Polypipe Group plc

Interim financial statements for the six months ended 30 June 2015

20 August 2015

Polypipe Group plc

Interim Results for the Six Months Ended 30 June 2015

Polypipe Group plc ("Polypipe" or the "Group"), a leading manufacturer of plastic piping systems for the residential, commercial, civils and infrastructure sectors, today announces its half year unaudited results for the six months ended 30 June 2015.

Financial Results

	H1 2015	H1 2014	Change
Revenue	£170.4m	£168.2m	1.3%
Operating profit[1]	£25.6m	£22.7m	12.8%
Profit before tax (pre exceptionals)[2]	£23.2m	£16.4m	41.5%
Profit/(loss) before tax	£23.2m	£(4.6)m	
Adjusted earnings per share[3]	9.11p	7.05p	29.2%
Net debt	£83.8m	£99.9m	(16.1%)
Basic earnings per share	9.13p	(1.75)p	
Dividend per share	2.3p	1.5p	53.3%

1. **Excludes operating exceptional items**
2. **Excludes operating exceptional items and exceptional finance costs**
3. **Excludes operating exceptional items, exceptional finance costs and related tax relief**

Financial Highlights

- Underlying UK revenue growth of 5.1%, after adjusting for working days.
- 150 bps improvement in Group operating profit margin to 15%.
- 29.2% improvement in adjusted EPS due to strong operating performance and lower finance charges since refinancing.
- Interim dividend of 2.3p in line with policy to pay a minimum of 40% of the Group's profit after tax.

Operational Highlights

- Strategic acquisition of Nuaire in August 2015 to enhance capability to support Carbon Efficient solutions
- Good demand for residential piping systems from UK housebuilders, increasingly from projects outside of London and the South-East
- Improvement in the residential RMI sector
- Good demand from road and rail projects
- Strong increase in sales of Water Management Solutions, driven by planning legislation requiring new sites to contain stormwater to avoid flooding
- Good sales growth in the Middle East

David Hall, Chief Executive said:

"The year started strongly supported by a strengthening market in the UK and we are well placed to capture our share of the anticipated market growth. Our strategic initiatives all continue to show good progress over and above the market and the recent acquisition of Nuaire will support our aims to accelerate our growth. I remain confident that we will deliver results for the full year in line with our expectations".

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A copy of this report will be available on our website http://ir.polypipe.com/ today from 7.00am.

An analyst presentation will be held today, Thursday 20th August at 08:15 (GMT). To dial in the call details are:

Tel: +44 (0) 1452 555566

Code: 13748252

Notes to Editors:

Polypipe is the largest manufacturer in the United Kingdom, and among the ten largest manufacturers in Europe, of plastic piping systems for the residential, commercial, civils and infrastructure sectors by revenue. The Group operates from sixteen facilities in total, and with over 20,000 product lines, manufactures the United Kingdom's widest range of plastic piping systems within its target markets. The Group primarily targets the UK, French and Irish building and construction markets with a presence in Italy and the Middle East and sales to specific niches in the rest of the world.

Business Review

The following tables set out Group revenue and operating profit before operating exceptional items by operating segment:

Revenue	H1 2015	H1 2014	Change
	£m	£m	%
Residential Piping Systems	90.2	86.8	3.9
Commercial & Infrastructure Piping Systems - UK	59.1	56.4	4.8
UK Operations	**149.3**	**143.2**	4.3
Commercial & Infrastructure Piping Systems - Europe	26.5	30.6	(13.4)
Inter Segment Sales	(5.4)	(5.6)	
Group revenue	170.4	168.2	1.3

Operating profit	H1 2015	H1 2014	Change
	£m	£m	%
Residential Piping Systems	15.4	13.2	16.7
Commercial & Infrastructure Piping Systems - UK	9.3	8.6	8.1
UK Operations	**24.7**	**21.8**	**13.3**
Commercial & Infrastructure Piping Systems - Europe	0.9	0.9	-
Group operating profit*	25.6	22.7	12.8

*before operating exceptional items.

The Group's revenue for the six months ended 30 June 2015 was £170.4m (2014: £168.2m) an improvement of 1.3%. Revenue from our UK operations for the first half of 2015 grew by 5.1% over the same period last year on a working day adjusted like for like basis. Reported UK revenue growth was adversely affected by the strength of the comparative period in 2014, which was driven by customers pulling forward orders last year ahead of a June price increase, with no pull forward of orders this year as there has been no price increase. Revenue from our Commercial Infrastructure Piping Systems in Continental Europe were down 2% in local currency due to difficult market conditions in our main French market (13.4% as reported due to the stronger Sterling/Euro exchange rate, adversely impacting earnings translation).

Operating profit before operating exceptional items for the first half of 2015 of £25.6m was up 12.8% on the same period last year. The operating margin improved by 150 bps to 15% due to the operational gearing benefits from revenue growth in the UK, a slight improvement in the mix in residential sales towards higher margin RMI and a period of lower polymer costs.

Net finance charges before exceptional finance costs for the six months to 30 June 2015 of £2.4m were £3.9m lower than the corresponding period in the prior year as a result of the refinancing of the £150m Senior Secured Notes in April 2014 following the IPO.

No exceptional costs were incurred during the six months ended 30 June 2015. Exceptional charges of £12.4m were incurred in the six months ended 30 June 2014 in relation to the IPO listing costs and a further £8.6m of exceptional finance costs were incurred in the period in relation to refinancing the Senior Secured Notes.

Adjusted earnings per share for the six months ended 30 June 2015 of 9.11p (2014: 7.05p) improved by 29.2% due the improved operating results and lower net finance charges before exceptional finance costs.

Operational Review

The Group's focus has continued to be to drive our initiatives in the areas of substitution, carbon efficiency, water management and export whilst ensuring that we are able to fully benefit from the recovering UK construction market.

On the back of momentum from the UK construction market recovery the year started strongly across all sectors. On a working day adjusted like for like basis, our UK business grew revenues by 5.1% during the first half of 2015 compared to the first six months of 2014.

We believe that the apparent slowing of growth in our reported UK numbers towards the end of the second quarter was due to a distortion caused by pulled forward orders by our distributors during the same period in 2014. The price increase in June 2014 resulted in stockists pulling forward orders into the first half to take advantage of pre-price increase purchase prices. With the reduction in polymer prices during the tail end of 2014 and the start of 2015, we decided to postpone our plans for a price increase in June this year.

As has been widely reported, despite oil prices having remained at relatively lower levels, polymers and their feedstocks have now returned to, or in some cases exceeded, their previous price levels as a result of reductions in capacity through planned and unplanned outages in plants operated by the major polymer producers in Europe. Although postponing our 2015 price increase may have caused some minor distortion in our UK revenue growth rates across the two halves, over the course of the year any pull forward effect and the subsequent catch up will even out.

We have seen steady progress across most of our product groups that are specifically targeted at substituting legacy materials. In particular, our plastic plumbing systems and pre-fabricated soil pipe systems have delivered good growth against the same period last year, as developers tend to favour more modern materials as a result of their ease and speed of installation. We are encouraged by the opportunities to accelerate the growth of Surestop (acquired in January 2015) leveraging the Group's broader based customer relationships.

Our Carbon Efficient Solutions have also performed well against the comparative period last year. Having raised the profile of our marketing programme, we have seen a progressive improvement in specifications for underfloor heating although it still remains a small proportion of the overall UK heating market. Our ventilation products also performed well with our range of systems, gaining traction supported by the legislative requirements and enhanced by the acquisition of the Ferrob range.

Sales of our Water Management Solutions performed strongly as new construction sites are required to meet legislation regarding the storage and attenuation of water. This is driving demand for our comprehensive range of engineered systems which can be individually tailored to meet site specific needs. The change in funding model of Highways England resulted in fewer major road schemes starting in the second quarter; however the future road improvement programme outlined in UK Government's National Infrastructure Plan remains very encouraging.

We continued to benefit from the increased resource we have committed to specification sales in the Middle East and we seek further opportunities in the region. Albeit relatively insignificant in Group terms, our exports to the rest of the world were less favourable against the comparable period last year during which we benefitted from mining infrastructure projects in Africa.

Residential Piping Systems

Sales to the Residential Sector, all of which are in the UK and Ireland, represented 51% of Group revenues and were up 4.8% against the first half of 2014 on an adjusted working day basis.

Growth in demand from the housebuilders in the half was front end loaded and has continued to be dominated by the larger players with the trend towards more regional activity continuing through the half. Private RM&I has been improving although still hampered by the relatively low levels of remortgage activity which after several months of decline started to pick up toward the end of the second quarter. Housing transactions of second hand homes, another key driver for RM&I remain well below long term averages with no significant improvement in the first half due in part to the more stringent bank lending criteria.

The merchants are reporting challenging conditions in plumbing and heating, in part due to pull forward in previous periods under previous Government incentives and in part the impact of reduced budgets in Social RM&I. This has a very limited impact on us, as there is relatively little of our product used in a standard boiler replacement programme.

Against strong comparables, Residential Piping Systems delivered operating profit of £15.4m in the first half up 16.7% over the same period last year. This reflects the operational gearing benefits from the revenue growth in the UK, a slight improvement of mix towards RM&I and some marginal benefits from a short period of lower material costs.

Commercial and Infrastructure Piping Systems - UK

Sales to the UK Commercial and Infrastructure Sector, which include export sales to the Middle East, represented 34% of Group revenues and were up 5.6% against the first half of 2014 on an adjusted working day basis. We experienced good demand from road and rail projects and the development of high rise, multi-occupancy buildings continued in London and other major cities.

During the first half of last year we saw our distributors in the Middle East starting to re-stock and against this backdrop it is encouraging to have seen good growth in sales to the region over the same period this year. We continue to see the region and Qatar in particular as having significant potential and we are making progress with our plans to commence local manufacturing of our Water Management products.

The volatility in raw material prices has resulted in us passing some of the benefit of lower virgin polymer costs through to our customers in this division. This is due to some formulaic mechanisms to flex our prices in line with material costs on larger contracts. It has also had a detrimental impact on the recycling industry and as a result we have experienced more difficulty in sourcing post consumer waste to process through our polymer re-processing plant. This situation appears to be slowly recovering; however it has had some impact on margins, partially offsetting the operational gearing benefits of additional volumes and the window of lower material costs. The overall result was an increase in operating profits of 8.1% to £9.3m in the first half over the same period last year.

Commercial and Infrastructure Piping Systems - Europe

Sales from our Commercial and Infrastructure Sector Piping Systems businesses in Continental Europe (predominantly in France) which represented approximately 15% of Group revenues, were 2% behind in local currency terms but 13.4% down as reported due to the adverse currency translation impact. In the face of difficult market conditions in France, where we have not yet seen any significant signs of underlying market improvement, we have maintained a very close watch on selling price against volume especially in light of more volatile polymer costs.

Despite challenging market conditions operating profit remained flat at £0.9m, which represents a margin of 3% of revenue, as our price management disciplines in France helped offset the market decline.

Outlook

The year started strongly supported by a strengthening market in the UK and we are well placed to capture our share of the anticipated market growth. UK planning approvals continue on a strong upward trend and whilst this is not a guarantee of future orders, it is a promising indicator of planned activity. The Construction Products Association summer forecast shows overall UK construction output growing by c.5% for the full year in 2015. We remain well placed to capture our share of this anticipated market growth in the UK and the directors remain confident that our organic growth initiatives, the benefit of our acquisitions (including the recent announcement of the acquisition of Nuaire) in addition to the continuing market improvement in the UK, will deliver results for the full year in line with our expectations.

Financial Review

Cash flow and net debt

Cash generated from operations during the period of £17.8m remained consistent with the first half of 2014 as the improved operating performance was offset by a higher seasonal increase in net working capital this year due to the timing of rebate settlements.

Net debt (including accrued interest and unamortised debt issuance costs) increased by £6.3m during the first six months of 2015 to £83.8m after the seasonal increase in net working capital of £15.1m and business acquisitions (Surestop Limited) of £5.2m.

Net debt (term loan less cash) to rolling adjusted twelve month EBITDA (operating profit pre operating exceptional items plus depreciation) at 30 June 2015 was 1.31 times (December 2014: 1.26 times). This slight increase in the net debt to EBITDA leverage from the year end position is due to the seasonal increase in net working capital at the half year.

Finance Costs

Finance costs for the six months to 30 June 2015 of £2.5m were lower than the finance costs of £6.5m in the corresponding period in the prior year as a result of the refinancing in April 2014 of the £150m Senior Secured Notes (fixed interest rate of 9.5%) with £30m from surplus cash balances and £120m from a new five year term bank loan. Interest on the new five year term bank loan is currently payable at a rate of LIBOR plus a margin of 2.00%. The interest rate margin varies subject to the leverage ratio of the Group.

Details of our variable to fixed rate interest swaps are set out in Note 10 to these interim financial statements.

There were no exceptional finance costs during the first six months of 2015. Exceptional finance costs of £8.6m for the comparative period relate to the refinancing in April 2014.

Taxation

Tax has been provided at the estimated full year rate of 21.7% (2014: 23.9%). The reduction in the Group tax rate is due primarily to lower corporation tax rates in the UK.

Dividend

The Board has declared an interim dividend of 2.3 pence per share. This dividend will be paid on 25 September 2015 to shareholders on the register at the close of business on 28 August 2015.

Our dividend policy is to pay a minimum of 40% of the Group's annual profit after tax (adjusted to exclude exceptional items). The Directors intend that the Company will pay the total annual dividend in two tranches, an interim dividend and a final dividend, to be announced at the time of announcement of the interim and preliminary results in the approximate proportions of one-third and two-thirds, respectively.

Going Concern

The Group continues to meet its day to day working capital and other funding requirements through a combination of long term funding and cash deposits. The Group's bank financing facilities at 30 June 2015 were a £120m term loan and a £40m committed revolving credit facility (undrawn at June 2015). On 18 August 2015 the Group entered into a refinancing, details of which are set out in Note 12 below.

After making due enquiry, the directors have a reasonable expectation that the Company and its subsidiaries have adequate resources to continue operational existence for the foreseeable future and therefore adopt the going concern principle.

Risks and Uncertainties

The board continually assesses and monitors the key risks of the business. The principal risks and uncertainties that could have a material impact on the Group's performance have not changed from those which are set out in detail in the principal risks and uncertainties section of our 2014 Annual Report. These cover:

- Increases in the market price of petroleum feedstocks can have a direct impact on the prices we pay for our raw materials.
- The Group's manufacturing and distribution operations could be subjected to disruption due to factors including incidents such as fire, failure of equipment, power outages, strikes or unexpected or prolonged periods of severe weather.
- Our businesses are dependent on key customers continuing to order from us.
- The ability to attract and retain our Executive Management Team and qualified personnel.
- Cyclical economic conditions and conditions affecting the construction industry.
- Government action and policies.
- Changes in government regulations and standards relating to the manufacture and use of building materials, particularly plastics and polymers.
- The Group manufactures products that are potentially vital to the safe operation of its customers' products or processes. A product failure or recall could result in a liability claim for personal injury or other damage and damage to the Group's brand reputation.
- The Group's operations expose it to a variety of financial risks that include foreign exchange risk, credit risk, liquidity risk and interest rate risk.

A copy of the 2014 Annual Report is available on the Group's website, www.polypipe.com

Forward Looking Statements

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

Directors' Responsibility Statement

We confirm that to the best of our knowledge:

- The condensed set of financial statements has been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* as adopted by the EU;
- The Interim Management Report includes a fair review of the information required by:

  (a) DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

  (b) DTR 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

This report was approved by the board of directors on 20 August 2015 and is available on the Company's website www.polypipe.com under "Investors", then "Results Centre".

By order of the Board

David Hall	**Peter Shepherd**
Chief Executive Officer	**Chief Financial Officer**

INTERIM GROUP INCOME STATEMENT

for the six months ended 30 June 2015 (unaudited)

Year ended 31 December 2014 £m		Notes	*Half year to 30 June 2015 £m*	*Half year to 30 June 2014 £m*
327.0	***Revenue***	***3***	**170.4**	**168.2**
(202.4)	Cost of sales		**(102.3)**	**(105.3)**
124.6	***Gross profit***		**68.1**	**62.9**
(49.8)	Selling and distribution costs		**(26.1)**	**(25.4)**
(28.5)	Administration expenses		**(16.4)**	**(14.8)**
46.3	***Operating profit before operating exceptional items***	***3***	**25.6**	**22.7**
(12.1)	Operating exceptional items	***4***	**-**	**(12.4)**
34.2	***Operating profit***		**25.6**	**10.3**
0.2	Finance revenue	***5***	**0.1**	**0.2**
(8.9)	Finance costs	***5***	**(2.5)**	**(6.5)**
(8.6)	Exceptional finance costs	***5***	**-**	**(8.6)**
16.9	***Profit / (loss) before tax***		**23.2**	**(4.6)**
(3.0)	Taxation	***6***	**(5.0)**	**1.1**
13.9	***Profit / (loss) for the period***		**18.2**	**(3.5)**
	Earnings per share (pence)			
6.96	Basic and diluted	***7***	**9.13**	**(1.75)**
16.11	Adjusted – basic and diluted	***7***	**9.11**	**7.05**
	Dividend per share (pence)	***8***		
1.5	Interim		**2.3**	**1.5**
3.0	Final		**-**	**-**

INTERIM GROUP STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2015 (unaudited)

Year ended 31 December 2014 £m		*Half year to 30 June 2015 £m*	*Half year to 30 June 2014 £m*
13.9	**Profit / (loss) for the period**	**18.2**	**(3.5)**
	Other comprehensive income / (expense):		
	Items which will be reclassified subsequently to profit and loss:-		
(1.1)	Exchange differences on translation of foreign operations	**(1.2)**	**(0.7)**
(2.4)	Effective portion of changes in fair value of swap derivatives	**0.6**	**-**
0.5	Tax relating to items that may be reclassified	**(0.2)**	**-**
(3.0)	**Other comprehensive income / (expense) for the period net of tax**	**(0.8)**	**(0.7)**
10.9	**Total comprehensive income / (expense) for the period net of tax**	**17.4**	**(4.2)**

INTERIM GROUP BALANCE SHEET

at 30 June 2015 (unaudited)

31 December 2014		*30 June 2015*	*30 June 2014*
£m		***£m***	***£m***
	Non-Current Assets		
89.2	Property, plant and equipment	**90.9**	**88.8**
235.0	Intangible assets	**239.5**	**234.4**
324.2	**Total non-current assets**	**330.4**	**323.2**
	Current Assets		
39.9	Inventories	**39.5**	**41.0**
20.9	Trade and other receivables	**31.8**	**25.8**
-	Income tax recoverable	**-**	**1.1**
-	Other financial assets	**-**	**0.4**
43.1	Cash and cash equivalents	**36.4**	**18.1**
103.9	**Total current assets**	**107.7**	**86.4**
428.1	***Total assets***	**438.1**	**409.6**
	Current Liabilities		
(65.2)	Trade and other payables	**(60.5)**	**(60.9)**
(2.6)	Other financial liabilities	**(1.9)**	**-**
(2.0)	Income tax payable	**(5.2)**	**-**
(69.8)	**Total current liabilities**	**(67.6)**	**(60.9)**
	Non-Current Liabilities		
(118.0)	Loans and borrowings	**(118.3)**	**(118.4)**
(1.7)	Other liabilities	**(1.9)**	**(1.5)**
(0.9)	Deferred tax liability	**(1.0)**	**(1.6)**
(120.6)	**Total non-current liabilities**	**(121.2)**	**(121.5)**
(190.4)	***Total liabilities***	**(188.8)**	**(182.4)**
237.7	***Net assets***	**249.3**	**227.2**
	Capital and reserves		
0.2	Equity share capital	**0.2**	**0.2**
1.1	Capital redemption reserve	**1.1**	**1.1**
(1.7)	Treasury shares	**(1.7)**	**-**
(1.9)	Hedging Reserve	**(1.5)**	**-**
(1.7)	Foreign currency retranslation reserve	**(2.9)**	**(1.3)**
241.7	Retained earnings	**254.1**	**227.2**
237.7	***Total equity***	**249.3**	**227.2**

INTERIM GROUP STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2015 (unaudited)

	Share capital	*Capital redemption reserve*	*Treasury Shares*	*Hedging reserve*	*Foreign currency retranslation reserve*	*Retained earnings*	*Total equity*
	£m	*£m*	*£m*	*£m*	*£m*	*£m*	*£m*
Six months ended 30 June 2015							
Opening balance	**0.2**	**1.1**	**(1.7)**	**(1.9)**	**(1.7)**	**241.7**	**237.7**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**18.2**	**18.2**
Other comprehensive income / (expense)	**-**	**-**	**-**	**0.4**	**(1.2)**	**-**	**(0.8)**
Total comprehensive income for the period	**-**	**-**	**-**	**0.4**	**(1.2)**	**18.2**	**17.4**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**(6.0)**	**(6.0)**
Share-based payments	**-**	**-**	**-**	**-**	**-**	**0.2**	**0.2**
Closing balance	**0.2**	**1.1**	**(1.7)**	**(1.5)**	**(2.9)**	**254.1**	**249.3**
Six months ended 30 June 2014							
Opening balance	**1.3**	**-**	**-**	**-**	**(0.6)**	**230.7**	**231.4**
Loss for the period	**-**	**-**	**-**	**-**	**-**	**(3.5)**	**(3.5)**
Other comprehensive income / (expense)	**-**	**-**	**-**	**-**	**(0.7)**	**-**	**(0.7)**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**(0.7)**	**(3.5)**	**(4.2)**
Cancellation of deferred shares	**(1.1)**	**1.1**	**-**	**-**	**-**	**-**	**-**
Closing balance	**0.2**	**1.1**	**-**	**-**	**(1.3)**	**227.2**	**227.2**
Year ended 31 December 2014							
Opening balance	**1.3**	**-**	**-**	**-**	**(0.6)**	**230.7**	**231.4**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**13.9**	**13.9**
Other comprehensive income / (expense)	**-**	**-**	**-**	**(1.9)**	**(1.1)**	**-**	**(3.0)**
Total comprehensive income for the period	**-**	**-**	**-**	**(1.9)**	**(1.1)**	**13.9**	**10.9**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**(3.0)**	**(3.0)**
Purchase of treasury shares	**-**	**-**	**(1.7)**	**-**	**-**	**-**	**(1.7)**
Share-based payments	**-**	**-**	**-**	**-**	**-**	**0.1**	**0.1**
Cancellation of deferred shares	**(1.1)**	**1.1**	**-**	**-**	**-**	**-**	**-**
Closing balance	**0.2**	**1.1**	**(1.7)**	**(1.9)**	**(1.7)**	**241.7**	**237.7**

INTERIM GROUP CASH FLOW STATEMENT

for the six months ended 30 June 2015 (unaudited)

Year ended 31 December 2014		*Half year to 30 June 2015*	*Half year to 30 June 2014*
£m		*£m*	*£m*
	Operating activities		
16.9	**Profit / (loss) for the year before tax**	**23.2**	**(4.6)**
17.3	Add back net financing costs	**2.4**	**14.9**
34.2	**Operating profit**	**25.6**	**10.3**
	Adjusted for non cash items:		
(0.1)	Gain on disposal of property, plant and equipment	**(0.1)**	**(0.1)**
12.2	Operating exceptional items – net expense recognised	**-**	**12.4**
(12.5)	– cash paid	**-**	**(8.9)**
14.5	Depreciation	**7.4**	**7.3**
48.3	**Operating cash flow before movement in working capital**	**32.9**	**21.0**
	Movement in working capital:		
(0.2)	Receivables	**(11.4)**	**(4.7)**
4.0	Payables	**(3.6)**	**(4.9)**
(1.5)	Inventories	**(0.1)**	**(2.5)**
50.6	**Cash generated from operations**	**17.8**	**8.9**
(3.7)	Income tax paid	**(1.9)**	**(2.4)**
46.9	***Net cash flows from operating activities***	**15.9**	**6.5**
	Investing Activities		
0.2	Interest received	**0.1**	**0.2**
0.2	Proceeds from disposal of property, plant and equipment	**0.1**	**0.1**
(0.3)	Acquisition of new business	**(5.2)**	**-**
(15.1)	Purchase of property, plant and equipment	**(9.3)**	**(7.3)**
(15.0)	***Net cash flow used in investing activities***	**(14.3)**	**(7.0)**
	Financing activities		
120.0	New bank loan	**-**	**120.0**
(150.0)	Repayment of Senior Secured Notes	**-**	**(150.0)**
(1.7)	Purchase of own shares	**-**	**-**
(10.6)	Interest paid	**(2.3)**	**(8.0)**
(3.0)	Dividend paid	**(6.0)**	**-**
(9.4)	Refinancing costs	**-**	**(9.3)**
(54.7)	***Net cash flows from financing activities***	**(8.3)**	**(47.3)**
(22.8)	***Net decrease in cash and cash equivalents***	**(6.7)**	**(47.8)**
65.9	Cash and cash equivalents – opening balance	**43.1**	**65.9**
43.1	***Cash and cash equivalents – closing balance***	**36.4**	**18.1**

NOTES TO THE INTERIM FINANCIAL STATEMENTS

at 30 June 2015

1. Basis of preparation

Polypipe Group plc is incorporated in the UK. The condensed interim financial statements have been prepared in accordance with the Disclosure and Transparency rules of the Financial Conduct Authority and IAS 34 “Interim Financial Reporting (as adopted by the EU)”.

As required by the Disclosure and Transparency rules of the Financial Conduct Authority, the interim financial statements have been prepared applying the accounting policies and presentation that were applied in the preparation of the company’s published consolidated financial statements for the year ended 31 December 2014. These statements do not include all the information required for full annual financial statements and should be read in conjunction with the full annual report for the year ended 31 December 2014.

The comparative figures for the financial year ended 31 December 2014 are not the company’s statutory accounts for that financial year. Those accounts have been reported on by the company’s auditors and delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

There are no accounting standards or interpretations that have become effective in the current reporting period which have had a material effect on the net assets, results and disclosures of the Group. The Group has not early adopted any other standard, interpretation or amendment that has been issued that is not yet effective.

The financial statements are prepared on a going concern basis. This is considered appropriate given that the company and its subsidiaries have adequate resources to continue in operational existence for the foreseeable future.

There have been no significant related party transactions in the period to 30 June 2015.

2. Financial risks, estimates, assumptions and judgements

The preparation of the condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2014.

3. Segment information

The group has three reporting segments - Residential Piping Systems (all UK by origin), Commercial and Infrastructure Piping Systems – UK and Commercial and Infrastructure Piping Systems – Mainland Europe. Several operating segments that have similar economic characteristics have been aggregated into these three reporting segments.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

at 30 June 2015

Year ended 31 December 2014			*Half year to 30 June 2015*		*Half year to 30 June 2014*	
Revenue	*Operating Profit*		*Revenue*	*Operating Profit*	*Revenue*	*Operating Profit*
£m	*£m*		*£m*	*£m*	*£m*	*£m*
173.3	**28.4**	**Residential Piping Systems**	**90.2**	**15.4**	**86.8**	**13.2**
		Commercial & Infrastructure Piping Systems				
111.1	17.0	- UK	59.1	9.3	56.4	8.6
53.9	0.9	- Mainland Europe	26.5	0.9	30.6	0.9
165.0	**17.9**		**85.6**	**10.2**	**87.0**	**9.5**
(11.3)	**-**	Inter segment sales	**(5.4)**	**-**	**(5.6)**	**-**
327.0	**46.3**	**Group Revenue / Operating Profit**	**170.4**	**25.6**	**168.2**	**22.7**
	(12.1)	Operating exceptional items		**-**		**(12.4)**
	(17.3)	Net finance costs		**(2.4)**		**(14.9)**
	16.9	Profit / (loss) before taxation		**23.2**		**(4.6)**

Given stable market conditions, our revenues have historically been broadly similar between the first and second halves of the year.

Revenue by geographical market:

Year ended 31 December 2014		**Half year to 30 June 2015**	**Half year to 30 June 2014**
£m		**£m**	**£m**
253.3	UK	**131.5**	**126.5**
56.9	Mainland Europe	**28.5**	**31.9**
16.8	Rest of World	**10.4**	**9.8**
327.0	**Total**	**170.4**	**168.2**

NOTES TO THE INTERIM FINANCIAL STATEMENTS

at 30 June 2015

4. Operating exceptional items

Year ended 31 December 2014 £m		*Half year to 30 June 2015 £m*	*Half year to 30 June 2014 £m*
12.2	Listing costs	**-**	**12.4**
(0.1)	Profit on sale of fixed assets	**-**	**(0.1)**
-	Other	**-**	**0.1**
12.1		**-**	**12.4**

5. Finance revenue / costs

Year ended 31 December 2014 £m		*Half year to 30 June 2015 £m*	*Half year to 30 June 2014 £m*
0.2	Bank interest income	**0.1**	**0.2**
0.2	**Finance revenue**	**0.1**	**0.2**
5.5	Interest on Senior Secured Notes	**-**	**5.9**
2.4	Interest on Bank Loan	**2.1**	**-**
0.4	Other finance charges	**0.2**	**0.2**
0.6	Debt issue cost amortisation	**0.2**	**0.4**
8.9	**Finance costs**	**2.5**	**6.5**
7.2	Senior Secured Notes early settlement fee	**-**	**7.2**
1.4	Write off of unamortised debt issue costs	**-**	**1.4**
8.6	**Exceptional finance costs**	**-**	**8.6**

NOTES TO THE INTERIM FINANCIAL STATEMENTS

at 30 June 2015

6. Taxation

Tax has been provided on the profit before taxation, at the estimated effective rate for the full year of 21.7% (2014: 23.9%).

7. Earnings per share

The following income and share data have been used in the basic and diluted earnings per share computations:

Year ended 31 December 2014 £m		***Half year to 30 June 2015 £m***	***Half year to 30 June 2014 £m***
13.9	Profit / (loss) for the period attributable to equity holders of the parent	**18.2**	**(3.5)**
32.2	Adjusted profit for the period	**18.2**	**14.1**
199,853,984	Weighted average number of ordinary shares for the purpose of basic earnings per share	**199,260,681**	**199,999,862**
111,897	Share options	**422,263**	**-**
199,965,881	Weighted average number of ordinary shares for the purpose of diluted earnings per share	**199,682,944**	**199,999,862**
6.96 pence	Basic earnings per ordinary share	**9.13 pence**	**(1.75) pence**
6.95 pence	Diluted earnings per ordinary share	**9.11 pence**	**(1.75) pence**
16.11 pence	Adjusted basic earnings per ordinary share	**9.13 pence**	**7.05 pence**
16.10 pence	Adjusted diluted earnings per ordinary share	**9.11 pence**	**7.05 pence**

Adjusted profit is derived below and is defined as the result of the period, excluding the impact of exceptional operating items and exceptional finance costs. The directors consider that this measure gives a better and more consistent indication of the Group's underlying performance.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

at 30 June 2015

Year ended 31 December 2014 £m		*Half year to 30 June 2015 £m*	*Half year to 30 June 2014 £m*
46.3	Operating profit for the period before operating exceptional items	**25.6**	**22.7**
(8.7)	Net finance costs (excluding exceptional finance costs)	**(2.4)**	**(6.3)**
37.6		**23.2**	**16.4**
(5.4)	Taxation at underlying tax rate	**(5.0)**	**(2.3)**
32.2	**Adjusted profit for the period**	**18.2**	**14.1**

8. Dividends

The directors have proposed an interim dividend for the current year of £4.6m which equates to 2.3p per share.

9. Analysis of net debt

Year ended 31 December 2014 £m		*Half year to 30 June 2015 £m*	*Half year to 30 June 2014 £m*
43.1	Cash and cash equivalents	***36.4***	***18.1***
-	Other financial assets	***-***	***0.4***
	Interest bearing loans and borrowings due after more than one year		
(120.0)	- Bank loans	(120.0)	(120.0)
-	- Accrued interest	-	(0.5)
2.0	- Unamortised debt issuance costs	1.7	2.1
(118.0)		***(118.3)***	***(118.4)***
(2.6)	Other financial liabilities	***(1.9)***	***-***
(77.5)	Net debt	***(83.8)***	***(99.9)***

The Group's net debt is defined as cash and cash equivalents, other financial assets, loans and borrowings and other financial liabilities.

10. Financial instruments

Fair value of financial instruments

The book value of trade and other receivables, trade and other payables, cash balances, bank loans and other liabilities equates to fair value.

The table below sets out the group's accounting classification of its other financial assets and liabilities and their fair values and carrying values.

	Carrying value	*Fair value*
	£m	*£m*
Foreign currency derivative contracts	**(0.1)**	**(0.1)**
Interest rate swap	**(1.8)**	**(1.8)**
Interest bearing loans and borrowings due after more than one year	**(118.3)**	**(118.3)**
Total at 30 June 2015	**(120.2)**	**(120.2)**

	Carrying value	*Fair value*
	£m	*£m*
Foreign currency derivative contracts	**0.3**	**0.3**
Interest rate swap	**0.1**	**0.1**
Interest bearing loans and borrowings due after more than one year	**(118.4)**	**(118.4)**
Total at 30 June 2014	**(118.0)**	**(118.0)**

	Carrying value	*Fair value*
	£m	*£m*
Foreign currency derivative contracts	**(0.2)**	**(0.2)**
Interest rate swap	**(2.4)**	**(2.4)**
Interest bearing loans and borrowings due after more than one year	**(118.0)**	**(118.0)**
Total at 31 December 2014	**(120.6)**	**(120.6)**

In respect of the £120m five year term bank loan on which interest is payable at variable LIBOR plus a margin, the Group entered into an interest rate swap on 16th April 2014 with interest payable at a fixed rate of 2.21% (excluding margin) for the following notional amounts:

Year ended 31 December	***Notional amount £m***
2015	**48.0**
2016	**60.0**
2017	**70.2 – 72.0**
2018	**66.6 – 68.4**
To March 2019	**64.8**

The fair value of the interest rate swap was determined by reference to market values. Forward currency exchange contracts fair value was determined using quoted forward exchange rates matching the maturities of the contracts.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1:quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2:other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3:techniques which use inputs which have a significant effect on the recorder fair value that are not based on observable market data.

The fair values disclosed above all relate to items categorised as Level 2.

There have been no transfers in any direction in the period.

11. Acquisitions

On 30 January 2015 the Group acquired 100% of the share capital of Surestop Limited, a company which manufactures and supplies a range of patented water mains switch-off devices. The cash consideration of £6.0 million included a payment for £0.8 million net cash at completion. Surestop's pre acquisition revenue and operating profit for the year 31 December 2014 was £2.1 million and £0.7 million respectively. The purchase price is in the process of being allocated in accordance with IFRS 3. As a result the initial accounting for the acquisition is currently incomplete, so a fair value table of the identifiable assets and liabilities has not been presented.

12. Subsequent Events

On 18 August the Group acquired Nu-Oval Acquisitions 1 Limited ("Nuaire") for a cash consideration of £145 million on a debt and cash-free basis (the "Acquisition"). The Acquisition was financed using a combination of existing cash from the balance sheet and debt. Also on 18 August 2015 the existing bank term loan of £120m was repaid and the revolving credit facility was increased to £300m, this increased revolving credit facility substantially expires in August 2020. Further details of this Acquisition and refinancing is set out in the press release "Polypipe Acquisition of Nuaire" which can be found on the Group's website www.polypipe.com under the "news and events" tab.

INDEPENDENT REVIEW REPORT TO POLYPIPE GROUP PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2015 which comprises the Interim Group Income Statement, the Interim Group Statement of Comprehensive Income, the Interim Group Balance Sheet, the Interim Group Statement of Changes in Equity, the Interim Group Cash Flow Statement and the related notes 1 to 12. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34, "Interim Financial Reporting", as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2015 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP

Leeds

20 August 2015