound financial base and strong management structures that have been developed over the past few years are now set to deliver continued and meaningful profits, cash flow and allow a continuing dividend stream. The Board is set to respond to the opportunities to increase productivity and efficiency through investment in plant and processes.”

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Michelmersh Brick Holdings Plc is a business with five leading market brands: Blockleys, Charnwood, Freshfield Lane, Michelmersh and Hathern Terra Cotta. These divisions operate within a fully integrated business combining the manufacture of clay bricks, tiles and pavers. The Group also includes a landfill operator, New Acres Limited, and seeks to develop future landfill and development opportunities on ancillary land assets.

Established in 1997, the Company has grown through acquisition and organic growth into a profitable and asset rich business, producing approximately 70 million clay bricks, tiles and pavers per annum. MBH PLC currently owns most of the UK's premium manufacturing brands and is a leading specification brick and clay paving manufacturer.

Recently Michelmersh's products have been successfully used in prestigious projects such as the Brentford Lock West, the award winning ORTUS Learning Centre and the ITV Studios, Media City at Salford Quays. We are suppliers to high value housing developers including Berkeley Homes, St James Homes and Octagon and our products are often found at the forefront of key urban regeneration projects with the stunning Elephant Park project by Lend Lease showcasing our manufacturing capabilities.

Chairman’s Statement

I am pleased to report the Group’s results for the six months ended 30 June 2015 in which the Group has made continued progress. The Group generated an operating profit of £2.7 million (2014: £1.4 million) and a profit before taxation of £2.5 million, an almost doubling of that achieved in the first half of 2014 and not far short of the full year’s profit in 2014. Turnover for the first six months of 2015 was 13% higher than the equivalent period in 2014 as a result of a combination of volume increases and improved average selling price. Gross margin has increased by 5.3% to 38.6% against the equivalent period in 2014 as a result of selling price increases. Administration costs have been held close to 2014 levels as opportunities to manage costs are continually explored.

As previously reported, the Group’s landfill operation at Telford has ceased in a strategic review of the best options for the future of the site. Contribution as a result has fallen and has had a negative impact of over £100,000 on the results for the 6 months compared to 2014.

As the Group’s borrowings have been reduced by cash generated from operations, the underlying interest burden continues to fall, although the results include charges incurred for early settlement of loans. Our improved operating cash flow has allowed the Group to repay the £5 million Term Loan during the half year with a further positive impact on the interest burden. The Group expects to be in a net positive cash position at the end of the year including the receipt of the final £1.5 million of deferred land sale proceeds due in October. The Group has reconfigured its funding arrangements with Barclays and will cease the facility with ABN AMRO. The Group will then have arrangements to match its current cash and borrowing profile with reduced interest and covenant burden but while maintaining healthy headroom to invest in assets and processes where appropriate.

Dividend

The final dividend of 0.5 pence per shares for 2014 was paid on 30 June 2015. The Board is not proposing the payment of an interim dividend but intends to establish a progressive dividend policy with annual dividends declared out of annual profits subject to demands for investment and other cash flow constraints.

Assets

The outline planning application for around 200 houses on our quarry site at Charnwood has been made and we expect this to go before the Planning Committee in the next few weeks.

Our application for a licence for landfilling at our Dunton site has now been submitted to the Environment Agency and we are working towards bringing this to a conclusion during the remainder of the year and starting to consider options to activate the site in 2016.

Operational Review

Volumes of bricks sold in the first half rose to 36 million (H1 2014: 34 million), just over half of the annual capacity for the year. Production in the period also increased from 34 to 35 million which means that stock levels have fallen further to circa 6 weeks sales, levels that cannot fall further whilst still able to provide a timely and reliable service to our customers. Increased production is both a result of the increased capacity at Freshfield Lane along with strong production performances from all other sites. Average selling prices of the bricks achieved in the first half of the year were £422 per thousand, compared to £387 per thousand in the same period last year.

Cost of production has increased by 5% in the half year over the equivalent period in 2014 as the Group has incurred higher repair costs and accelerated depreciation charges in respect of the Michelmersh brickworks. Previous statements have referred to mineral planning approval at Romsey, which secured clay resources for up to 25 years that has encouraged investment at the site. Repairs to the fabric of the building have commenced in 2015 in preparation for investment in new, more efficient kilns in 2016, and depreciation on the existing plant, which is to be replaced, has been accelerated.

It is pleasing to report that energy costs per unit of production have fallen in the first half of 2015 and the Group has hedged forward into 2017 to lock into the benign energy market and secure ongoing production costs.

Hathern Terracotta, our specialist faience operation, had a particularly strong performance in the first half and contributed £90,000, a threefold increase over the first half of 2014. The balance of 2015 is fully ordered and scheduled for production and delivery well into early 2016.

The delivery schedules for the first half of 2015 have seen a strong national bias towards our repair and maintenance and improvement ("RMI") sector core products. This helped drive selling prices in the first six months. The average selling price per thousand achieved in the first six months was £422. We delivered just over 36 million units, 4% better than forecast. The combined effect of these two factors saw an improvement in sales revenue. The Group delivered more product than we actually manufactured, resulting in a reduction of stock. We anticipate some latent stock addition from our current work in progress during the second half of the year at our Freshfield Lane plant.

The first six months of 2015 have continued with a positive robust trend. The Group's current forward order commitment stands at over 45 million units, continuing in a similar vein to the same period last year, thus promising strong deliveries into Quarter 3 & Quarter 4. The majority of the current forward order book is for new housing starts, regeneration and commercial projects.

Whilst we have noted planning delays in some regions for larger sites, our RMI forecast remains strong. Key national and regional partners have scheduled core depot product well into the latter part of 2015. Furthermore, some of our key regional house builders have indicated an increase in production volume well into 2017/18.

The Group continues to refine, improve and increase haulage capability whilst improving the distribution process with key distribution partners and end users, ensuring accurate forward order books and smooth site deliveries.

Notable projects recently supplied by the Group include the new Network Rail Operations Centre in Rugby, where 80,000 of our unique Synthesis products were used, the new Student Accommodation at the University of Hertfordshire, and a new Humanities building at Shrewsbury School. We also saw the completion of the fantastic and prestigious 8 Artillery Row, London. Later in the year we will commence supply of Ronald McDonald Evelina House in Lambeth where 117,000 bespoke I-line products have been ordered through our unique Select Order process. The current specification enquiry level is buoyant.

Work has commenced on improving our company Building Information Modelling ("BIM") data and IT capacity. Both these projects will be finished shortly and yet again we will lead the way in our sector with our BIM data and compliance. BIM was introduced as part of the Government Construction Strategy, and describes the process of designing a building collaboratively using one comprehensive system of computer models. Michelmersh is at the forefront of the industry in the generation and management of information rich digital representation available to construction professionals.

The Board

The Board has for some time been evaluating the future management of operations and the best structure of the Board. The Directors have determined a realignment of responsibilities and a change in operational structure. From 1 January 2016, the Chief Executive role currently filled by Martin Warner will be transferred to Frank Hanna and Peter Sharp jointly. Frank and Peter will be responsible for day to day operations and charged with continuing to drive forward the Group in the next phase of Michelmersh development. I am confident that they will thrive under the additional responsibility and the Group and its stakeholders will benefit. Martin will continue to serve the Company in an executive role as Deputy Chairman.

Outlook

The results for the first half of 2015 demonstrate that Michelmersh continues to make progress in the market. The sound financial base and strong management structures that have been developed over the past few years are now set to deliver continued and meaningful profits, cash flow and allow a continuing dividend stream. The Board is set to respond to the opportunities to increase productivity and efficiency through investment in plant and processes.

The UK construction industry is now in a period of measured growth and the outcome of the election should provide a backdrop for this to continue. The brick industry has responded to the improvement in demand by increasing capacity where it can through investment and in de-mothballing those plants where this is possible. Imports continue to fill the gap between demand and supply although economic conditions may make this less attractive as time goes on.

In the first five months of the year industry average selling prices were 20% over the equivalent period last year although volumes have fallen slightly as the market settles to the new normality. More recently there are signs that the period of frenetic growth has ceased and competitive forces are strong as the construction industry has responded to the increased level of activity and have adjusted their purchasing and stock processes accordingly. However the structural balance of supply and demand should ensure that brick manufacturing remains a busy and profitable sector. We expect the second half of 2015 to be quieter than the first half but we are comfortable with the market expectations for the full year ended 31 December 2015.

The effect of change of ownership of 70% of the UK brick manufacturing market is yet to be clear, but the expected period of stability and growth is good for the industry and the economy as a whole.

Michelmersh is enjoying the results of the changing economic and industry landscape. The Board expects opportunities to arise to expand the scale of the Group and continue to monitor opportunities in our market place.

Eric Gadsden
Chairman
20July 2015

Consolidated Income Statement

	6 months ended 30 June 2015 £'000	6 months ended 30 June 2014 £'000	12 months ended 31 December 2014 £'000
	Unaudited	Unaudited	Audited
Revenue	**15,327**	13,581	28,476
Cost of sales	**(9,411)**	(9,055)	(19,750)
Gross profit	**5,916**	4,526	8,726
Administration expenses	**(3,244)**	(3,162)	(6,086)
Other income	**41**	48	161
Operating profit	**2,713**	1,412	2,801
Finance costs	**(209)**	(133)	(199)
Profit before taxation	**2,504**	1,279	2,602
Taxation	**(501)**	(275)	(401)
Profit for the period	**2,003**	1,004	2,201
Basic earnings per share	**2.47 p**	1.24 p	2.72 p
Diluted earnings per share	**2.46 p**	1.23 p	2.72 p

Consolidated Statement of Comprehensive Income

	6 months ended 30 June 2015 £'000	6 months ended 30 June 2014 £'000	12 months ended 31 December 2014 £'000
	Unaudited	Unaudited	Audited
Profit for the financial period	**2,003**	1,004	2,201
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Revaluation deficit of property, plant & equipment	-	-	(1,000)
Deferred tax on revaluation	-	-	(128)
Other comprehensive income for the period net of tax	-	-	(1,128)
Total comprehensive income for the financial period	**2,003**	1,004	1,073

Consolidated Balance Sheet

	As at 30 June 2015	As at 30 June 2014	As at 31 December 2014
	£'000	£'000	£'000
	Unaudited	Unaudited	Audited
Assets			
Non-current assets			
Intangible assets	**2,475**	2,436	2,476
Property, plant and equipment	**42,472**	42,611	41,899
	44,947	45,047	44,375
Amounts falling due after one year			
Other receivables	**-**	1,397	-
Total non-current assets	**44,947**	46,444	44,375
Current assets			
Inventories	**6,239**	6,536	6,084
Trade and other receivables	**8,198**	7,598	7,346
Investments	**30**	31	30
Cash and cash equivalents	**132**	62	2,809
Total current assets	**14,599**	14,227	16,269
Total assets	**59,546**	60,671	60,644
Liabilities			
Current liabilities			
Trade and other payables	**4,840**	3,762	3,940
Provisions	**6**	288	112
Interest bearing borrowings	**906**	215	19
Corporation tax payable	**871**	275	370
	6,623	4,540	4,441
Non-current liabilities			
Deferred tax liabilities	**4,593**	4,434	4,593
Interest bearing borrowings	**-**	5,171	4,916
	4,593	9,605	9,509
Total liabilities	**11,216**	14,145	13,950
Net assets	**48,330**	46,526	46,694
Equity attributable to equity holders			
Share capital	**16,247**	16,166	16,247
Share premium account	**11,495**	11,495	11,495
Reserves	**17,564**	18,883	17,530
Retained earnings	**3,024**	(18)	1,422
Total equity	**48,330**	46,526	46,694

Consolidated Statement of Changes in Equity

	Share Capital	Share Option Reserve	Merger Reserve	Share Premium	Revaluation Reserve	Retained Earnings	Total Equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 January 2014	16,162	246	979	11,495	19,705	(3,084)	45,503
Profit for the period	-	-	-	-	-	1,004	1,004
Total comprehensive income	-	-	-	-	-	1,004	1,004
Share based payment	-	15	-	-	-	-	15
Shares issued	4	-	-	-	-	-	4
Transfer to retained earnings	-	-	-	-	(30)	30	-
Reclassification*	-	-	-	-	(2,032)	2,032	-
As at 30 June 2014	16,166	261	979	11,495	17,643	(18)	46,526
Profit for the period	-	-	-	-	-	1,197	1,197
Revaluation deficit	-	-	-	-	(1,000)	-	(1,000)
Deferred tax on revaluation	-	-	-	-	(128)	-	(128)
Total comprehensive income	-	-	-	-	(1,128)	1,197	69
Share based payment	-	18	-	-	-	-	18
Shares issued	81	-	-	-	-	-	81
Transfer to retained earnings	-	(231)	-	-	(12)	243	-
As at 31 December 2014	16,247	48	979	11,495	16,503	1,422	46,694
Profit for the period	**-**	**-**	**-**	-	**-**	**2,003**	**2,003**
Total comprehensive income	-	-	-	-	-	**2,003**	**2,003**
Share based payment	**-**	**39**	**-**	-	**-**	**-**	**39**
Dividends paid	**-**	**-**	**-**	-	**-**	**(406)**	**(406)**
Transfer to retained earnings	**-**	**-**	**-**	-	**(5)**	**5**	**-**
As at 30 June 2015	**16,247**	**87**	**979**	**11,495**	**16,498**	**3,024**	**48,330**

* Reclassification relates to the revalued element of the land sold in October 2013 which is deemed to have completed in 2014 and is now transferred to realised reserves.

Consolidated Statement of Cash Flows

	6 months ended 30 June 2015 £'000	6 months ended 30 June 2014 £'000	12 months ended 31 December 2014 £'000
	Unaudited	Unaudited	Audited
Net cash generated by/(used in) operating activities	**2,799**	(40)	2,400
Cash flows from investing activities			
Purchase of property, plant and equipment	**(958)**	(1,157)	(2,069)
Proceeds from sale of investment	**-**	31	31
Proceeds from sale of land	**-**	-	1,500
Proceeds on disposal of property, plant and equipment	**-**	8	4
Net cash used in investing activities	**(958)**	(1,118)	(534)
Cash flows from financing activities			
Repayment of interest bearing borrowings	**(5,000)**	-	(155)
Dividends paid	**(406)**	-	-
Proceeds of share issue	**-**	4	85
Repayment of finance lease obligations	**(2)**	(3)	(5)
Net cash (used in)/generated by financing activities	**(5,408)**	1	(75)
Net (decrease)/increase in cash and cash equivalents	**(3,567)**	(1,157)	1,791
Cash and cash equivalents at beginning of period	**2,795**	1,004	1,004
Cash and cash equivalents at end of period	**(772)**	(153)	2,795
Cash and cash equivalents comprise:			
Cash at bank and in hand	**132**	62	2,809
Bank overdraft	**(904)**	(215)	(14)
	(772)	(153)	2,795

NOTES TO THE GROUP INTERIM REPORT

1. GENERAL INFORMATION

Michelmersh Brick Holdings Plc (“the Company”) is a public limited company incorporated in the United Kingdom under the Companies Act 2006 (registration number 3462378). The Company is domiciled in the United Kingdom and its registered address is Freshfield Lane, Danehill, Haywards Heath, West Sussex, RH17 7HH. The Company’s Ordinary Shares are traded on the AIM Market of the London Stock Exchange plc. Copies of the Interim Report and Annual Report and Accounts may be obtained from the address above, or at www.mbhplc.co.uk.

2. ACCOUNTING POLICIES

Basis of preparation
The interim financial information in this report has been prepared using accounting policies consistent with IFRS as adopted by the European Union. IFRS is subject to amendment and interpretation by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee and there is an ongoing process of review and endorsement by the European Commission. The financial information has been prepared on the basis of IFRS that the Directors expect to be adopted by the European Union and applicable as at 31 December 2015.

Statutory accounts
Financial information contained in this document does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006 ("the Act"). The statutory accounts for the year ended 31 December 2014 have been filed with the Registrar of Companies. The report of the auditors on those statutory accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Act.

The financial information for the six months ended 30 June 2015 and 30 June 2014 is unaudited.

3. EARNINGS PER SHARE

The calculation of earnings per share is based on a profit of £2,003,000 (six months ended 30 June 2014 – £1,004,000; 12 months ended 31 December 2014 –£2,201,000) and 81,234,656 (H1 2014: 80,818,963, full Year 2014: 80,861,273) being the weighted average number of ordinary shares in issue.

Diluted

At 30 June 2015 there were a total of 12,500 share options held by employees, which are not considered dilutive (30 June 2014 – 25,000; 31 December 2014 – 12,500).
At 30 June 2015 there were 201,828 dilutive shares under option leading to 81,436,484 weighted average number of ordinary shares for the purposes of diluted earnings per share. A calculation is performed to determine the number of share options that are potentially dilutive based on the number of shares that could have been acquired at fair value, considering the monetary value of the subscription rights attached to outstanding share options.