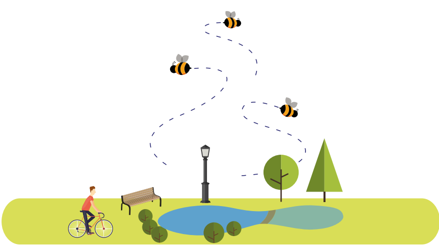
CHAIRMAN'S INTRODUCTION

"With a clear strategy, a continued focus on continuing to grow the M&A agenda as well as continuing to invest in and develop the Group's current solutions, alongside its experienced and dedicated senior management team and workforce, I am confident that the Group will continue to thrive during 2019."

Ron Marsh
Chairman

OVERVIEW

I am pleased to present the Polypipe 2018 Annual Report and Accounts following another excellent year for the Group. Despite the continued economic and political uncertainty that has prevailed during the year and the mixed conditions in the UK construction market performance, our end markets continue to perform well, with the Group growing UK revenue significantly ahead of the UK construction market. As well as managing this growth, the Group has also seen a number of changes during the year, including the sale of the French business in March, the acquisition of Permavoid in August and the acquisition of Manthorpe in October. There were also some key leadership changes during the year, including the appointment of Paul James as CFO following Martin Payne's promotion to CEO, and the appointment of Louise Hardy as a Non-Executive Director in June. The Group also carried out a refinancing of its revolving credit facility in November 2018, well in advance of the 2020 expiry date.



RESULTS

Performance throughout 2018 has been strong, with a 5.2% increase in revenue to £433.2m and a 1.9% increase in underlying operating profit at £74.0m. UK revenue growth was up 5.9%, which is materially ahead of the overall UK construction market. Underlying operating margin was robust at 17.1%, despite continued input cost inflation, and underlying diluted earnings per share increased by 4.5% to 28.1 pence per share. Our strong cash generation enabled the Group to fund acquisitions net of disposals of £42.5m during the course of the year whilst net debt only increased by £15.8m to £164.2m (2017: £148.4m), resulting in net debt of 1.7 times pro forma EBITDA compared with 1.6 times for the prior year.

DIVIDEND

We have again maintained our dividend policy and I am pleased to report that the Board recommends a final dividend of 7.9 pence per share, giving a full year dividend of 11.6 pence per share for the year ended 31 December 2018, a 4.5% increase on the prior year.

Read more about Supporting our Sustainable journey on pages 50 to 53

REVIEW OF STRATEGY

During 2018, the key objectives of the Board included:

- Continued investigation and delivery on selected development and acquisition opportunities.
- Targeting investment to support the continued growth of our key businesses.
- Continuing to develop our core manufacturing capabilities by investing in further new capacity and automation to help grow both revenues and profit organically.

Good progress was made against these objectives during 2018.

In addition to our ongoing initiatives, in 2019 our attention will be focused upon:

- Continued progression of the Group's M&A agenda.
- Ensuring that the organisational structure of the Group continues to be appropriate in light of the recent acquisition activity and the longer-term M&A agenda.

Read more about our Strategy on pages 18 to 21

PEOPLE

The exceptional effort and ongoing commitment of our employees continues to be a key driver of the Group's strong performance. In 2018, the Board and I spent time visiting some of our sites in the UK, and continue to be impressed by the knowledge, enthusiasm and commitment of our employees across the Group. Strong leadership in each business unit by experienced and dedicated management teams is a key differentiator, and the integration of employees within the businesses acquired during the year has been well executed and further strengthens the pool of talent across the Group.

BOARD EVALUATION

Following the externally facilitated review of our Board's performance in 2016, an internal review of the Board, its Committees and individual Directors was carried out in 2018 using an evaluation questionnaire. The results of the evaluation were discussed by the Board at its meeting in November, and the Board concluded that it continued to function strongly and collaboratively. Suggestions for minor improvements were made and the outcome of the evaluation process is discussed in more detail on page 65. It is the Board's intention, in compliance with the requirements of the UK Corporate Governance Code, to carry out an externally facilitated evaluation in 2019.

CULTURE

The Board is conscious of the increasing importance which corporate culture plays in delivering long-term business and economic success and its role in shaping, monitoring and overseeing culture. The Board encourages an open and transparent culture and encourages the senior management teams across the Group to foster and maintain an open culture which is responsive to stakeholder expectations and the external environment. The Board will continue to work to embed this successfully into its operations in 2019.

SUMMARY

The Group has made significant progress during 2018 and the strong performance in the year is testament to the strength of the growth drivers on which the Group's strategy is based. With a clear strategy, a continued focus on continuing to grow the M&A agenda as well as continuing to invest in and develop the Group's current solutions, alongside its experienced and dedicated senior management team and workforce, I am confident that the Group will continue to thrive during 2019.

Ron Marsh
Chairman

Read more about our Governance on pages 59 to 73