

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

Half Year results for the six months to 30 June 2012

Michelmersh Brick Holdings Plc (AIM:MBH), the specialist brick manufacturer land and landfill company, today announces half year results for the six months to 30 June 2012.

Financial Highlights

- Group turnover reduced to £11.9 million (H1 2011: £12.2 million)
- Operating profit of £406,000 (H1 2011: £508,000)
- Loss before tax of £84,000 (H1 2011: profit of £105,000)
- Further debt reduction over 12 months of £842,000
- Loss per share of 0.14p (H1 2011: earnings of 0.18p)
- Net asset value of 60p per share (H1 2011: 64p)

Operational Highlights

- Strong production performance during the period with 35.1 million units produced at below budgeted unit manufacturing cost (H1 2011: 35.6 million)
- Volume of bricks sold 33 million (H1 2011: 36 million)
- 6% increase in selling price to £355 per thousand (H1 2011: £336 per thousand)
- Significant enquiries and orders from the UK, continental Europe, Japan, Hong Kong and Qatar
- Orders from high profile specification projects including University of Cambridge, Harrods and the Mace ITV project in Manchester

Commenting on the results, Eric Gadsden, Chairman of Michelmersh Brick Holdings, said: “Our business model has been based for some time now on a flat market, focused on the South East of England, with funding constraining demand despite the many Government initiatives to attempt to arrest these conditions. We can survive in these conditions and will thrive when conditions improve.

“The Board now expects that while the Group’s revenues for the year ending 31 December 2012 will be marginally below market expectations, the Group’s profit before tax is likely to be significantly below market expectations as the shortfall encountered in H1 will not be recovered in the second half and therefore the Board expects the Company only to break even for the full year. The contribution from landfill is also expected to be below expectations. Although sales prices and income from carbon surpluses are usually stronger in the second half of the financial year, economic conditions do not suggest this will be the case in 2012. In addition, higher than anticipated interest costs will arise following the delay in receipt of the expected cash proceeds of the land disposed under the Persimmon option. Despite the difficult trading conditions, positive trading cash flow and proceeds of future land asset sales will mean that the Group will continue to develop the business while seeking opportunities for growth.

“Our unique product range, efficient works and sales structure, together with our land assets give us a resilient position in challenging times. Our main focus for the remainder of this year and for 2013 is to develop our premium position in the brick market and to bring to fruition the work done over a number of years to conclude our Telford land sales.

“We continue to closely watch developments in our industry and believe that however they play out, we will benefit in a market place which is stable or shows some modest element of growth.”

For further information:

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Chairman's Statement

I am pleased to report the Group's results for the six months to 30 June 2012. Turnover reduced slightly to £11.9 million (H1 2011: £12.2 million) and operating profit was also impacted at £406,000 (H1 2011: £508,000) resulting in a loss after finance charges of £84,000 (H1 2011: profit of £105,000). The results reflect a reduction in landfill income and a decline in construction activity and business confidence.

However average selling prices across our brick business have increased from £336 to £355 per thousand in the past twelve months and there are also some signs of recovery in the industry, albeit on reduced volumes.

I am frustrated to report that the expected completion of the expert determination on our consented land is not yet finalised, although we have received an initial indication that the outcome will be in line with our expectations.

Additionally, we are close to obtaining favourable consent for our 15 acre surplus brownfield site in Telford for which we have strong interest from a number of housebuilders, at above book value.

Our focus over the coming months is to generate cash, reduce debt and continue our initiatives to promote our strong and unique position as "Britain's Brick Specialist".

Financial Results

The Group's trading performance for the first six months was patchy, in what remains a difficult marketplace and an uncertain economy. After an encouraging January, poor weather in February set back trading and June was disappointing as the Group, along with the whole UK construction sector, suffered from the effect of the extra bank holiday and concerns about the Eurozone. Aside from these two poor months, the remainder of the period saw satisfactory levels of orders, despatches and selling prices.

Although turnover for the six months was £348,000 lower than the equivalent period in 2011, landfill income accounted for over half of this shortfall and the bank holiday disrupted month of June alone was £200,000 lower than the same month in 2011. Higher energy costs in 2012 contributed to a lower gross margin, but these were more than offset by cost savings elsewhere.

The six months produced an operating profit of £406,000 (H1 2011: £508,000). This lower operating profit along with higher finance costs than in 2011, means that the Group reports a loss before taxation of £84,000 (H1 2011: profit of £105,000). Finance costs have increased as a result of higher margins on the term loans and the cost of hedging instrument arising from the refinancing that took place at the end of 2011.

Net borrowings have increased in the six months due to our trading cycle, but have reduced by £842,000 over the twelve months since 30 June 2011, as the Barclays term loan, vendor and shareholder loans have all been reduced. Facilities with ABN AMRO have been converted from a mixture of overdraft and asset finance into a term facility. The Group has a balanced debt structure with borrowings set to fall with the proceeds of future land sales.

Dividend

The Board is not proposing the payment of an interim dividend. Profits anticipated from future land sales will return the Group to positive revenue reserves, and enable the resumption of dividend payments when trading cash flow permits.

Assets

As noted above, we not yet received the expert's final decision in respect of the fully consented land at Telford optioned to Persimmon. The expert determination (which commenced in September 2011) has been expected for some time, and an initial indicative valuation was received last week. Whilst the process is not yet formally complete, we are comfortable that the final report will follow in due course and at a level consistent with our expectations. We are in discussion with Persimmon over the next steps and will update the market on progress in due course.

With regard to our surplus brownfield land at Telford, we are working hard on the practicalities of reconfiguring the site to allow release of the whole area and are engaging in detailed discussions with the interested parties to bring

negotiations to fruition, alongside a favourable planning decision in this calendar year. It is pleasing to note the increased interest in our land assets and we will continue to exploit this in future.

We have also finalised a long term planning consent at Dunton to extend the life of the quarry and landfill, and progressed plans to secure further clay reserves at Michelmersh.

Operational Review

During the period the Group sold 33 million bricks (H1 2011: 36 million) at an average selling price of £355 per thousand (H1 2011: £336) maintaining the Group's premium over industry prices which currently stand at an average of £229 per thousand. Industry volumes declined by 8% in the same period, although production was also reduced by some 5.5%. The Group's production performance has been strong during the period with 35 million units produced at below our budgeted unit manufacturing cost.

We have noted on previous occasions that construction material prices have increased by 25% since 2007 whereas brick prices have increased by only 8%. At some point there will be a return to normalised return on capital. The negative economic sentiment since the spring will continue to put pressure on the volume manufacturers in a market where surplus stocks have been reducing.

In the first six months we saw strong enquiry levels despite the downturn in the UK construction sector. As a whole the Group was 740,000 units ahead of its order intake target at the end of June.

Trade has been most robust in the South East but we have also received a substantial amount of new orders for mid to high end housing schemes from key regional developers and nationally for a number of high profile specification projects such as Cranmer Road, University of Cambridge and the Mace ITV project in Manchester.

Our bespoke products from Hathern Terra Cotta are on target to achieve the highest output and turnover since inception, with forward orders placed on projects such as the Harrods refurbishment. We have reorganised the balance of internal and external resources at Taperell Taylor, our specialist brick arch manufacturer, and introduced new capabilities which has helped drive margins within this specialist sector of our business.

Key initiatives to be launched in Q4 of 2012 include our dedicated Business Information Modelling ("BIM" a Government sponsored web system for the provision of technical data) on all group products; new product lines from Blockleys and Freshfield Lane branded "Synthesis", utilising our blending capabilities; and a complementary order process for bespoke products. We continue to innovate in order to maintain our position as "Britain's Brick Specialist".

Despite significant uncertainty and the slowdown in the European economy, the Group has had some significant enquiries and orders in the first six months of the year, notably from France, Holland, Spain, Germany, Ireland and Norway. In addition, we have seen orders from Japan, Hong Kong and Qatar. To the end of June, 336,000 bricks and pavers were delivered abroad, with further exports scheduled for the second half putting the Group on target to export 700,000 units for the full year.

The Group's three key plants, at Telford, Freshfield Lane and Michelmersh, are operating at capacity in the face of promising enquiries and a robust order book. We have reviewed our brick stocks and made some minor adjustments to production levels and product mix for H2 2012 to ensure that our stocks remain well balanced.

Outlook

Our business model has been based for some time now on a flat market, focused on the South East of England, with funding constraining demand despite the many Government initiatives to attempt to arrest these conditions. We can survive in these conditions and will thrive when conditions improve.

The Board now expects that while the Group's revenues for the year ending 31 December 2012 will be marginally below market expectations, the Group's profit before tax is likely to be somewhat below market expectations as the shortfall encountered in H1 will not be recovered in the second half and therefore the Board expects the Company only to break even for the full year. The contribution from landfill is also expected to be below expectations. Although sales prices and income from carbon surpluses are usually stronger in the second half of the financial year, economic

conditions do not suggest this will be the case in 2012. In addition, higher than anticipated interest costs will arise following the delay in receipt of the expected cash proceeds of the land disposed under the Persimmon option. Despite the difficult trading conditions, positive trading cash flow and proceeds of future land asset sales will mean that the Group will continue to develop the business while seeking opportunities for growth.

Our unique product range, efficient works and sales structure, together with our land assets give us a resilient position in challenging times.

The current unsustainable industry pricing will resolve itself at some point in the future as the long painful process of adjusting to a smaller economy continues and production balances demand.

Barriers to entry remain high in our industry: our business is well invested and we continue to progress a number of relatively small projects which yield immediate efficiencies. However, our main focus for the remainder of this year and for 2013 is to develop our premium position in the brick market and to bring to fruition the work done over a number of years to conclude our Telford land sales.

We continue to closely watch developments in our industry and believe that however they play out, we will benefit in a market place which is stable or shows some modest element of growth.

Eric Gadsden
Chairman
24 September 2012

Consolidated Income Statement

| | 6 months to 30 June 2012 £'000 Unaudited | 6 months to 30 June 2011 £'000 Restated Unaudited | 12 months to 31 December 2011 £'000 Audited |
|---|---|---|--|
| Revenue | 11,898 | 12,246 | 24,268 |
| Cost of sales | (8,586) | (8,559) | (17,006) |
| | <hr/> | <hr/> | <hr/> |
| Gross profit/(loss) | 3,312 | 3,687 | 7,262 |
| Administrative expenses | (2,933) | (3,224) | (6,356) |
| Other income | 27 | 45 | 429 |
| | <hr/> | <hr/> | <hr/> |
| Operating profit | 406 | 508 | 1,335 |
| Finance costs | (490) | (403) | (805) |
| | <hr/> | <hr/> | <hr/> |
| (Loss)/profit before taxation | (84) | 105 | 530 |
| Taxation | - | - | 982 |
| | <hr/> | <hr/> | <hr/> |
| (Loss)/profit for the financial period | (84) | 105 | 1,512 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |
| Earnings per share (note 4) | | | |
| (Loss)/earnings per share | (0.14)p | 0.18p | 2.60p |
| Diluted (loss)/earnings per share | (0.14)p | 0.18p | 2.59p |

Figures for the 6 months ended 30 June 2011 have been restated – see note 3

Consolidated Statement of Comprehensive Income

| | 6 months to 30 June 2012 £'000 Unaudited | 6 months to 30 June 2011 £'000 Restated Unaudited | 12 months to 31 December 2011 £'000 Audited |
|--|---|--|--|
| (Loss)/profit for the financial period | (84) | 105 | 1,512 |
| Other comprehensive income | | | |
| Revaluation of property, plant & equipment | - | - | (6,090) |
| Deferred tax on revaluation | - | - | 2,167 |
| Net income/(expense) recognised directly in equity | - | - | (3,923) |
| Total comprehensive (expense)/income for the financial period | (84) | 105 | (2,411) |

Consolidated Statement of Financial Position

| | As at 30 June 2012 £'000 Unaudited | As at 30 June 2011 £'000 Unaudited | As at 31 December 2011 £'000 Audited |
|--|---|---|---|
| Assets | | | |
| Non-current assets | | | |
| Intangible assets | 2,338 | 2,341 | 2,340 |
| Property, plant and equipment | 45,171 | 52,269 | 45,737 |
| | <hr/> | <hr/> | <hr/> |
| | 47,509 | 54,610 | 48,077 |
| Long term financial asset | 178 | - | 195 |
| | <hr/> | <hr/> | <hr/> |
| Total non-current assets | 47,687 | 54,610 | 48,272 |
| Current assets | | | |
| Inventories | 9,857 | 8,844 | 9,562 |
| Trade and other receivables | 6,115 | 6,622 | 5,201 |
| Corporation tax recoverable | - | - | 32 |
| Investments | 74 | 83 | 74 |
| Cash and cash equivalents | 47 | 333 | 47 |
| | <hr/> | <hr/> | <hr/> |
| Total current assets | 16,093 | 15,882 | 14,916 |
| | <hr/> | <hr/> | <hr/> |
| Total assets | 63,780 | 70,492 | 63,188 |
| | <hr/> | <hr/> | <hr/> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 3,178 | 3,033 | 2,943 |
| Interest bearing borrowings | 8,613 | 20,414 | 8,775 |
| | <hr/> | <hr/> | <hr/> |
| | 11,791 | 23,447 | 11,718 |
| | <hr/> | <hr/> | <hr/> |
| Non-current liabilities | | | |
| Deferred tax liabilities | 5,704 | 8,836 | 5,704 |
| Interest bearing borrowings | 11,638 | 965 | 11,035 |
| | <hr/> | <hr/> | <hr/> |
| | 17,342 | 9,801 | 16,739 |
| | <hr/> | <hr/> | <hr/> |
| Total liabilities | 29,133 | 33,248 | 28,457 |
| | <hr/> | <hr/> | <hr/> |
| Net assets | 34,647 | 37,244 | 34,731 |
| | <hr/> | <hr/> | <hr/> |
| Equity attributable to equity holders | | | |
| Share capital | 11,645 | 11,645 | 11,645 |
| Share premium account | 6,440 | 6,440 | 6,440 |
| Reserves | 18,388 | 22,460 | 18,443 |
| Retained earnings | (1,826) | (3,301) | (1,797) |
| | <hr/> | <hr/> | <hr/> |
| Total equity | 34,647 | 37,244 | 34,731 |
| | <hr/> | <hr/> | <hr/> |

Consolidated Statement of Changes in Equity

| | Share Capital £'000 | Share Option Reserve £'000 | Merger Reserve £'000 | Share Premium £'000 | Revaluation Reserve £'000 | Retained Earnings £'000 | Total Equity £'000 |
|---|---------------------------|-------------------------------------|----------------------------|---------------------------|---------------------------------|-------------------------------|--------------------------|
| As at 1 January 2011 | 11,620 | 183 | 979 | 6,422 | 21,500 | (3,608) | 37,096 |
| Profit for the period | - | - | - | - | - | 105 | 105 |
| Total comprehensive income for the period | - | - | - | - | - | 105 | 105 |
| Shares issued in the period | 25 | - | - | 18 | - | - | 43 |
| Transfer to retained earnings | - | - | - | - | (202) | 202 | - |
| As at 30 June 2011 | 11,645 | 183 | 979 | 6,440 | 21,298 | (3,301) | 37,244 |
| Profit for the period | - | - | - | - | - | 1,407 | 1,407 |
| Revaluation in the period | - | - | - | - | (6,090) | - | (6,090) |
| Deferred tax on revaluation | - | - | - | - | 2,167 | - | 2,167 |
| Total comprehensive (expense)/income for the period | - | - | - | - | (3,923) | 1,407 | (2,516) |
| Share based payment | - | 3 | - | - | - | - | 3 |
| Transfer to retained earnings | - | - | - | - | (97) | 97 | - |
| As at 31 December 2011 | 11,645 | 186 | 979 | 6,440 | 17,278 | (1,797) | 34,731 |
| Loss for the period | - | - | - | - | - | (84) | (84) |
| Total comprehensive expense for the period | - | - | - | - | - | (84) | (84) |
| Transfer to retained earnings | - | - | - | - | (55) | 55 | - |
| As at 30 June 2012 | 11,645 | 186 | 979 | 6,440 | 17,223 | (1,826) | 34,647 |

Consolidated Statement of Cash Flows

| | 6 months to 30 June 2012 £'000 | 6 months to 30 June 2011 £'000 | 12 months to 31 December 2011 £'000 |
|---|---|---|--|
| | Unaudited | Unaudited | Audited |
| Net cash (used in)/generated by operating activities | (464) | (704) | 1,084 |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | (13) | (28) | (323) |
| Proceeds on disposal of property, plant and equipment | - | 36 | 56 |
| Proceeds on disposal of investment | - | 48 | 49 |
| Net cash (used in)/generated by investing activities | (13) | 56 | (218) |
| Cash flows from financing activities | | | |
| Repayment of interest bearing borrowings | (2,275) | (958) | (15,002) |
| Proceeds of interest bearing borrowings | 2,000 | - | 13,067 |
| Repayment of finance lease obligations | (14) | (60) | (72) |
| Net cash used in financing activities | (289) | (1,018) | (2,007) |
| Net decrease in cash and cash equivalents | (766) | (1,666) | (1,141) |
| Cash and cash equivalents at beginning of period | (2,897) | (1,756) | (1,756) |
| Cash and cash equivalents at end of period | (3,663) | (3,422) | (2,897) |
| Cash and cash equivalents comprise: | | | |
| Cash at bank and in hand | 47 | 333 | 47 |
| Bank overdraft | (3,710) | (3,755) | (2,944) |
| | (3,663) | (3,422) | (2,897) |

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 2012.

The accounting policies applied by the Group in this interim report are the same as those applied by the Group in the consolidated financial statements for the year ended 31 December 2011.

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 2011 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 6 months ended 30 June 2012 and 30 June 2011 is unaudited.

3. RESTATEMENT OF PRIOR YEAR

The comparative figures for the 6 months ended 30 June 2011 have been restated from those originally published in September 2011 to reflect the charge for landfill amortisation of £202,000 as a cost of sales rather than administrative expense and to mirror the treatment in the financial statements for the year to 31 December 2011.

Consolidated Income Statement

| | | £'000 |
|-------------------------|----------------------------------|----------------|
| Cost of sales | Originally stated | (8,357) |
| | Reallocate landfill amortisation | (202) |
| | Restated | (8,559) |
| Administrative expenses | Originally stated | (3,426) |
| | Reallocate landfill amortisation | 202 |
| | Restated | (3,224) |

4. EARNINGS PER SHARE

The calculation of earnings per share is based on a loss of £84,000 (6 months to 30 June 2011 – profit of £105,000; 12 months to 31 December 2011 – profit of £1,512,000) and 58,227,154 (6 months to 30 June 2011 –

58,161,000; 12 months to 31 December 2011 – 58,194,227) being the weighted average number of ordinary shares in issue.

Diluted

The diluted figure is based on the same figures as above since the options in place during the periods are anti-dilutive for the six months to 30 June 2012 and 2011 and for the 12 months to 31 December 2011. At 30 June 2012 there were a total of 227,201 share options held by employees which are not considered dilutive (30 June 2011 – 227,201; 31 December 2011 – 233,567).