Ibstock PLC - interim results
31 July 2019

**Ibstock plc**

**Interim results for the six-month period ended 30 June 2019**

**Overall Group financial performance in line with expectations**

**Strong balance sheet supports the acquisition of Longley Concrete and payment of a supplementary dividend of 5.0 pence per share**

Ibstock plc ('Ibstock' or the 'Group'), a leading manufacturer of clay bricks and concrete products in the United Kingdom, announces its unaudited results for the six-month period ended 30 June 2019.

| Half year to 30 June | 2019 | 2018 [2] | Change |
|---|---|---|---|
| Revenue | £203m | £192m | 6% |
| Adjusted EBITDA [1] | £59m | £55m | 8% |
| Profit before tax | £41m | £50m | (17%) |
| Statutory EPS | 8.1p | 10.0p | (19%) |
| Adjusted EPS [1] | 9.0p | 9.2p | (2%) |
| Interim dividend | 3.2p | 3.0p | 7% |
| Supplementary dividend | 5.0p | 6.5p | - |

**Financial Highlights:**

- Solid revenue and adjusted EBITDA growth in line with management's expectations
- Adjusted EBITDA includes c.£3 million benefit from the adoption of IFRS 16
- Reported PBT and EPS are lower year-on-year due to a combination of exceptional profit on disposal of surplus property reported in H1 2018 of c.£6 million and higher effective tax rate in H1 2019
- Interim dividend of 3.2 pence per share (2018: 3.0 pence per share)
- Additional 5.0 pence supplementary dividend to be paid alongside the 2019 interim dividend in September 2019

**Operational Highlights:**

- Market conditions in the new build housing sector remain stable
- New Eclipse soft mud brick factory in Leicestershire performing well and supporting industry demand
- Enhanced maintenance programme in UK brick business has progressed well
- Acquisition of Longley Concrete, a precast concrete business with three manufacturing plants in the UK, for £14 million, which is highly complementary to our existing concrete operations and will support future growth of the division
- Awarded UK's Most Ethical / Sustainable Manufacturer of the Year

Joe Hudson, Chief Executive Officer of Ibstock plc, commented:

"I am pleased to report a solid first half performance for the Group and good progress with our strategic initiatives.

"Our financial strength and cash flow generation provide a platform to invest for growth and create long term value for our shareholders. We are pleased to be announcing today the acquisition of Longley Concrete, a highly complementary addition to our concrete business. At the same time, we confirm our intention to pay a supplementary dividend for 2019, demonstrating our commitment to shareholder returns and our confidence in the underlying strength of the business.

"Overall, market fundamentals in the UK are stable, with low interest rates, high employment levels, good mortgage availability and the Government's Help to Buy scheme all remaining supportive. This should continue to underpin activity levels in the new build housing market over the medium term. In the short term, we are cognisant of the ongoing macroeconomic uncertainty in the UK, and note that there has been some slight softening in the merchant sector in recent weeks. Nonetheless, the Board anticipates a further year of progress for the Group and our full year expectations remain broadly unchanged".

1 Alternative Performance Measures are described in Note 3 of the financial statements.
2 2018 figures are adjusted to present the results for continuing operations only.

**Results presentation**

Ibstock is holding a presentation to analysts at 10:30 today at 54 Hatton Garden, London, EC1N 8HN. Analysts wishing to attend should contact ibstock@citigatedewerogerson.com to register.

Analysts unable to attend in person may listen to the presentation live by using the details below:

Webcast link: https://edge.media-server.com/mmc/p/ci9pvff2
Conference Call Dial-In Details: +44 (0) 20 3003 2666
Password: Ibstock

An archived version of today's webcast analyst presentation will be available on www.ibstockplc.com later today.


| | |
|---|---|
| **Ibstock plc** | |
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| Kevin Sims, CFO | |
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| | |
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| Nick Hayns | |


**About Ibstock plc**
Ibstock plc is a leading manufacturer of clay bricks and a diversified range of clay and concrete products, from its operations in the United Kingdom. Its principal products are clay bricks, brick components, concrete roof tiles, concrete substitutes for stone masonry, concrete fencing and pre-stressed concrete products.

The Group's two divisions are:

Ibstock Clay: The leading manufacturer by volume of clay bricks sold in the United Kingdom. With 19 manufacturing sites Ibstock Brick has the largest brick production capacity in the United Kingdom. It operates a network of 23 active quarries located close to its manufacturing plants. Ibstock Brick has recently commissioned a new soft mud brick manufacturing plant in Leicestershire that added approximately 100 million bricks (c.13%) to its brick production capacity per annum. Ibstock Kevington provides masonry and pre-fabricated component building solutions, operating from 5 sites across the UK.

Ibstock Concrete: A leading manufacturer of concrete roofing, walling, flooring and fencing products, along with lintels and general concrete building products, with 16 manufacturing plants in the United Kingdom.

## Chief Executive's review

### Introduction

I am pleased to report on a busy six months for the Group, during which we made further progress with our strategic and operational initiatives, while delivering a solid trading performance.

The underlying market backdrop for our products remained broadly stable over the first half, with demand from new build housing remaining robust and brick imports continuing to rise as demand exceeded domestic supply. Our new Eclipse soft mud brick factory in Leicestershire is performing well and supporting industry demand at an important time for our customers. Performance in our concrete business has been weaker than expected, partly due to slower demand in the broader Repairs, Maintenance and Improvement ("RMI") market. Overall, we have delivered Group revenue and adjusted EBITDA growth for the period in line with management's expectations.

We completed a rebranding exercise across the Group, introducing a more contemporary identity which communicates the full breadth of our products and capabilities more effectively. In conjunction with this, we have opened our new London design centre, to help us further target the architectural and specification markets and drive more value from our leading portfolio of high quality building products. Both of these initiatives were supported by the appointment of our new marketing director.

The enhanced maintenance programme in our clay brick business has progressed well and we expect to see improved production volumes in the coming months as plants come fully back on stream. This remains an area of focus for us with cultural change being delivered across the Group to embed best practice that will ensure manufacturing output and product quality is sustained in future. We continue to augment the existing strong management team with new talent. Kate Tinsley has now joined Ibstock as Managing Director of our Clay division, where she will continue to drive some of the strategic initiatives we outlined at our Full Year results in March.

Our strong balance sheet and cash flow generation underpin the ability to invest for growth to create long term value for our shareholders. We are pleased to be announcing today the acquisition of Longley Concrete, a family-owned business that specialises in supplying precast concrete flooring to major house builders and contractors, for £14 million. Longley, which can trace its roots back to 1947, has three manufacturing plants in the UK and is a highly complementary fit with our existing concrete businesses. This bolt-on acquisition will be financed from the Group's existing facilities.

In addition to an interim dividend of 3.2 pence, the Board is pleased to confirm a return of further surplus capital to shareholders, through a 5.0 pence per share supplementary dividend, demonstrating our ongoing commitment to shareholder returns. This, combined with the acquisition of Longley Concrete, means we will deploy £34 million of surplus capital to fund growth in the business and incremental returns to our shareholders. We are able to make these commitments and still expect to remain towards the bottom end of our leverage range by the end of the year, due to our strong cash flow generation.

Finally, we have also made significant headway with our sustainability agenda, developing a roadmap with environmental and social targets set out to 2025. We have entered into a national charity partnership with Shelter, with support from across all our sites to raise money and help tackle homelessness. We are also forming a partnership with Well North Enterprise to support long term community investment and social housing initiatives in the north of England. We are pleased that our progress in this area continues to be recognised externally and we are very proud to have been awarded *Most Ethical / Sustainable Manufacturer of the Year* at the Made in the UK awards.

### Business review

Group revenue for the six months to 30 June 2019 was up 6% to £203 million (1H 2018: £192 million, adjusted to exclude revenue from Glen-Gery prior to its disposal), with Group adjusted EBITDA up 8% to £59 million including £3 million benefit from the adoption of IFRS 16 (1H 2018: £55 million).

Further details of the Group's statutory results, together with the impact of IFRS 16 are included in the CFO statement.

Following the disposal of its US business in November 2018, the Group now comprises two divisions, both with leading market positions in the UK, and which provide an excellent base for further growth and development.

**Clay**

Ibstock Brick is the leading clay brick manufacturer in the UK, with an extensive product range of over 400 brick types, and 19 manufacturing sites across the country, strategically located near to its extensive clay reserves.

The division reported revenue of £150.9 million in 1H 2019, up 6% year-on-year (1H 2018: £141.9 million). Underlying market conditions remained stable in the period and the division benefited from a price rise implemented at the start of the period.

Adjusted EBITDA at £51.2 million in 1H 2019 was 14% higher than in the prior year period (1H 2018: £45.1 million), includes £2.5 million positive impact from adoption of IFRS 16. Our performance reflects the benefit of production from our new 100 million Eclipse soft mud brick factory in Leicestershire, and a price rise implemented at the beginning of the year, partly offset by higher energy and additional maintenance costs previously announced. Excluding the benefit of the new leasing standard, the adjusted EBITDA margin was stable at 32%.

**Concrete**

Ibstock Concrete comprises the Forticrete, Supreme and Anderton concrete brands, with strong positions in the fencing, roofing, flooring, lintels and rail markets.

The division has delivered mixed results in the period, reporting revenue of £52.4 million in 1H 2019, a 5% increase year-on-year (1H 2018: £49.7 million) with growth being driven by higher sales in roofing, offset by softer domestic RMI and infrastructure markets.

Adjusted EBITDA at £10.5 million in 1H 2019 was 9% lower year-on-year (1H 2018: £11.5 million) including a £0.6 million benefit from the adoption of IFRS 16. Underlying performance reflected a combination of several factors, including reduced production at our main roof tile factory due to a planned outage as we installed new materials handling equipment and an impact from sales mix, including lower volumes in some of our infrastructure products. Adjusted EBITDA margin declined to 19% in 1H 2019 (1H 2018: 23%) but we expect some improvement in the second half.

**Board**

After completing a period of handover, Kevin Sims, CFO, will retire from the Group later this year after a long career with Ibstock. On behalf of my Board colleagues and everyone at the Group I would like to thank him for the huge contribution he has made to the Business over this period and wish him well in his retirement. We look forward to welcoming Chris McLeish, our new CFO, to the Board on 1 August.

**Outlook**

Overall market fundamentals in the UK are stable, with low interest rates, high employment levels, good mortgage availability and the Government's Help to Buy scheme all remaining supportive. This should continue to underpin activity levels in the new build housing market over the medium term. In the short term, we are cognisant of the ongoing macroeconomic uncertainty in the UK, and note that there has been some slight softening in the merchant sector in recent weeks.

Nonetheless, the Board anticipates a further year of progress for the Group, and our full year expectations remain broadly unchanged. We have a clear strategic focus, leading market positions and a strong balance sheet which provide a solid platform to deliver growth and value creation over the medium term.

1 Alternative Performance Measures are described in Note 3 of the financial statements

**Chief Financial Officer's report**

## Group results

Group revenue in the six-month period ended 30 June 2019 increased by 6.1% to £203.3 million (1H 2018: £191.6 million). Growth was driven primarily by the performance of the UK Clay business, which continued to experience a supportive new housing market, in addition to price rises taken at the start of the year. Sales volumes benefitted from increased production from our new Eclipse soft mud brick factory in Leicestershire during 1H 2019 and the weaker weather-impacted comparative performance of Q1 2018. Comparative figures are adjusted throughout the Interim results statement to reflect the continuing operations following the disposal of the Glen-Gery business in November 2018.

Revenue performance within UK Concrete saw a strong performance in the Group's aesthetically pleasing and popular roof tile products. This was offset by the performance of other elements of our concrete product range, which reflected the softer RMI and infrastructure markets.

Group statutory profit before taxation was £41.0 million (1H 2018: £49.6 million) – a decrease of 17.3%. This reflects one-off credits in 1H 2018, which included the profit on disposal of our surplus property near to Bristol. Prior to exceptional items (see below), profit before taxation was £41.6 million, representing a slight decrease of 0.5% on the prior year.

The Group's enhanced maintenance programme has progressed well and helped identify a number of other enhancement projects, as announced in March 2019. These smaller projects are now also underway and are expected to increase the Group's production capacity in future, with the majority of benefit from 2021 onwards.

## Alternative performance measures

This interim results statement contains a number of alternative performance measures (APMs). A description of each APM is included in Note 3 to the interim condensed financial statements. The metrics are largely consistent with those presented in our 2018 Annual Report & Accounts. Changes to our net debt APM definition resulting from the implementation of the new lease accounting standard, and to our cash flow APMs following the completion of major capital projects are described further in Note 3.

## Adjusted EBITDA[1]

Management measures the Group's operating performance using Adjusted EBITDA[1], which increased by 7.5% to £59.0 million in the six-month period ended 30 June 2019 (1H 2018: £54.9 million). Adjusted EBITDA was positively impacted by the Group's transition to the new lease accounting standard (IFRS 16). The new standard, which results in the recognition of both right-of-use assets and lease liabilities on the balance sheet, has positively impacted Adjusted EBITDA by £3.1 million in the six-month period ended 30 June 2019.

The Group applied the modified retrospective method of transition to the new standard. This does not result in the restatement of prior period balances and has an insignificant impact on profit before taxation, with lease costs replaced by broadly equivalent depreciation and interest charges. Prior to reflecting the transition to IFRS 16, Group Adjusted EBITDA increased by 1.8%. Further details of the application of IFRS 16 are included in Note 15.

Inflationary cost pressures have been offset by the abovementioned price increase with the Group's Adjusted EBITDA increase masking higher energy and maintenance costs experienced in 1H 2019, which were flagged in our previous reporting. Management has mitigated increasing energy costs through the effective forward purchase of our energy requirements for 2019, securing the vast majority of our gas, electricity and carbon requirements, whilst ensuring cost increases are recovered within the negotiated customer price rises.

The growth in Adjusted EBITDA for Clay was offset somewhat by a constrained performance across the Group's Concrete businesses. The stronger revenue from roofing products did not fully translate into profitability growth due to our planned shutdown taking place in H1 2019, which was enabled by higher stock levels and impacted the phasing of production. The equivalent shutdown in 2018 took place during the summer. The segment also experienced some less favourable market conditions in some core concrete building products and lower demand within the higher margin rail industry products.

**Segmental reporting**

Following the disposal of the Glen-Gery operations in the United States in November 2018, management has reviewed the way in which it reports segmental performance to the Chief Operating Decision Maker. This review considered how to improve the transparency and understandability of the trading performance of its operations. As a result of this exercise, the Group has adopted a new segmental reporting structure in the current period to show the UK Clay and UK Concrete operations as its reportable segments. Prior year comparatives and the composition of the unallocated segment have been restated, accordingly. Details are contained within Note 4.

**Cash flow and Net Debt[1]**

Adjusted free cash flow[1] during 1H 2019, excluding the impact of exceptional operating items is shown in the below table:

| Table 1 | 1H 2019 (£m) | 1H 2018 (£m) | Change (£m) |
|---|---|---|---|
| Adjusted EBITDA [1] | 59.0 | 54.9 | +4.1 |
| Share-based payments | 0.4 | 0.8 | (0.4) |
| Total capex | (18.9) | (14.7) | (4.2) |
| Change in working capital | (19.6) | (21.4) | +1.8 |
| Adjusted EBITDA less share-based payments, capex and change in working capital | 20.9 | 19.6 | +1.3 |
| Net interest | (1.2) | (1.6) | +0.4 |
| Tax | (6.8) | (3.8) | (3.0) |
| Post-employment benefits | (0.8) | (3.8) | +3.0 |
| Surplus asset disposals | 1.1 | - | +1.1 |
| Lease rentals | (3.1) | - | (3.1) |
| Other | (1.1) | 0.6 | (1.7) |
| Adjusted free cash flow | 9.0 | 11.0 | (2.0) |

| | | | |
|---|---|---|---|
| *Cash conversion* [1] | *35%* | *36%* | *-1%pt* |

Our operations remain strongly cash generative with the Group's adjusted free cash flow showing a small deterioration over that reported at 1H 2018 and with cash conversion remaining broadly flat. As noted in previous statements, the Group's expenditure on routine maintenance and capital expenditure has increased year-on-year as a result of the enhanced maintenance programme designed to sustain the quality and range of our production capabilities. The Group has ceased to report major capital expenditure separately from 1H 2019 as projects have now reached a conclusion. Tax totalling £6.8 million was paid in the current period (1H 2018: £3.8 million). The reduced tax payments in the prior period is due to the receipt of tax refunds for overpayments relating to earlier years.

A net working capital balance at 30 June 2019 of £42.8 million, compared with £23.3 million at 31 December 2018 and £84.9 million at 30 June 2018, which is consistent with the Group's normal seasonal trading cycle and reflects the absence of Glen-Gery balances, following the subsidiary's disposal.

Net debt[1] (borrowings less cash) of £62.0 million at 30 June 2019, compares to £48.4 million at the prior year end and £135.9 million at the prior half year date, reflecting the cash generative nature of the business year-on-year and the disposal of the Group's US operations in November 2018. Movement in the six-month period ended 30 June 2019 reflects the Group's normal trading pattern. The Group has a £215 million revolving credit facility with a group of five major banks. The five-year facility was entered into in March 2017 and contains interest cover and leverage covenant limits of 4x and 3x, respectively. The Group remains comfortably within both covenant requirements.

**Exceptional items[1]**

In line with our accounting policy for exceptional items, we have excluded certain items from Adjusted EBITDA to aid shareholders' understanding of our financial performance.

Material items, such as the profit on disposal of surplus land in 1H 2018 and non-recurring or infrequent events, such as the restructuring costs associated with the establishment of the Concrete division, have been treated as exceptional. Further details of exceptional items are set out in Note 5 to the financial statements.

**Profit on disposal of surplus land**

During 1H 2018, the Group successfully completed the sale of a former quarry near Bristol, for a consideration of £9.3 million. This resulted in a pre-tax profit on disposal of £6.4 million, which was classified as exceptional in the prior period due to the significance of the profit achieved. Whilst there have been no equivalent disposals during the current period, our previously identified disposal programme continues to progress well.

**Corporate overheads**

Unallocated corporate overheads increased from £1.7 million to £2.7 million in the six-month period to 30 June 2019, excluding exceptional items. The growth in the period is primarily as a result of reduced R&D taxation credit income in the current period, as the comparative figure contained the Group's first such claim and captured two years' credit income.

### Finance costs

Net finance costs of £1.1 million were incurred in 1H 2019 (1H 2018: £1.6 million). The improvement in the current year resulted from both the lower interest rates achieved due to reduced debt levels year-on-year and interest income arising on the pension surplus.

### Taxation

The Group has recognised a tax charge of £8.0 million (1H 2018: £8.8 million) on pre-tax profits of £41.0 million (1H 2018: £49.6 million), resulting in an effective tax rate of 19.6% (1H 2018: 17.8%), compared to the standard rate of UK corporation tax of 19.0%. The effective tax rate for the prior period benefited from a deferred tax credit of 2% to reflect the revised expected timing for the unwinding of the pension scheme surplus.

### Earnings per share

Statutory basic EPS reduced by 19.0% to 8.1 pence in 1H 2019 (1H 2018: 10.0 pence) as a result of the Group's lower statutory profitability in the period, as discussed above.

Adjusted EPS[1] of 9.0 pence is a marginal reduction from 1H 2018 - this metric removes the impact of exceptional non-trading items. Additionally, the fair value uplifts resulting from acquisition accounting have been removed from the Adjusted EPS calculations, together with non-cash interest impacts (net of the related taxation charge/credit). Adjusted EPS is the Group's measure for calculating distributions to shareholders and has been included to provide a clearer guide as to the core earnings performance of the Group. A full reconciliation of our Adjusted EPS measure is included in Note 7.

| Table 2 | 1H 2019 | 1H 2018 |
|---|---|---|
| Statutory Basic EPS | 8.1p | 10.0p |
| Adjusted Basic EPS | 9.0p | 9.2p |

### Dividend

The Board has approved an interim dividend of 3.2 pence per ordinary share (2018: 3.0 pence) in line with the Board's policy of paying one-third of the prior full year dividend in order to provide greater certainty to shareholders.

Additionally, the Board approved a supplementary dividend of 5.0 pence per ordinary share (2018: 6.5 pence).

Both dividends will be due for payment on 20 September 2019 to shareholders on the register at the close of business on 16 August 2019.

### Pensions

At 30 June 2019, the defined benefit scheme was in an actuarial accounting surplus position of £90.6 million (31 December 2018: £80.7 million; 30 June 2018: £71.0 million). At the period end, the scheme had assets of £625.0 million (31 December 2018: £574.4 million; 30 June 2018: £607.4 million) against pension liabilities of £534.4 million (31 December 2018: £493.7 million; 30 June 2018:

£536.4 million). The improvement in the balance sheet position over the period is primarily due to higher than expected investment returns, although much of this was offset by actuarial losses from changes in market conditions underlying the financial assumptions.

**Related party transactions**

There were no related party transactions during the period ended 30 June 2019 nor any balances with related parties at 30 June 2019.

**Subsequent events**

In July 2019, the Company entered into a sale and purchase agreement for the entire share capital of Longley Concrete for consideration of £14 million. The acquired business, which specialises in precast concrete flooring products and operates from three sites within the UK, will form part of the Group's Concrete segment.

Interim and supplementary dividends of 3.2 pence and 5.0 pence per ordinary share, respectively, (2018: 3.0 pence plus supplementary dividend of 6.5 pence) amounting to a total of £33.5 million (2018: £38.6 million) were declared by the Board on 30 July 2019.

There have been no further events subsequent to 30 June 2019 which management believe require adjustment or disclosure.

**Going concern**

The Group continues to meet its day to day working capital and other funding requirements through a combination of strong operational cash flows generated by the business and the long-term funding in place. In order to ensure that the Group can maintain its strong liquidity, it has a £215 million committed revolving credit facility. The Group's forecasts and projections, which allow for reasonably possible variations, show that the Group will continue to maintain its strong liquidity position, and therefore supports the Directors' view that the Group has sufficient funds available to meet its foreseeable requirements. Additionally, the Group has significant headroom on each of its covenant requirements. The Directors have concluded therefore that the going concern basis remains appropriate for at least 12 months from approval of the interim financial statements. In considering the Group's going concern status, management has modelled the impact of a financial downturn (including as a possible result of Brexit) and has concluded that there will be no material impact on the Group's ability to continue as a going concern.

**Risks and Uncertainties**

The Group's activities expose it to a variety of risks; economic conditions, government action and policy, government regulation and standards relating to the manufacture and use of building products, customer relationships and reputation, operational disruption, recruitment and retention of key personnel, input prices, product quality, financial risk management, pension obligations and cyber security.

The Board continually assesses and monitors the key risks impacting the business. The outcome of the UK's exit from the European Union has been considered by the Directors along with the interaction of the departure implications with the Group's principal risks and uncertainties. Further details of the Group's risk management approach together with these principal risks and mitigating actions are unchanged from those set out on pages 42 to 47 of the 2018 Annual Report & Accounts.

1 Alternative Performance Measures are described in Note 3 of the financial statements

**Statement of directors' responsibilities in relation to the half-yearly financial report**

We confirm that to the best of our knowledge:

- The condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial reporting as adopted by the European Union;
- 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 a description of the principal risks and uncertainties for the remaining six months of the 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.

| | |
|---|---|
| Joe Hudson | Kevin Sims |
| Chief Executive Officer | Chief Financial Officer |
| 30 July 2019 | 30 July 2019 |

**Condensed consolidated income statement**
**for the six months ended 30 June 2019**

| | | Unaudited | Unaudited | Audited |
|---|---|---|---|---|
| | | Half year ended | Half year ended | Year ended |
| | | 30/06/2019 | 30/06/2018 | 31/12/2018 |
| **Continuing operations** | Notes | £000 | £000 | £000 |
| Revenue | 4 | 203,300 | 191,648 | 391,402 |
| Cost of sales | | (122,455) | (113,313) | (236,994) |
| **Gross profit** | | **80,845** | **78,335** | **154,408** |
| Distribution costs | | (20,348) | (18,694) | (39,749) |
| Administrative expenses before exceptional items | | (19,146) | (17,507) | (31,116) |
| Exceptional administrative items | 5 | (526) | 1,487 | (1,447) |
| **Administrative expenses** | | (19,672) | (16,020) | (32,563) |
| Exceptional (loss)/profit on disposal of property, plant and equipment | 5 | (56) | 6,366 | 9,472 |
| Profit on disposal of property, plant and equipment | | 4 | - | 1,735 |
| **Total (loss)/profit on disposal of property, plant and equipment** | | **(52)** | **6,366** | **11,207** |
| Other income | | 1,669 | 1,663 | 3,036 |
| Other expenses | | (366) | (416) | (348) |
| **Operating profit** | | **42,076** | **51,234** | **95,991** |
| Finance costs | | (1,362) | (2,274) | (4,737) |
| Finance income | | 267 | 657 | 1,262 |
| **Net finance cost** | | **(1,095)** | **(1,617)** | **(3,475)** |
| **Profit before taxation** | | **40,981** | **49,617** | **92,516** |
| Taxation | 6 | (8,017) | (8,823) | (16,102) |
| **Profit from continuing operations** | | **32,964** | **40,794** | **76,414** |
| **Discontinued operations** | | | | |
| **Profit from discontinued operations, net of tax** | | - | 1,245 | 652 |
| **Profit** | | **32,964** | **42,039** | **77,066** |
| **Profit attributable to:** | | | | |
| Owners of the parent | | 32,964 | 42,039 | 77,066 |
| **Profit attributable to:** | | | | |
| Continuing operations | | 32,964 | 40,794 | 76,414 |
| Discontinued operations | | - | 1,245 | 652 |
| | | 32,964 | 42,039 | 77,066 |

| | Notes | Pence per share | Pence per share | Pence per share |
|---|---|---|---|---|
| **Earnings per share** | | | | |

| | | | | |
|---|---|---|---|---|
| Basic - continuing operations | 7 | 8.1 | 10.0 | 18.8 |
| Basic - discontinued operations | 7 | - | 0.3 | 0.2 |
| | | 8.1 | 10.3 | 19.0 |
| Diluted - continuing operations | 7 | 8.0 | 10.0 | 18.6 |
| Diluted - discontinued operations | 7 | - | 0.3 | 0.2 |
| | | 8.0 | 10.3 | 18.8 |

Figures presented within the condensed consolidated income statement and condensed consolidated cash flow statement have been adjusted to reflect the disposal of the Group's US operations in November 2018.

## Condensed consolidated statement of comprehensive income

for the six months ended 30 June 2019

| | Notes | Unaudited Half year ended 30/06/2019 £000 | Unaudited Half year ended 30/06/2018 (restated) £000 | Audited Year ended 31/12/2018 £000 |
|---|---|---|---|---|
| **Profit for the financial period** | | 32,964 | 42,039 | 77,066 |
| **Other comprehensive income/(expense):** | | | | |
| **Items that will not be reclassified to profit or loss** | | | | |
| Re-measurement of post-employment benefit assets and obligations [1] | | 7,957 | 21,302 | 28,892 |
| Related tax movements [1] | | (1,352) | (3,029) | (5,357) |
| | | 6,605 | 18,273 | 23,535 |
| **Items that may be subsequently reclassified to profit or loss** | | | | |
| Currency translation differences - discontinued operations [2] | | - | 2,129 | 3,157 |
| Reclassification of accumulated translation differences on disposal of subsidiary undertaking [2] | | - | - | (11,347) |
| | | - | 2,129 | (8,190) |
| **Other comprehensive income for the period net of tax** | | **6,605** | **20,402** | **15,345** |
| **Total comprehensive income for the period, net of tax** | | **39,569** | **62,441** | **92,411** |
| **Total comprehensive income attributable to:** | | | | |
| Owners of the parent | | 39,569 | 62,441 | 92,411 |

[1] Impacting retained earnings

[2] Impacting the currency translation reserve

**Non-GAAP measure**

**Reconciliation of Adjusted EBITDA to Operating profit for the period**

| | Notes | Unaudited Half year ended 30/06/2019 £000 | Unaudited Half year ended 30/06/2018 (restated) £000 | Audited Year ended 31/12/2018 £000 |
|---|---|---|---|---|

| | | | | |
|---|---|---|---|---|
| **Adjusted EBITDA** | | **58,981** | **54,856** | **112,371** |
| Add back exceptional items | 5 | (582) | 7,853 | 8,025 |
| Less depreciation and amortisation | | (16,323) | (11,475) | (24,405) |
| **Operating profit** | | **42,076** | **51,234** | **95,991** |

## Condensed consolidated balance sheet

as at 30 June 2019

| | Notes | Unaudited 30/06/2019 £000 | Audited 30/06/2018 £000 | Audited 31/12/2018 £000 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Non-current assets** | | | | |
| Intangible assets | | 96,385 | 113,035 | 100,587 |
| Property, plant and equipment | | 377,994 | 406,567 | 365,478 |
| Right of use assets | 15 | 37,468 | - | - |
| Deferred tax assets | | - | 1,260 | - |
| Post-employment benefit asset | 11 | 90,596 | 70,970 | 80,705 |
| | | 602,443 | 591,832 | 546,770 |
| **Current assets** | | | | |
| Inventories | | 66,800 | 100,681 | 68,426 |
| Trade and other receivables | | 64,050 | 89,761 | 55,733 |
| Cash and cash equivalents | | 32,233 | 28,164 | 36,048 |
| | | 163,083 | 218,606 | 160,207 |
| Assets held for sale | | - | 2,003 | - |
| **Total assets** | | **765,526** | **812,441** | **706,977** |
| **Current liabilities** | | | | |
| Trade and other payables | | (83,870) | (95,008) | (92,447) |
| Borrowings | 9 | (505) | (796) | (548) |
| Lease liabilities | 15 | (5,646) | - | - |
| Current tax payable | | (7,319) | (6,411) | (6,357) |
| Provisions | | (46) | (367) | (783) |
| | | (97,386) | (102,582) | (100,135) |
| **Net current assets** | | **65,697** | **118,027** | **60,072** |
| **Total assets less current liabilities** | | **668,140** | **709,859** | **606,842** |
| **Non-current liabilities** | | | | |
| Borrowings | 9 | (93,708) | (163,223) | (83,882) |
| Lease liabilities | 15 | (31,626) | - | - |
| Post-employment benefit obligations | | - | (8,737) | - |
| Deferred tax liabilities | | (69,078) | (69,668) | (67,336) |
| Provisions | | (4,116) | (10,171) | (7,593) |
| | | **(198,528)** | **(251,799)** | **(158,811)** |

| | | | |
|---|---|---|---|
| **Total liabilities** | **(295,914)** | **(354,381)** | **(258,946)** |
| **Net assets** | **469,612** | **458,060** | **448,031** |
| | | | |
| **Equity** | | | |
| Share capital | 4,091 | 4,064 | 4,065 |
| Share premium | 6,888 | 824 | 917 |
| Retained earnings | 828,782 | 811,972 | 813,851 |
| Merger reserve | (369,119) | (369,119) | (369,119) |
| Own shares held | (1,030) | - | (1,683) |
| Currency translation reserve | - | 10,319 | - |
| **Total equity** | **469,612** | **458,060** | **448,031** |

## Condensed consolidated statement of changes in equity (unaudited) for six months ended 30 June 2019

| | Share capital | Share premium | Retained earnings | Merger reserve | Currency translation reserve | Own shares held | Total equity attributable to owners |
|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| **Balance at 1 January 2019, as previously stated** | **4,065** | **917** | **813,851** | **(369,119)** | **-** | **(1,683)** | **448,031** |
| IFRS 16 restatement (see Note 2) | - | - | 3,727 | - | - | - | **3,727** |
| Balance at 1 January 2019, as restated | 4,065 | 917 | 817,578 | (369,119) | - | (1,683) | **451,758** |
| Profit for the period | - | - | 32,964 | - | - | - | **32,964** |
| Other comprehensive income | - | - | 6,605 | - | - | - | **6,605** |
| **Total comprehensive income for the period** | **-** | **-** | **39,569** | **-** | **-** | **-** | **39,569** |
| **Transactions with owners:** | | | | | | | |
| Share based payments | - | - | 397 | - | - | - | **397** |
| Deferred tax on share based payment | - | - | 27 | - | - | - | **27** |
| Purchase of own shares | | | | - | - | (1,176) | **(1,176)** |
| Equity dividends paid | - | - | (26,540) | - | - | - | **(26,540)** |
| Issue of own shares held on exercise of share options | - | 381 | (679) | - | - | 1,829 | **1,531** |
| Issue of share capital on exercise of share options | 26 | 5,590 | (1,570) | - | - | - | **4,046** |
| **Balance at 30 June 2019** | **4,091** | **6,888** | **828,782** | **(369,119)** | **-** | **(1,030)** | **469,612** |

| | Share capital | Share premium | Retained earnings | Merger reserve | Currency translation reserve | Own shares held | Total equity attributable to owners |
|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2018** | **4,064** | **781** | **776,912** | **(369,119)** | **8,190** | **-** | **420,828** |
| Profit for the period: | | | | | | | |
| Continuing operations | - | - | 40,794 | - | - | - | **40,794** |
| Discontinued operations | - | - | 1,245 | - | - | - | **1,245** |
| Other comprehensive income/(expense): | | | | | | | |
| Remeasurement gain on defined benefit pension | - | - | 21,302 | - | - | - | **21,302** |
| Deferred tax on defined benefit pension | - | - | (3,029) | - | - | - | **(3,029)** |
| Currency translation differences: | | | | | | | |
| Discontinued operations | - | - | - | - | 2,129 | - | **2,129** |
| **Total comprehensive income for the period** | **-** | **-** | **60,312** | **-** | **2,129** | **-** | **62,441** |
| **Transactions with owners:** | | | | | | | |
| Share based payments | - | - | 842 | - | - | - | **842** |
| Deferred tax on share based payments | - | - | 339 | - | - | - | **339** |
| Equity dividends paid | - | - | (26,421) | - | - | - | **(26,421)** |
| Issue of share capital on exercise of share options | - | 43 | (12) | - | - | - | **31** |
| **Balance at 30 June 2018** | **4,064** | **824** | **811,972** | **(369,119)** | **10,319** | **-** | **458,060** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Balance at 1 July 2018** | **4,064** | **824** | **811,972** | **(369,119)** | **10,319** | **-** | **458,060** |
| Profit for the period : | | | | | | | |
| Continuing operations | - | - | 35,620 | - | - | - | **35,620** |
| Discontinued operations | - | - | (593) | - | - | - | **(593)** |
| Other comprehensive income/(expense): | | | | | | | |
| Remeasurement gain on defined benefit pension | - | - | 7,590 | - | - | - | **7,590** |
| Deferred tax on defined benefit pension | - | - | (2,328) | - | - | - | **(2,328)** |
| Currency translation differences: | | | | | | | |
| Discontinued operations | - | - | - | - | (10,319) | - | **(10,319)** |
| **Total comprehensive income for the period** | **-** | **-** | **40,289** | **-** | **(10,319)** | **-** | **29,970** |
| | | | | | | | |
| **Transactions with owners:** | | | | | | | |
| Share based payments | - | - | 931 | - | - | - | **931** |
| Deferred tax on share based payments | - | - | (523) | - | - | - | **(523)** |
| Purchase of own shares | - | - | - | - | - | (1,865) | **(1,865)** |
| Equity dividends paid | - | - | (38,610) | - | - | - | **(38,610)** |
| Issue of own shares held on exercise of share options | - | - | (182) | - | - | 182 | **-** |
| Issue of share capital on exercise of share options | 1 | 93 | (26) | - | - | - | **68** |
| **Balance at 31 December 2018** | **4,065** | **917** | **813,851** | **(369,119)** | **-** | **(1,683)** | **448,031** |

## Condensed consolidated cash flow statement

for the six months ended 30 June 2018

| | Note | Unaudited Half year ended 30/06/2019 Total | Unaudited Half year ended 30/06/2018 Continuing operations | Unaudited Half year ended 30/06/2018 Discontinued operations | Unaudited Half year ended 30/06/2018 Total |
|---|---|---|---|---|---|
| | | £000 | £000 | £000 | £000 |
| **Cash flow from operating activities** | | | | | |
| Cash generated from operations | 8 | 37,890 | 31,075 | (1,256) | 29,819 |
| Interest paid | | (1,259) | (1,640) | - | (1,640) |
| Tax paid | | (6,768) | (3,836) | (442) | (4,278) |
| **Net cash inflow/(outflow) from operating activities** | | 29,863 | 25,599 | (1,698) | 23,901 |
| **Cash flows from investing activities** | | | | | |
| Purchase of property, plant and equipment | | (18,856) | (14,678) | (1,160) | (15,838) |
| Purchase of intangible assets | | - | - | - | - |
| Proceeds from sale of property plant and equipment - exceptional | | 664 | - | - | - |
| Proceeds from sale of property plant and equipment | | 4 | 5 | 5 | 10 |
| Proceeds from sale of intangible assets | | 475 | - | - | - |
| Interest received | | 31 | 4 | - | 4 |
| **Net cash (outflow) from investing activities** | | (17,682) | (14,669) | (1,155) | (15,824) |
| **Cash flows from financing activities** | | | | | |
| Dividends paid | | (26,540) | (26,421) | - | (26,421) |
| Drawdown of borrowings | | 20,000 | 35,000 | - | 35,000 |
| Repayment of borrowings | | (10,417) | (20,000) | - | (20,000) |
| Lease payments | | (3,135) | - | - | - |
| Proceeds from issuance of equity shares | | 5,072 | - | - | - |
| Purchase of owns shares by Employee Benefit Trust | | (1,176) | - | - | - |
| Group transfers | | - | (4,166) | 4,166 | - |
| **Net cash (outflow)/inflow from financing activities** | | (16,196) | (15,587) | 4,166 | (11,421) |
| **Net (decrease)/increase in cash and cash equivalents** | | (4,015) | (4,657) | 1,313 | (3,344) |
| Cash and cash equivalents at beginning of the period | | 36,048 | 28,437 | 3,053 | 31,490 |
| Exchange gains on cash and cash equivalents | | 200 | - | 18 | 18 |
| **Cash and cash equivalents at end of period** | | 32,233 | 23,780 | 4,384 | 28,164 |

## 1. AUTHORISATION OF FINANCIAL STATEMENTS

Ibstock plc ("Ibstock" or the "Group") is a manufacturer of clay bricks and concrete products with operations in the United Kingdom. Ibstock plc is a public company limited by shares, which is incorporated and registered in England. The registered office is Leicester Road, Ibstock, Leicestershire, LE67 6HS and the company registration number is 09760850.

The interim condensed consolidated financial statements of Ibstock plc for the six months ended 30 June 2019 were authorised for issue in accordance with a resolution of the Directors on 30 July 2019.

**Publication of non-statutory accounts**

The financial information contained in the interim statement does not constitute the Group's statutory accounts as defined in section 434 of the Companies Act 2006. The comparative figures for the financial period ended 31 December 2018, which have been extracted from the statutory accounts for that period, are not the Company's statutory accounts for that financial period. Statutory accounts for the year ended 31 December 2018 were approved by the Board of Directors on 4 March 2019. Those accounts have been reported on by the Company's auditor and delivered to the Registrar of Companies. The report of the auditor was (i) not qualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis of matter without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

## 2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2019 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting, as adopted by the European Union ("EU").

They do not include all of the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's Annual Report and Accounts as at 31 December 2018 which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU.

The condensed consolidated financial statements are presented in Sterling and all values are rounded to the nearest thousand, except where otherwise indicated.

All accounting policies applied by the Group, and the critical accounting estimates and judgements within the interim condensed consolidated financial statements are consistent with those applied by the Group in its consolidated financial statements for the year ended 31 December 2018, except for the adoption of new standards and interpretations as of 1 January 2019. A number of new or amended standards became applicable for the current reporting period, and the Group had to change its accounting policies as a result of adopting IFRS 16 *Leases*. The impact of the adoption of the new leasing standard and the new accounting policies are disclosed in Note 15. The other standards did not have any impact on the accounting policies, financial position or performance of the Group.

**Restatement of comparative figures**

In November 2018, the Group disposed of its US operations, as disclosed in Note 11 of the 2018 Annual Report and Accounts. Comparative results for the six-month period ended 30 June 2018 have been adjusted to exclude the Group's discontinued operations within these interim condensed financial statements. Additionally, upon adoption of IFRS 16, the Group has recognised a credit of £4,490,000, net of taxation of £763,000, within retained earnings at 1 January 2019, which represents the difference between the right-of-use asset and lease liability at the date of transition.

**Going concern**

The Group continues to meet its day to day working capital and other funding requirements through a combination of strong operational cash flows generated by the business and the long-term funding in place. In order to ensure that the Group can maintain its strong liquidity, it has a £215 million committed revolving credit facility. The Group's forecasts and projections, which allow for reasonably possible variations show that the Group will continue to maintain its strong liquidity position, and therefore supports the Directors' view that the Group has sufficient funds available to meet its foreseeable requirements. Additionally, the Group has significant headroom on each of its covenant requirements. The Directors have concluded therefore that the going concern basis remains appropriate for a period of at least 12 months from approval of the interim financial statements. In considering the Group's going concern status, management has modelled the impact of a financial downturn (including as a possible result of Brexit) and has concluded that there will be no material impact of the Group's ability to continue as a going concern.

## 3. ALTERNATIVE PERFORMANCE MEASURES

Alternative Performance Measures (APMs) are disclosed within the interim management report where management believes it is necessary to do so to provide further understanding of the financial performance of the Group. APMs are reported for continuing operations. Management uses APMs in its own assessment of the Group's performance and in order to plan. Certain APMs are used in the remuneration of management and Executive Directors. It is not intended that APMs are a substitute for, or superior to, statutory measures. None of the APMs are outlined within IFRS and they may not be comparable with similarly titled APMs used by other companies. Changes to our net debt APM definition resulting from the implementation of the new lease accounting standard, and to our cash flow APMs following the completion of major capital projects are described below.

***Exceptional items***

The Group presents items as exceptional on the face of the income statement, those items of income and expense which, because of the materiality, nature and/or expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better elements of financial performance in the period, so as to facilitate comparison with future year and to assess trends in financial performance. Details of all exceptional items are disclosed in Note 5.

***Adjusted EBITDA***

Adjusted EBITDA is the earnings before interest, taxation, depreciation and amortisation adjusted for exceptional items. The Directors regularly use Adjusted EBITDA as a key performance measure in assessing the Group's profitability. A full reconciliation is included at the foot of the Group's condensed consolidated statement of comprehensive income within the interim condensed consolidated financial statements.

***Adjusted EPS***

Adjusted EPS is the basic earnings per share adjusted for exceptional items, amortisation and depreciation on fair value uplifted assets and non-cash interest net of taxation (at the Group's effective tax rate). The Directors have presented Adjusted EPS as they believe the APM represents useful information to the user of the financial accounts in assessing the performance of the Group and when comparing its performance across periods. A full reconciliation is provided in Note 7.

***Net debt***

Net debt is defined as the sum of cash and total borrowings at the balance sheet date. Net debt to adjusted EBITDA is the ratio of net debt to Adjusted EBITDA (as defined above). In the current period, the net debt definition has altered to remove the benefit of IFRS 16 within adjusted EBITDA to align the definition with the Group's banking facility covenant definition. The Directors disclosed the net debt APM to provide information as a useful measure for assessing the Group's borrowings' management. A full reconciliation is included in Note 9.

***Adjusted free cash flow***

Adjusted free cash flow represents Adjusted EBITDA plus share-based payment costs, less cash outflows on capital expenditure, movements in working capital and cash outflows for taxation, net interest costs and post-employment benefits and cash inflows for the sale of surplus assets. The Directors consider this APM as a useful reference to the Group's cash generation during the period. The calculation of adjusted free cash flow is set out within Table 1 of the Chief Financial Officer's report.

***Cash conversion***

Cash conversion is the ratio of Adjusted EBITDA after movements in working capital less capital expenditure and share based payments, to Adjusted EBITDA. The Directors believe this APM provides a useful measure of the Group's effectiveness of its cash resources during the period. The calculation of the cash conversion ratio is set out within Table 1 of the Chief Financial Officer's report. The definition has been amended in the current period to take account of the completion of the Group's major capital expenditure projects. As a result, total capital expenditure is included within the numerator of the cash conversion calculation, replacing the maintenance capital expenditure category previously used.

## 4. SEGMENT REPORTING

In prior periods, the Directors considered the UK and US operations of the Group to represent the reportable segments. Following the disposal of the Group's entire US operations on 23 November 2018, the Directors reassessed the Group's reportable segments as UK Clay and UK Concrete. Results for the six months ended 30 June 2018 have been restated to reflect the UK Clay and UK Concrete reportable segments accordingly.

The key Group performance measure is Adjusted EBITDA, as detailed below, which is earnings before interest, taxation, depreciation and amortisation adjusted for exceptional items. The below tables present revenue and Adjusted EBITDA for the Group's operating segments for the six months ended 30 June 2019 and 2018 and the year ended 31 December 2018, respectively.

Included within the unallocated and elimination columns in the tables below are the costs of running the public company, including share-based payments and Group employment costs. Unallocated assets and liabilities are pensions, taxation and certain centrally held provisions. Eliminations represent the removal of inter-company balances – primarily pushed down debt balances. At 30 June 2018, segmental assets and liabilities of £115.3 million and £27.0 million, respectively, which relate to discontinued US operations disposed in November 2018, are excluded from the analysis.

Transactions between segments are carried out at arm's length. There is no inter-segmental revenue and no aggregation of segments has been applied.

**Six months ended 30 June 2019 (unaudited)**

| | UK Clay | UK Concrete | Unallocated & elimination | Total |
|---|---|---|---|---|
| **Continuing operations** | £000 | £000 | £000 | **£000** |
| **Total revenue** | **150,929** | **52,371** | **-** | **203,300** |
| **Adjusted EBITDA** | **51,204** | **10,477** | **(2,700)** | **58,981** |
| Exceptional items | (68) | (317) | (197) | **(582)** |
| Depreciation and amortisation pre fair value uplift | (9,640) | (2,345) | (60) | **(12,045)** |
| Incremental depreciation and amortisation following fair value uplift | (2,576) | (1,702) | - | **(4,278)** |
| Net finance costs | (557) | (126) | (412) | **(1,095)** |
| **Profit/(loss) before taxation** | **38,363** | **5,987** | **(3,369)** | **40,981** |

**Six months ended 30 June 2018 as restated (unaudited)**

| | UK Clay | UK Concrete | Unallocated & elimination | Total |
|---|---|---|---|---|
| **Continuing operations** | £000 | £000 | £000 | **£000** |
| **Total revenue** | **141,941** | **49,707** | **-** | **191,648** |
| **Adjusted EBITDA** | **45,051** | **11,527** | **(1,722)** | **54,856** |
| Exceptional items | 6,366 | - | 1,487 | **7,853** |
| Depreciation and amortisation pre fair value uplift | (5,595) | (1,602) | - | **(7,197)** |
| Incremental depreciation and amortisation following fair value uplift | (2,576) | (1,702) | - | **(4,278)** |
| Net finance costs | (161) | 2 | (1,458) | **(1,617)** |
| **Profit/(loss) before taxation** | **43,085** | **8,225** | **(1,693)** | **49,617** |

**Year ended 31 December 2018 as restated (unaudited)**

| | UK Clay | UK Concrete | Unallocated & elimination | Total |
|---|---|---|---|---|
| **Continuing operations** | £000 | £000 | £000 | **£000** |
| **Total revenue** | **293,449** | **97,953** | **-** | **391,402** |
| **Adjusted EBITDA** | **96,748** | **20,612** | **(4,989)** | **112,371** |
| Exceptional items | 9,390 | (266) | (1,099) | **8,025** |
| Depreciation and amortisation pre fair value uplift | (12,652) | (3,197) | - | **(15,849)** |
| Incremental depreciation and amortisation following fair value uplift | (5,152) | (3,404) | - | **(8,556)** |
| Net finance costs | (155) | (46) | (3,274) | **(3,475)** |
| **Profit/(loss) before taxation** | **88,179** | **13,699** | **(9,362)** | **92,516** |

**Seasonality**

Historically, the Group's trading operations when assessed on a half yearly basis are largely unaffected by seasonal factors. In the year ended 2018, the period to 30 June accounted for 49.0% of the Group's annual revenue and 48.8% of the Group's annual adjusted EBITDA. The year ending 31 December 2019 will be influenced by the Group's ongoing maintenance activity and subsequent ramping-up of production of the affected factories. As a result, both revenue and adjusted EBITDA are expected to be weighted to the second half of 2019.

| | UK Clay | UK Concrete | Unallocated & elimination | Total |
|---|---|---|---|---|
| **Total segment assets** | £000 | £000 | £000 | **£000** |
| At 30 June 2019 | 544,882 | 131,198 | 89,446 | **765,526** |
| At 31 December 2018 | 508,076 | 126,607 | 72,294 | **706,977** |
| At 30 June 2018* | 513,304 | 129,341 | 54,515 | **697,160** |

| | | | | |
|---|---|---|---|---|
| **Total segment liabilities** | £000 | £000 | £000 | **£000** |
| At 30 June 2019 | (140,364) | (42,399) | (113,151) | **(295,914)** |
| At 31 December 2018 | (120,656) | (33,576) | (104,714) | **(258,946)** |
| At 30 June 2018* | (112,302) | (35,556) | (179,541) | **(327,399)** |

*- Figures stated for 30 June 2018 exclude assets of £115,281,000 and liabilities of £26,982,000 relating to discontinued operations.

## 5. EXCEPTIONAL ITEMS

| | Unaudited Half year ended 30/06/2019 | Unaudited Half year ended 30/06/2018 (restated) | Audited Year ended 31/12/2018 |
|---|---|---|---|
| **Continuing operations** | £000 | £000 | £000 |
| Exceptional administrative expenses: | | | |
| *Pension related expenses* | | | |
| Pension closure costs - legal and actuarial costs | (231) | (117) | (506) |
| Exceptional GMP equalisation costs | - | - | (1,500) |
| | (231) | (117) | (2,006) |
| Release of provision for contingent consideration | - | 1,892 | 1,892 |
| Exceptional restructuring costs | (295) | - | (348) |
| Exceptional corporate costs | - | (288) | (985) |
| **Total exceptional administrative (expenses)/income** | **(526)** | **1,487** | **(1,447)** |
| Exceptional (loss)/profit on disposal of property, plant and equipment | (56) | 6,366 | 9,472 |
| **Total exceptional (costs)/income relating to continuing operations** | **(582)** | **7,853** | **8,025** |
| Exceptional items relating to discontinued operations | - | 5 | (2,576) |
| **Total exceptional items** | **(582)** | **7,858** | **5,449** |

**Period ended 30 June 2019**

Included within the current period are the following exceptional items:

*Exceptional administration expenses*

Pension related costs which arose in the period ended 30 June 2019 include costs associated with the pension data cleansing exercise currently taking place as part of the Group's pension de-risking exercise.

Exceptional restructuring costs, which arose in the current period relate to redundancy costs following the establishment of a new Ibstock Concrete division form 1 January 2019. These costs have been treated as exceptional due to the unusual and non-recurring nature of the event giving rise to the costs.

*Exceptional profit on disposal of property, plant and equipment*

The exceptional loss on disposal relates to the closure and subsequent sale of the Group's concrete factory operations in Telford, following restructuring decisions made upon the creation of the new Ibstock Concrete segment from 1 January 2019. This loss has been treated as exceptional due to its inherent link to the restructuring activity undertaken.

**Tax on exceptional items**

In the current period, the pension closure costs and restructuring costs are tax deductible whilst the accounting loss on disposal of property, plant and equipment is non-tax deductible.

## 6. TAXATION

The taxation expense for the interim period is an estimate based on the expected full year effective tax rate on full year profits.

## 7. EARNINGS PER SHARE

The basic earnings per share ("EPS") figures are calculated by dividing profit for the period attributable to the parent shareholders by the weighted average number of ordinary shares in issue during the period.

The diluted earnings per share figures allow for the dilutive effect of the conversion into ordinary shares of the weighted average number of options outstanding during the period. Where the average share price for the period is lower than the option price the options become anti-dilutive and are excluded from the calculation.

The number of shares used for the earnings per share calculation are as follows:

| | Unaudited 30/06/2019 (000s) | Unaudited 30/06/2018 (000s) |
|---|---|---|
| Basic weighted average number of shares | 408,320 | 406,427 |
| Effect of share incentive awards and options | 2,558 | 3,233 |
| Diluted weighted average number of shares | 410,878 | 409,660 |

The calculation of adjusted earnings per share is a key measurement of management that is not defined by IFRS. The adjusted EPS measures should not be viewed in isolation, but rather treated as supplementary information.

Adjusted earnings per share figures are calculated as the basic earnings per share adjusted for exceptional items, amortisation and depreciation on fair value uplifted assets and non-cash interest expenses. All adjustments are made net of the associated taxation impact at the Group's Effective Tax Rate.

A reconciliation of the statutory profit to that used in the adjusted earnings per share calculations is as follows:

| | Unaudited Half year ended 30/06/2019 £000 | Unaudited Half year ended 30/06/2018 Continuing £000 | Unaudited Half year ended 30/06/2018 Discontinued £000 | Unaudited Half year ended 30/06/2018 Total £000 |
|---|---|---|---|---|
| **Profit for the period attributable to the parent shareholders** | 32,964 | 40,794 | 1,245 | 42,039 |
| Add back exceptional items | 582 | (7,853) | (5) | (7,858) |
| Add back tax (credit)/expense on exceptional items | (114) | 1,398 | (32) | 1,366 |
| Add fair value adjustments | 4,278 | 4,278 | 261 | 4,539 |
| Less tax credit on fair value adjustments | (837) | (762) | (46) | (808) |
| Add back non-cash interest | (133) | (531) | - | (531) |
| Less back tax expense on non-cash interest | 26 | 94 | - | 94 |

| | | | | |
|---|---|---|---|---|
| **Adjusted profit for the period attributable to the parent shareholders** | **36,766** | **37,418** | **1,423** | **38,841** |

| | Unaudited | Unaudited | Unaudited | Unaudited |
|---|---|---|---|---|
| | Half year ended | Half year ended | Half year ended | Half year ended |
| | 30/06/2019 | 30/06/2018 | 30/06/2018 | 30/06/2018 |
| | | Continuing | Discontinued | Total |
| | pence | pence | pence | pence |
| Basic EPS on profit for the period | 8.1 | 10.0 | 0.3 | 10.3 |
| Diluted EPS on profit for the period | 8.0 | 10.0 | 0.3 | 10.3 |
| Adjusted basic EPS on profit for the period | 9.0 | 9.2 | 0.4 | 9.6 |
| Adjusted diluted EPS on profit for the period | 8.9 | 9.1 | 0.3 | 9.5 |

## 8. NOTES TO THE GROUP CASH FLOW STATEMENT

| | Unaudited | Unaudited | Unaudited | Unaudited |
|---|---|---|---|---|
| | Half year ended | Half year ended | Half year ended | Half year ended |
| | 30/06/2019 | 30/06/2018 | 30/06/2018 | 30/06/2018 |
| | | Continuing | Discontinued | Total |
| **Cash flows from operating activities** | £000 | £000 | £000 | £000 |
| Profit before taxation | 40,981 | 49,617 | 1,268 | 50,885 |
| Adjustments for: | | | | |
| Depreciation of property, plant and equipment | 13,245 | 8,397 | 2,219 | 10,616 |
| Amortisation of intangible assets | 3,078 | 3,078 | 133 | 3,211 |
| Finance costs/(income) | 1,095 | 1,617 | (64) | 1,553 |
| Loss/(gain) on disposal of property, plant and equipment | 52 | (6,366) | (5) | (6,371) |
| Research and Development taxation credit | (600) | (1,500) | - | (1,500) |
| Share based payment expense | 397 | 842 | - | 842 |
| Post-employment benefits | (806) | (3,829) | (197) | (4,026) |
| Other non-cash items | - | 617 | 32 | 649 |
| | **57,442** | **52,473** | **3,386** | **55,859** |
| (Increase)/decrease in inventory | (5,519) | (4,435) | (4,033) | (8,468) |
| (Increase)/decrease in debtors | (8,409) | (23,913) | (2,850) | (26,763) |
| (Decrease)/increase in creditors | (5,519) | 7,548 | 2,175 | 9,723 |
| Increase/(decrease) in provisions | (105) | (598) | 66 | (532) |
| **Cash generated from operations** | **37,890** | **31,075** | **(1,256)** | **29,819** |

During the six months ended 30 June 2019, the Group acquired assets with a cost of £18.9 million (period ended 30 June 2018: £14.7 million; year ended 31 December 2018: £31.0 million). Assets with a cost of £0.7 million (period ended 30 June 2018: £2.9 million; year ended 31 December 2018: £4.7 million) were disposed of for proceeds of £0.6 million (period ended 30 June 2018: £9.3 million; year ended 31 December 2018: £15.9 million). Capital expenditure commitments for which no provision has been made were £24.9 million at 30 June 2019 (31 December 2018: £6.3 million; 30 June 2018: £9.2 million).

## 9. MOVEMENTS IN CASH AND NET DEBT

At 30 June 2019, the Group held a Revolving Credit Facility ("RCF") for £215 million, which reduced from an initial £250 million facility entered into in March 2017. The reduction followed the withdrawal of US Fifth Third Bank following the Group's disposal of its US operations on 23 November 2018.

The RCF, which is due to expire in March 2022, attracts interest at LIBOR plus a margin ranging from 100-225bps depending upon the ratio of net debt to Adjusted EBITDA (see Note 3 for definitions) and was initially set at 125bps.

The facility contains debt covenant requirements of leverage (net debt to Adjusted EBITDA) and interest cover (adjusted EBITDA to net finance charge) of 3x and 4x, respectively, to be tested semi-annually on 30 June and 31 December.

| | Unaudited | Unaudited | Audited |
|---|---|---|---|
| | Half year ended | Half year ended | Year ended |
| | 30/06/2019 | 30/06/2018 | 31/12/2018 |
| | £000 | £000 | £000 |
| **Cash and cash equivalents** | **32,233** | **28,164** | **36,048** |
| | | | |
| **Current** | | | |
| Revolving credit facility | (505) | (796) | (548) |
| **Non-current** | | | |
| Revolving credit facility | (93,708) | (163,223) | (83,882) |
| **Total borrowings** | **(94,213)** | **(164,019)** | **(84,430)** |
| | | | |
| **Net debt** | **(61,980)** | **(135,855)** | **(48,382)** |

## 10. FINANCIAL INSTRUMENTS

IFRS 13 "Financial Instruments: Disclosure" requires that the classification of financial instruments measured at fair value be determined by references to the source of inputs used to derive the fair value. The classification uses the following three-level hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets and 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.

Level 3 – Techniques which use inputs, which have a significant effect on the recorded fair value, that are not based on observable market data.

At 30 June 2019 and 31 December 2018, the Group had no financial instruments measured at using Level 1, Level 2 or Level 3 methods. At 30 June 2018, a provision for contingent consideration associated with the business combination which took place in February 2015 was the only instrument valued using Level 3 inputs.

There were no transfers between levels during any period disclosed.

At 30 June 2019, 31 December 2018 and 30 June 2018, the Group held no significant derivative financial instruments.

The carrying value of the Group's short-term receivables and payables is a reasonable approximation of their fair values. The fair value of all other financial instruments carried within the Group's financial statements is not materially different from their carrying amount.

## 11. POST EMPLOYMENT BENEFITS

The Group participates in the Ibstock Pension Scheme (the 'Scheme'), a defined benefit pension scheme in the UK. During the six-month period to 30 June 2019, the Scheme surplus of £80.7 million has increased to a surplus of £90.6 million. Analysis of movements during the six-month period ended 30 June 2019:

| | |
|---|---|
| | £000 |
| **Scheme surplus at 31 December 2018** | **80,705** |

| | |
|---|---|
| Charge within labour costs and operating profit | (507) |
| Interest income | 1,128 |
| Remeasurement due to: change in financial assumptions | (60,046) |
| Remeasurement due to: change in demographic assumptions | 12,238 |
| Remeasurement due to: return on plan assets | 55,765 |
| Contributions | 1,313 |
| **Scheme surplus at 30 June 2019** | **90,596** |

The improvement in the underlying balance sheet position over the period is primarily due to combination of higher than expected investment returns, partially offset by actuarial losses from a change in market conditions underlying the financial assumptions.

The financial assumptions used by the actuary have been derived using a methodology consistent with the approach used to prepare the accounting disclosures at 31 December 2018. The assumptions have been updated based on market conditions at 30 June 2019:

| Assumptions: | 30/06/2019 | 30/06/2018 | 31/12/2018 |
|---|---|---|---|
| Discount rate | 2.20% | 2.65% | 2.80% |
| RPI inflation | 3.20% | 2.95% | 3.10% |
| CPI inflation | 2.20% | 1.95% | 2.10% |

## 12. RELATED PARTY TRANSACTIONS

**In the six-month period ended 30 June 2019**

There were no related party transactions during the six-month period ended 30 June 2019 nor any balances with related parties at 30 June 2019.

**In the six-month period ended 30 June 2018**

There were no related party transactions during the six-month period ended 30 June 2018 nor any balances with related parties at 30 June 2018.

## 13. DIVIDENDS PAID AND PROPOSED

A final dividend for 2018 of 6.5 pence per ordinary share (2017: 6.5 pence) was paid on 7 June 2019. The Directors have declared an interim dividend of 3.2 pence per ordinary share in respect of 2019 (2018: 3.0 pence), amounting to a dividend of £13.1 million (2018: £12.2 million). The interim dividend will be paid on 20 September 2019 to all shareholders on the register at close of business on 16 August 2019.

In addition, the directors declared a supplementary dividend of 5.0 pence per ordinary share (2018: 6.5 pence) to be paid alongside the interim dividend amounting to a dividend of £20.5 million (2018: £26.4 million). The supplementary dividend will be paid on 20 September 2019 to all shareholders on the register at close of business on 16 August 2019.

These condensed consolidated financial statements do not reflect the 2019 interim or supplementary dividends payable.

## 14. POST BALANCE SHEET EVENTS

In July 2019, the Company entered into a sale and purchase agreement for the entire share capital of Longley Concrete for consideration of c.£14 million. This acquisition will form part of the Group's Concrete segment.

Other than the acquisition, noted above, interim and supplementary dividends of 3.2 and 5.0 pence per ordinary share, respectively, declared by the Directors (see Note 13), since the balance sheet date no further subsequent events requiring further disclosure or adjustments to these financial statements have been identified.

## 15 NEW LEASE ACCOUNTING STANDARD

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 *Leases*. These leases were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rates as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to lease liabilities on 1 January 2019 was 3.7%.

**Adjustments recognised on adoption of IFRS 16**

| | £000 |
|---|---|
| Operating lease commitments disclosed as at 31 December 2018 | 41,583 |
| Discounted using the lessee's incremental borrowing rate as at the date of transition | 33,773 |
| Add dilapidation provision included within lease liability as at 31 December 2018 | 4,420 |
| Add finance lease liabilities recognised at 31 December 2018 | 1,793 |
| Lease liability recognised at 1 January 2019 | 39,986 |
| Of which are: | |
| Current lease liabilities | 6,057 |
| Non-current lease liabilities | 33,929 |

Right-of-use assets were measured at the amount equal to the lease liability. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The right-of-use assets relate to the following types of assets:

| | **30/06/2019** | **01/01/2019** |
|---|---|---|
| | £000 | £000 |
| Properties | 30,500 | 31,678 |
| Equipment | 5,283 | 6,720 |
| Motor vehicles | 1,685 | 2,081 |
| Total right-of-use assets | 37,468 | 40,479 |

The change in accounting policy affected the following items in the balance sheet at 1 January 2019:

- Property, plant and equipment – decrease by £1.8 million
- Right-of-use assets – increase by £40.5 million
- Prepayments – decrease by £0.5 million
- Creditors – decrease by £1.8 million
- Lease liabilities – increase by £40.0 million

**(i) Impact on segment disclosures and earnings per share**

Adjusted EBITDA, segment assets and segment liabilities for June 2019 all increased as a result of the changes in accounting policy. The following segments were affected by the changes in policy:

| | Adjusted EBITDA | Segment assets | Segment liabilities |
|---|---|---|---|
| | £000 | £000 | £000 |
| UK Clay | 2,455 | 27,299 | 27,054 |
| UK Concrete | 643 | 8,106 | 8,092 |
| Unallocated | 37 | 2,063 | 2,126 |
| TOTAL | 3,135 | 37,468 | 37,272 |

For the six-month period ended 30 June 2019, finance expenses increased by £0.6 million as a result of the implementation of IFRS 16 and the Group's earnings per share decreased by less than 0.1 pence per share.

Right-of-use asset depreciation (£2.9 million) is included within cash flows from operating activities and the repayment of lease liabilities (£2.6 million) is included within cash flows from financing activities. Under IAS 17, in the six-month period ended 30 June 2018, operating lease rentals of £3.1 million were included within cash flows from operating activities.

**(ii) Practical expedients applied**

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- The accounting for operating leases with a remaining lease term of less than 12-months as at 1 January 2019 as short-term leases
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead for contracts entered into before the transition date, the Group has relied on its assessment made in applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease*.

**(a) The Group's leasing activities and how these are accounted for**

The Group leases various offices, warehouses, factories, mobile plant and cars. Rental contracts are typically made for fixed periods of 3 to 20 years, but may have the extension options, as described below and contain a range of terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to profit or loss over the lease period, so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (included in-substance fixed payments), less any incentives receivable;
- Variable lease payments that are based on an index or rate;
- The exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

An impairment assessment of the right-of-use assets was performed upon transition to IFRS 16 as at 1 January 2019, with no indicators identified.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense to profit or loss. Short-term leases are leases with a term of 12-months or less. Low-value assets generally comprise IT-equipment.

(i) Variable lease payments

Some property leases contain variable lease payment terms that are linked to the extraction of raw materials. For individual properties, a percentage of the lease payments are on the basis of the variable payment terms. Variable lease payments that are dependent upon the level of extraction are recognised in profit or loss in the period in which the extraction which triggers that payment occurs.

At 31 December 2018 and 30 June 2019, the value of variable lease payments and the impact of movements in the Group's levels of extraction are insignificant.

(ii) Extension and termination options

Extension and termination options are included in a small number of property leases across the Group. The majority of such options are exercisable only by the Group and not by the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the future cash outflows if the lease is reasonably certain to be extended (or not terminated).

This assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. During the current financial period, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was insignificant.

## INDEPENDENT REVIEW REPORT TO IBSTOCK PLC

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 2019 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated statement of changes in equity, the condensed consolidated cash flow statement and the related notes 1 to 15. 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 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 Financial Reporting Council. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review 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 Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, 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 International Accounting Standard 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 Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, 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 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 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

**Deloitte LLP**

Statutory Auditor

Birmingham, United Kingdom

30 July 2019