

# 2023 HALF YEAR RESULTS

2 AUGUST 2023

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Due to rounding, numbers presented may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

# AGENDA

**OVERVIEW**

Joe Hudson

**FINANCIAL REVIEW**

Chris McLeish

**MARKET UPDATE**

Joe Hudson

**STRATEGIC PROGRESS**

Joe Hudson

**SUMMARY & OUTLOOK**

Joe Hudson

**Q&A**





# OVERVIEW

- › Resilient trading performance with H1 performance marginally ahead of Board's expectations
- › Disciplined approach to pricing; intense focus on cost and capacity with benefit from fixed cost absorption
- › Interim dividend increased by 3% to 3.4p (2022:3.3p) reflecting confidence in the Group's prospects
- › Balance sheet remains strong with leverage at 0.7x, providing resilience and strategic optionality
- › Looking forward, the Group is committed to the actions necessary to balance capacity and fixed cost to market demand
- › Investment in major growth projects remains on track with the majority of capital now invested across our core organic investment programme
- › The Board's expectations for the year are unchanged; continued conviction in the medium term

# FINANCIAL REVIEW

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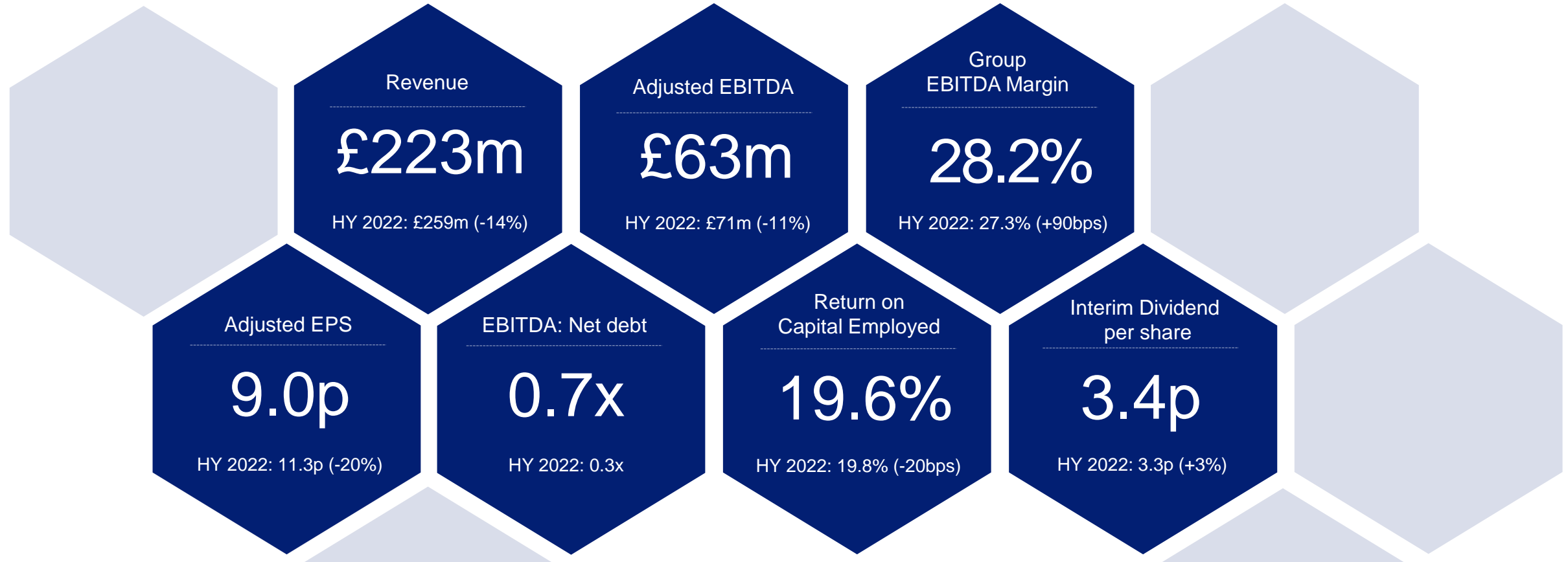


# FINANCIAL SUMMARY



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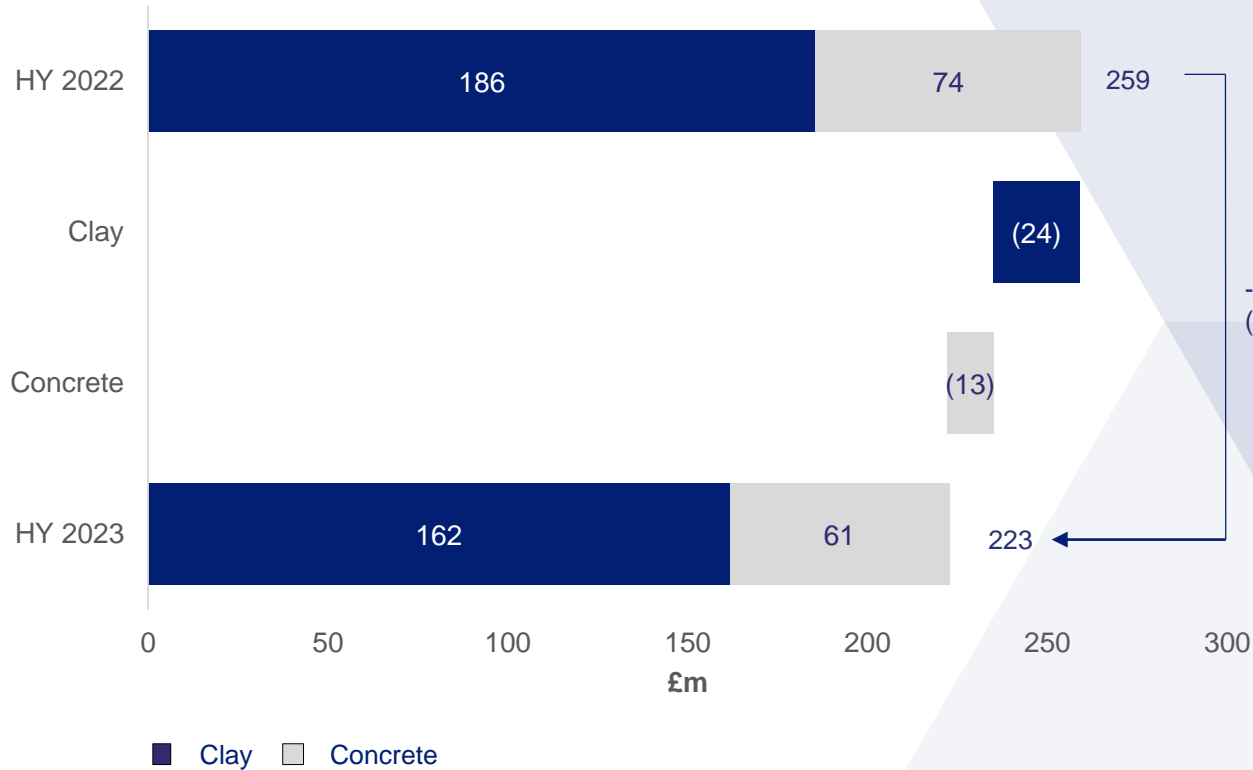
Resilient first half performance





# REVENUE BRIDGE

Revenues reduced by 14% vs HY 2022



- › Group revenues reduced by 14% vs HY 2022
- › Clay revenues 13% lower with sales volumes in line with domestic market; includes £6m from Futures
- › Concrete revenues down 17% reflecting a material reduction in residential volumes; infrastructure volumes broadly in line



**Robust performance underpinned by network reliability and cost management**

| 6 months ended 30 June 2023 (£m) | 2023  | 2022  |
|----------------------------------|-------|-------|
| Total Revenue                    | 162   | 186   |
| Adjusted EBITDA                  | 57    | 64    |
| Margin                           | 35.5% | 34.7% |

**Revenue decreased by 13% year-on-year**

- › Volumes materially below prior year in line with broader domestic market

**Adjusted EBITDA of £57m, 11% down on HY 2022**

- › Inventory build above typical seasonal pattern, delivering benefit through fixed cost absorption
- › Cost inflation continued, albeit at lower levels than 2022; selling prices remained firm
- › EBITDA margin moved forward to 35.5% (HY 2022: 34.7%)

Exceptional costs\* of £10.7m (£1.5m cash restructuring, £9.2m asset impairment) recognised in the period relating to the proposed closure of Ravenhead brick factory

\*Exceptional costs are reported outside of Adjusted EBITDA





# CONCRETE

Good performance reflecting broad end-market exposure

| 6 months ended 30th June 2023 (£m) | 2023  | 2022  |
|------------------------------------|-------|-------|
| Total Revenue                      | 61    | 74    |
| Adjusted EBITDA                    | 11    | 11    |
| Margin                             | 17.9% | 15.3% |

## Revenue decreased by £13m, down 17% on HY 2022

- › Volumes significantly lower in residential product categories; infrastructure volumes were broadly flat
- › YoY benefit as prices remained firm

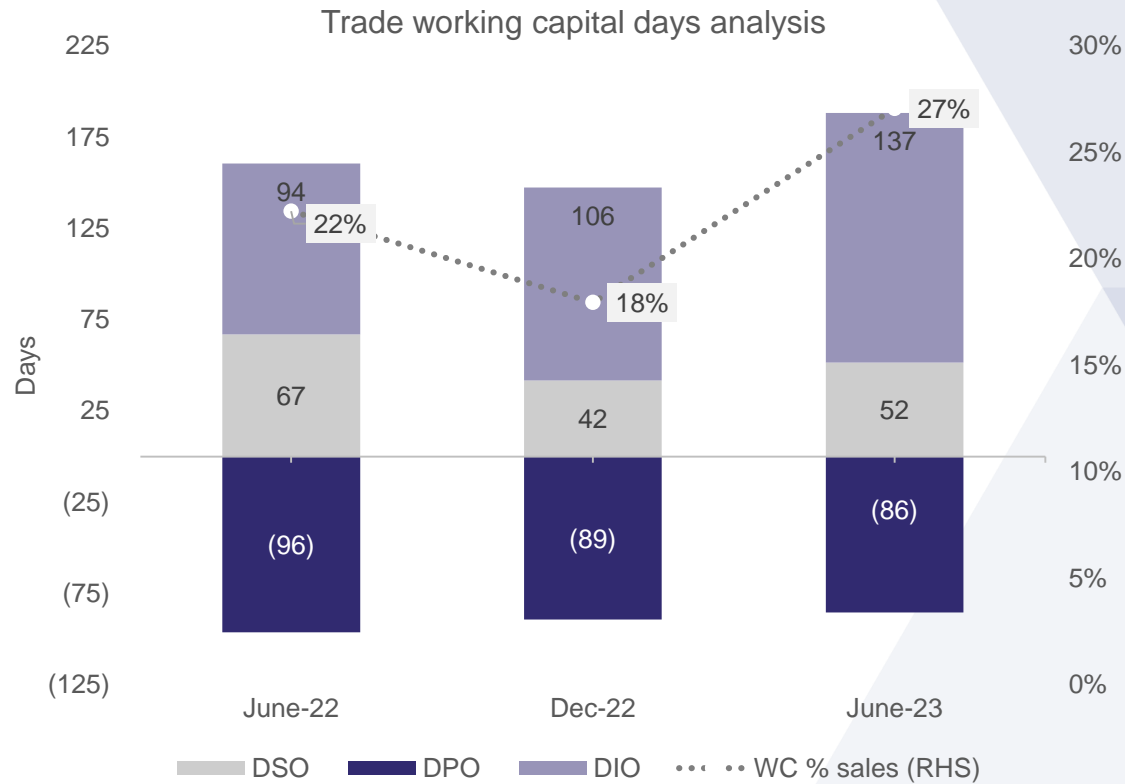
## Adjusted EBITDA broadly in line with HY 2022

- › Inventory build delivered fixed cost absorption benefit
- › Good operational performance across the divisional factory network
- › Mix benefit from increased proportion of infrastructure activity



# DISCIPLINED WORKING CAPITAL MANAGEMENT

Strengthened inventory position; continued improvement in receivables management



- **Working capital as percentage of sales increased to 27% driven by inventory levels**
- Days sales outstanding (DSO) 52 days versus 67 days in the prior year
- Days payable outstanding (DPO) reduced to 86 days in H1 2023
- Inventory value increased by £20m in H1 vs Dec-22 as inventory levels built back
- **We anticipate stabilisation of inventory in H2**



# CASH FLOW PERFORMANCE



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Investment in fixed assets and working capital to support long-term growth

| 6 months ended 30th June 2023       | 2023        | 2022       |
|-------------------------------------|-------------|------------|
| <b>Adjusted EBITDA</b>              | <b>63</b>   | <b>71</b>  |
| Δ in net working capital            | (40)        | (10)       |
| Net interest                        | (3)         | (2)        |
| Tax                                 | (3)         | (1)        |
| Payments to pension schemes         | (0)         | (1)        |
| Other <sup>1</sup>                  | (6)         | (8)        |
| <b>Adjusted operating cash flow</b> | <b>11</b>   | <b>49</b>  |
| <i>Cash conversion %</i>            | <i>18%</i>  | <i>69%</i> |
| Capex                               | (33)        | (19)       |
| <b>Adjusted free cash flow</b>      | <b>(22)</b> | <b>30</b>  |

› Cash conversion reflects rebuild of inventory to long-term averages

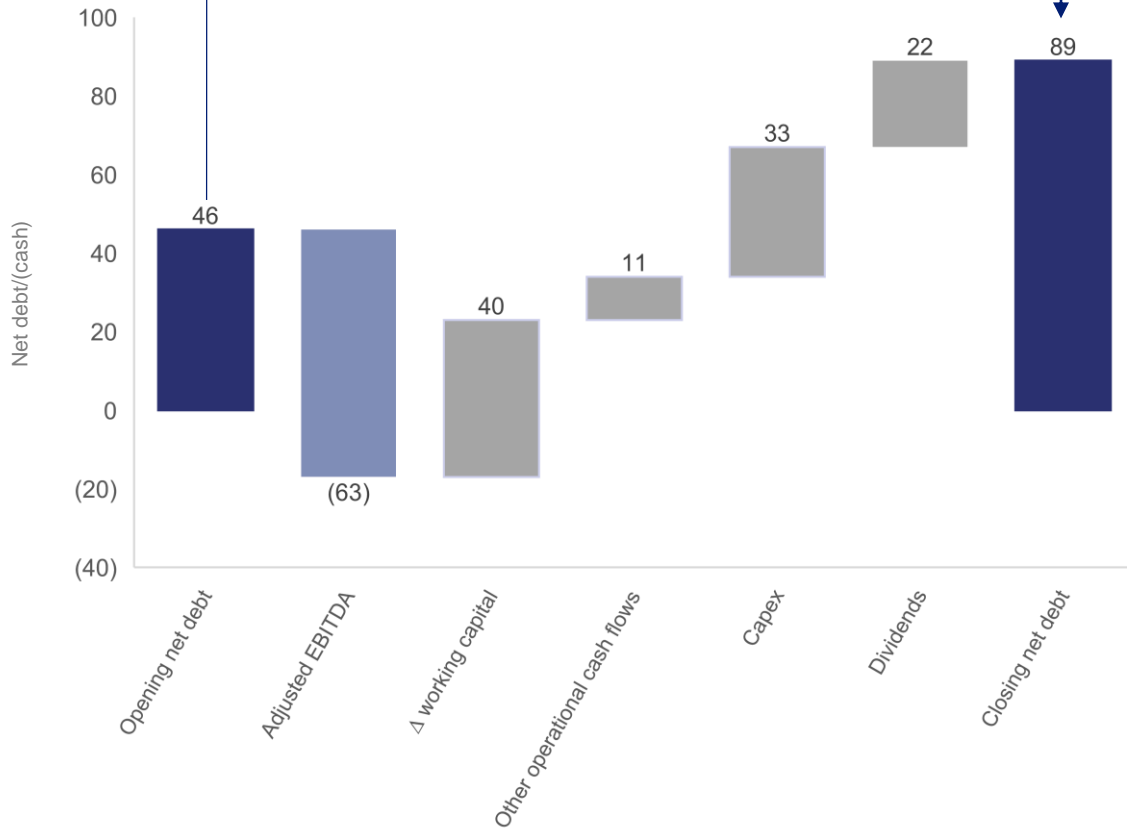
- › Capex of £33m:
- › £24m on organic growth projects
    - £17m spend on Atlas/Aldridge
    - £7m other growth projects; principally Slips
  - › £9m of sustaining capex



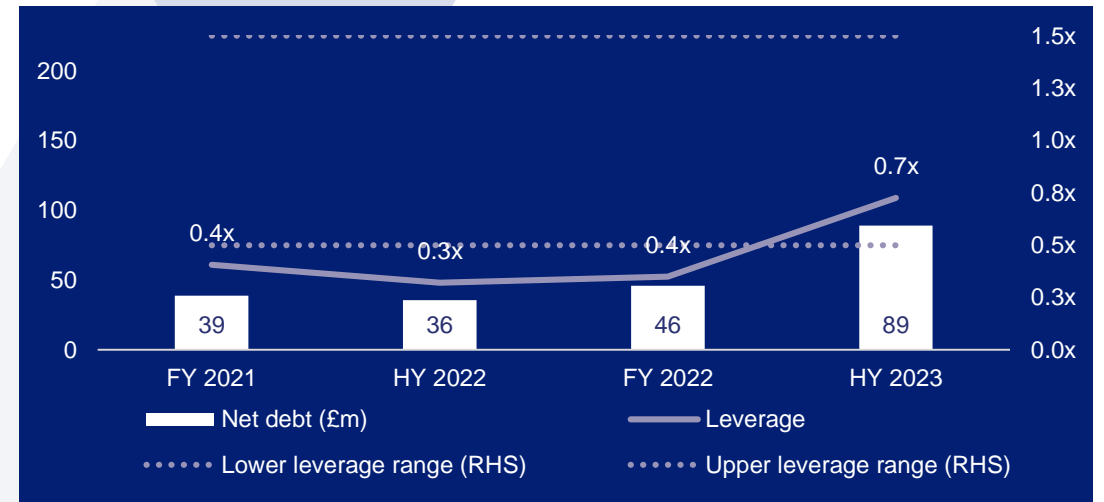
# CONTINUED BALANCE SHEET STRENGTH

Net debt increased in the period after significant growth investments and inventory build

Closing net debt increased to £89m at 30 June 2023



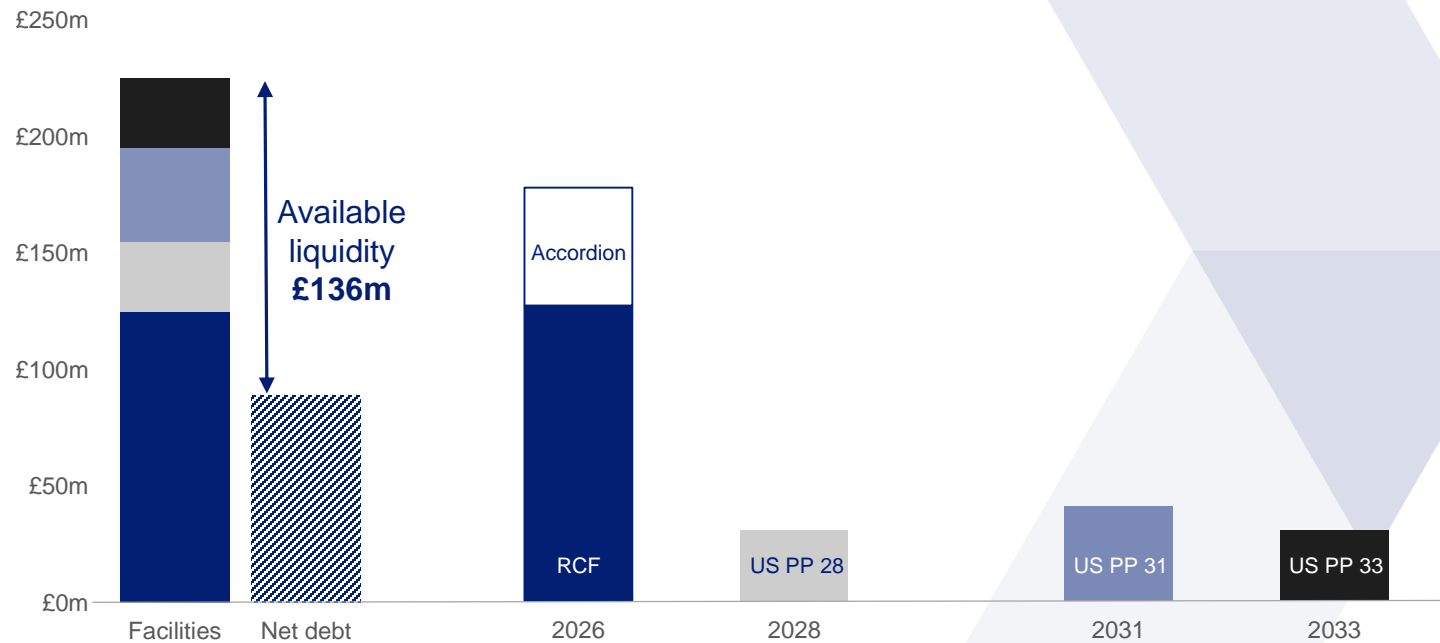
- Strong leverage position at 0.7x, remaining at the lower end of our target range
- Closing net debt was slightly better than our expectations
- Diversified debt structure continues to provide efficient financing





# DEBT FINANCING LOCKED IN AT ATTRACTIVE LONG-TERM RATES

£100m core debt provides insulation against increased interest rates



The Group benefits from diversified credit sources at attractive rates, with a long-term debt maturity profile

- › **£100m** US Private Placement – **2.19%** average coupon
- › **£125m** unsecured RCF - **1.6%** initial margin over SONIA

An efficient, long-term funding platform to support the Group's investment for growth, whilst providing:

- › Locked-in coupon on £100m PP
- › Diversified sources of financing
- › Long tenor



# TECHNICAL GUIDANCE FY23

## Adjusted income statement

- › Inventories expected to stabilise in H2; EBITDA margin % to moderate in both clay and concrete as cost absorption benefit not expected to recur
- › Energy cover for H2 2023 at around 85%; around one third covered for 2024
- › Futures and research operating investment of around £5m for full year (in line with 2022)
- › Underlying depreciation of around £30 million for FY23, reflecting Atlas depreciation and haulage leased assets
- › Interest expense for full year to remain broadly in line with 2022 levels
- › Effective FY tax rate around 24%, reflecting reduced P&L benefit from UK tax super deduction

## Cash

- › Sustaining capital expenditure expected to remain at around £20 million for 2023
- › Growth capital in 2023 on Atlas/Aldridge (£30m) and other, principally slips (£25m)
- › Cash tax for the 23 year now expected to be around £5m, below previous guidance due to benefit from continued accelerated tax write-downs

**Board's expectations for the full year remain unchanged**

# MARKET UPDATE

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# NAVIGATING THE NEAR TERM BACKDROP

## Macroeconomic backdrop expected to weigh on near-term activity levels

### More cautious macroeconomic backdrop

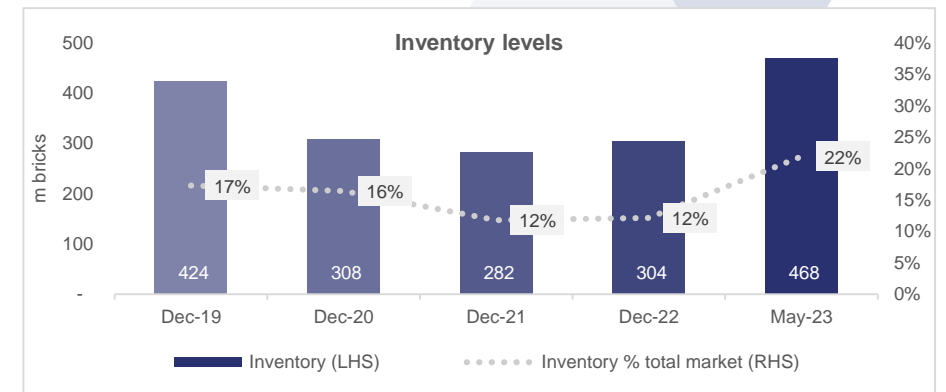
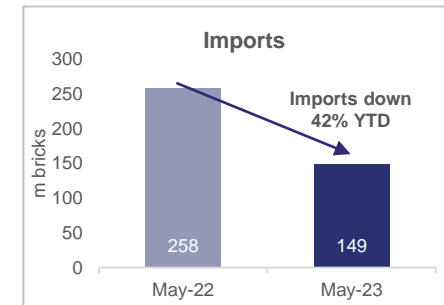
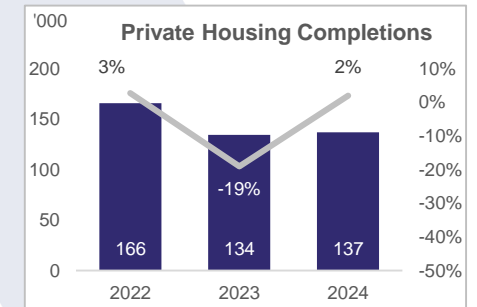
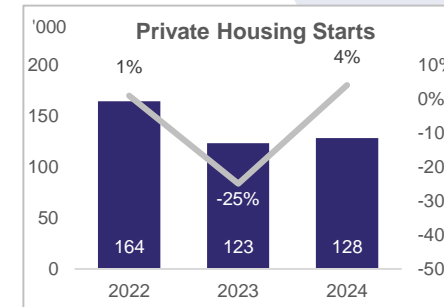
- › Higher inflation and interest rates have created a tougher trading environment
- › Mortgage rates remain elevated
- › Increased uncertainty in the near-term outlook

### New build demand subdued, but fundamentals remain positive

- › First Time Buyers (FTB) activity levels materially lower; existing homeowners more resilient
- › Plots in the ground increased in Q2
- › Larger housebuilders have well capitalised balance sheets and continue to work through forward order books

### Our business is well positioned and primed for market recovery

- › Brick imports displaced YTD, supported by available domestic capacity and strengthened inventory position
- › Inventory levels now in place to support customer growth and displace further imports
- › Low-cost, efficient network of assets
- › Increasing diversified markets exposure provides countercyclical protection







# CAPACITY AND COST MANAGEMENT



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## **Robust range of cost and capacity measures underpinned solid H1 performance**

- › Rebuild of inventories
- › Redeployment of employees towards sustaining and maintenance activities
- › Discretionary cost freezes
- › Extended factory shutdowns with mandatory holiday periods
- › Headcount reductions across direct and indirect cost areas

**Demand backdrop also led to proposal to close our higher-cost Ravenhead wire cut brick factory, equivalent to around 40 million of network capacity**

**Committed to further actions necessary to ensure capacity is aligned to market demand**

# MEDIUM TERM FUNDAMENTALS REMAIN POSITIVE

Market recovery and structural growth opportunities underpin our confidence as we increase capacity from early 2024

- › **Undersupply of housing in the UK** – cross-party political support to build more homes
- › **Low unemployment** – labour shortages contrast with previous downturns
- › **Interest and mortgage** rate trends expected to start to reverse on 12 month view
- › **Regulatory change** driving customers to look for sustainable products
- › **Diversified markets** present significant new addressable opportunities, in particular mid-to-high rise and retrofit



# A STRONG PLATFORM FOR GROWTH



## MARKET LEADERSHIP

- › Brand, market leadership & customer relationships
- › Diversified product range and market exposure
- › Operational footprint and unrivalled clay reserves



## ESG AT HEART OF THE BUSINESS

- › Sustainability integrated into our strategy, products and processes



## CASH GENERATION & GROWTH

- › Cash generative nature of business drives investment optionality and shareholder value
- › Growth in core and diversified markets



## OPERATIONAL STRATEGY

- › Asset enhancement and operational efficiencies provide more resilience



**STRATEGIC  
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# SUSTAIN, INNOVATE AND GROW



## ADDRESSING CLIMATE CHANGE

## MANUFACTURING MATERIALS FOR LIFE

## IMPROVING LIVES



- › Significant progress on **health, safety and wellbeing**
- › **Good operational efficiency** underpinning performance
- › Continued progress on **asset enhancement programme**

- › **New unified 'One Ibstock' brand and digital tools**
  - › Easier than ever for customers to see full offering
  - › Commercial alignment and cross selling opportunities

- › **Targeted M&A to support organic growth**
  - › Small, high quality bolt-on in rail business in H1
  - › Growing pipeline of opportunities

# SUSTAIN, INNOVATE AND GROW

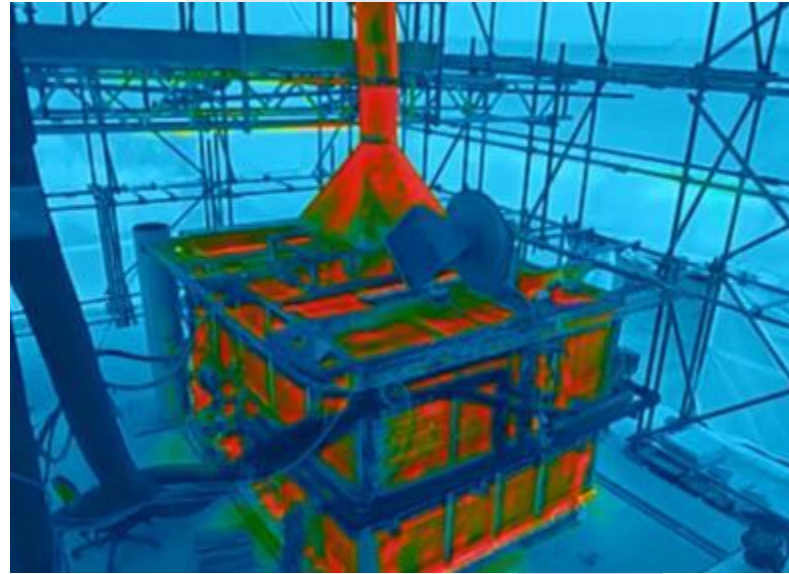


- › **Wire-cut factory redevelopments on track for commissioning by end 2023** (Atlas & Aldridge)
  - › Atlas 'pathfinder' factory will produce the UK's first externally verified carbon neutral brick
  - › Piloting best practices to be rolled out across broader network

- › **Ibstock Futures platform for growth in place**
  - › Innovation hub creates a scalable platform for growth
  - › Customers value our strength and expertise

- › **Nostell slips investments on track**
  - › Initial automated brick slips cutting line (17m slips) from end 2023
  - › Larger systems factory also progressing well (30m slips) by end 2024
  - › Attractive, fast growing market

# SUSTAIN, INNOVATE AND GROW



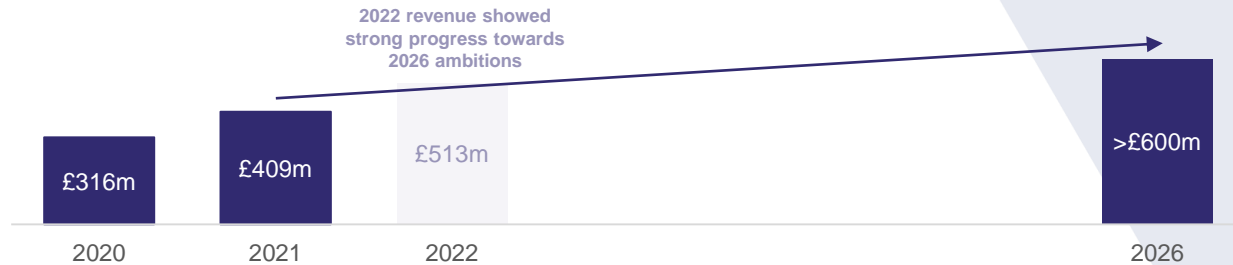
- › Continued progress towards **sustainable building materials** from our unrivalled clay reserves:
  - › **Expanded clay** – pilot plant trials successfully completed
  - › **Calcined clay** - material testing reinforces attractive business case
- › **Completed pilot project firing bricks using synthetic gas from waste**
  - › In commercial negotiations to commission assets at a Group location
- › Step change in our approach to **culture and capability**, firing up the organisation for today and for the future



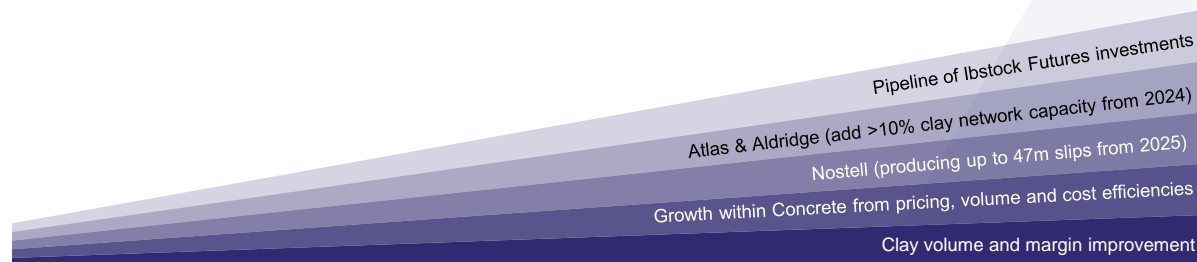
# MEDIUM TERM TARGETS

On track to deliver strong growth and returns over the period to 2026

## Revenue growth target



## Sources of growth and margin improvement: 2022 to 2026\*



*\*Illustrative and not to scale. Excludes potential core M&A*

- › Target to grow revenues to >£600m by 2026 with an ambition to grow beyond this
- › Medium term profitability targets:
  - › EBITDA Margins in core Clay business of >35%
  - › Overall Group margins of at least 28%
- › Targeting revenues outside of traditional clay brick to represent >40% of the Group by 2026
- › Committed to retaining our capital discipline with ROCE at >20% in medium term



# BALANCE SHEET STRENGTH AFFORDS SIGNIFICANT STRATEGIC OPTIONALITY

- › As we approach latter part of current organic growth cycle, we will look to appraise further strategic growth opportunities:
  - › In March 2022 we signalled at least £200 million of available capital to fund growth and returns (after Atlas and slips)
  - › With the majority of Atlas investment now in the ground, we are actively monitoring both organic and inorganic opportunities, in line with our capital allocation framework
  - › With leverage at June 2023 of 0.7x remaining at the lower end of our target range, we have a strong platform for growth

**We have the capacity to take advantage of any opportunities created by current backdrop**





# SUMMARY & OUTLOOK

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# SUMMARY & OUTLOOK

- › Resilient performance for the period with margins ahead of the prior year, despite material reduction in sales volumes
- › Capital investment programme remains on track, and well advanced with new low-cost, efficient and sustainable capacity on line by the end of the year
- › Balance sheet remains strong, providing significant strategic optionality for investment and returns
- › Focused on disciplined management of performance alongside sustained strategic delivery
- › We remain confident in our ability to respond to market conditions
- › Confident in medium-term outlook and remain committed to our medium-term financial targets

**Board's expectations for the 2023 year are unchanged**



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Q&A

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# APPENDICES

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# IBSTOCK AT A GLANCE

Ibstock Plc is a leading UK manufacturer, offering a diverse range of building products and solutions

## Key facts

# 200

Over 200 years of experience

# 40

Manufacturing facilities across the UK

# c.2,300

Employees across the UK

# 95%

Raw materials sourced in UK

# 300+

Different brick products

# c.74m

Tonnes of clay reserves

# No.1

Manufacturer of clay bricks in the UK

# £513m

Revenue in 2022

## Our business

We offer a **diverse range of building products, solutions, all backed up by expert technical and design services**, that enable our customers to create inspirational homes, places and spaces.

Everything we do revolves around our valued customers and we continuously strive to exceed their expectations. We pride ourselves on leading for new, innovative and sustainable products and solutions, both for today and for a new era of building.

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## Eight core product categories and solutions



# ESG PROGRESS



| ESG 2030 STRATEGY KPIS           |                            |  | 2022 | TARGET                          | STATUS |
|----------------------------------|----------------------------|--|------|---------------------------------|--------|
| ADDRESSING CLIMATE CHANGE        | CARBON (SCOPE 1 AND 2)*    | % absolute carbon reduction tonnes CO <sub>2</sub> (relative to 2019 baseline)     | 13%  | 40% by 2030<br>Net Zero by 2040 | ↓ ↔ ↑  |
|                                  | WATER                      | % reduction in mains water use per tonne or production (relative to 2019 baseline) | 31%  | 25% by 2030                     | ↓ ↔ ↑  |
|                                  | BIODIVERISTY               | Biodiversity Net Gain  | N/A  | Net Gain by 2030                | ↓ ↔ ↑  |
| IMPROVING LIVES                  | HEALTH AND SAFETY          | % reduction in Lost Time Injury Frequency Rate (LTIFR) (relative to 2016 baseline) | 61%  | 50% by 2023                     | ↓ ↔ ↑  |
|                                  | EARN AND LEARN POSITIONS   | % of colleagues in Earn and Learn positions  | 7.5% | 10% by 2030                     | ↓ ↔ ↑  |
|                                  | WOMEN IN SENIOR LEADERSHIP | % of women in senior leadership positions  | 27%  | 40% by 2027                     | ↓ ↔ ↑  |
| MANUFACTURING MATERIALS FOR LIFE | PRODUCT INNOVATION         | % of sales turnover from new and sustainable products                              | 13%  | 20% by 2030                     | ↓ ↔ ↑  |
|                                  | WASTE                      | % reduction in general waste to landfill (relative to 2019 baseline)               | 90%  | Zero by 2025                    | ↓ ↔ ↑  |
|                                  | PLASTIC PACKAGING          | % reduction in preventable plastic packaging (relative to 2019 baseline)           | 16%  | 40% by 2025                     | ↓ ↔ ↑  |



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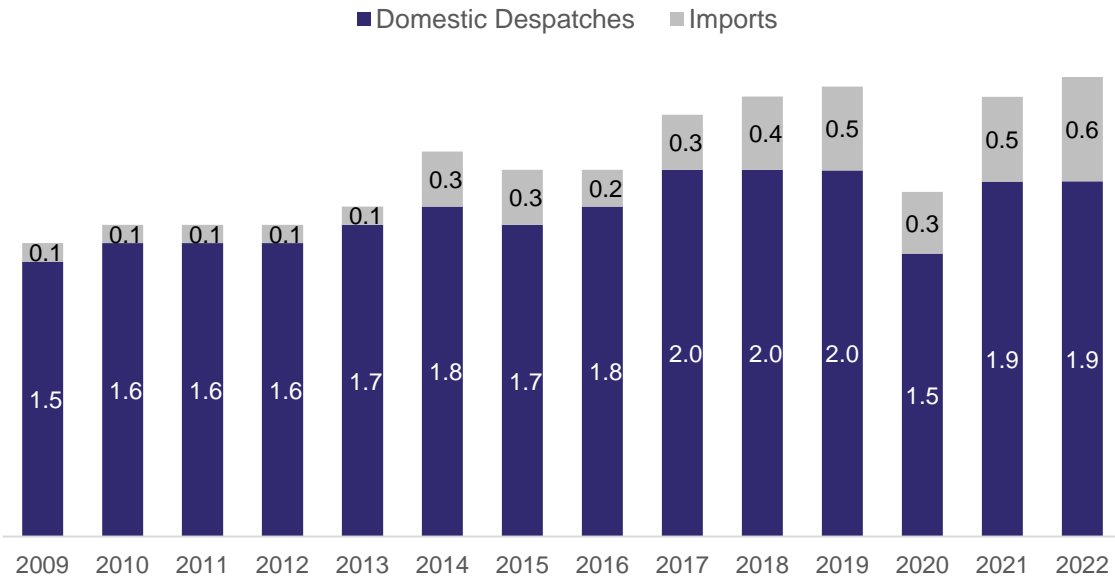
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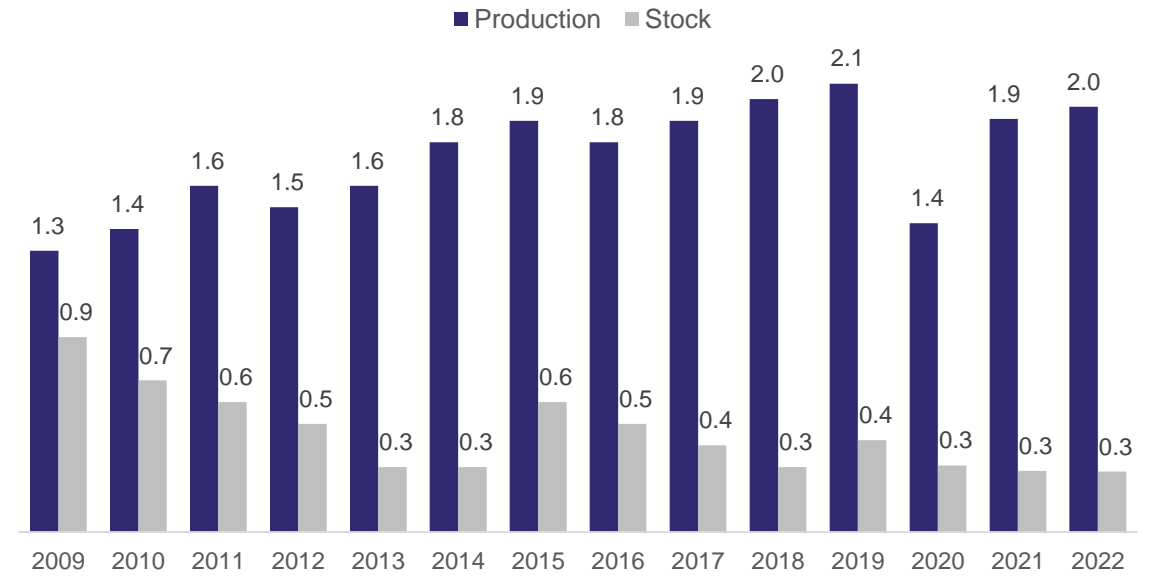
# BRICK MARKET DYNAMICS

Balancing supply and demand

### Brick Consumption (billions of bricks)



### Brick Production and Stock (billions of bricks)



The UK market consumed around 2.5 billion bricks, compared to 2.4 billion in 2021

Private housing output forecasted to fall around 19% in 2023 and increase by 2% in 2024

Imports in 2022 reached 0.57 billion bricks, representing around 23% of the total brick market, an increase over 2021 (19%)

Domestic brick production in 2022 of around 2.0 billion - around 3% higher than 2021 levels

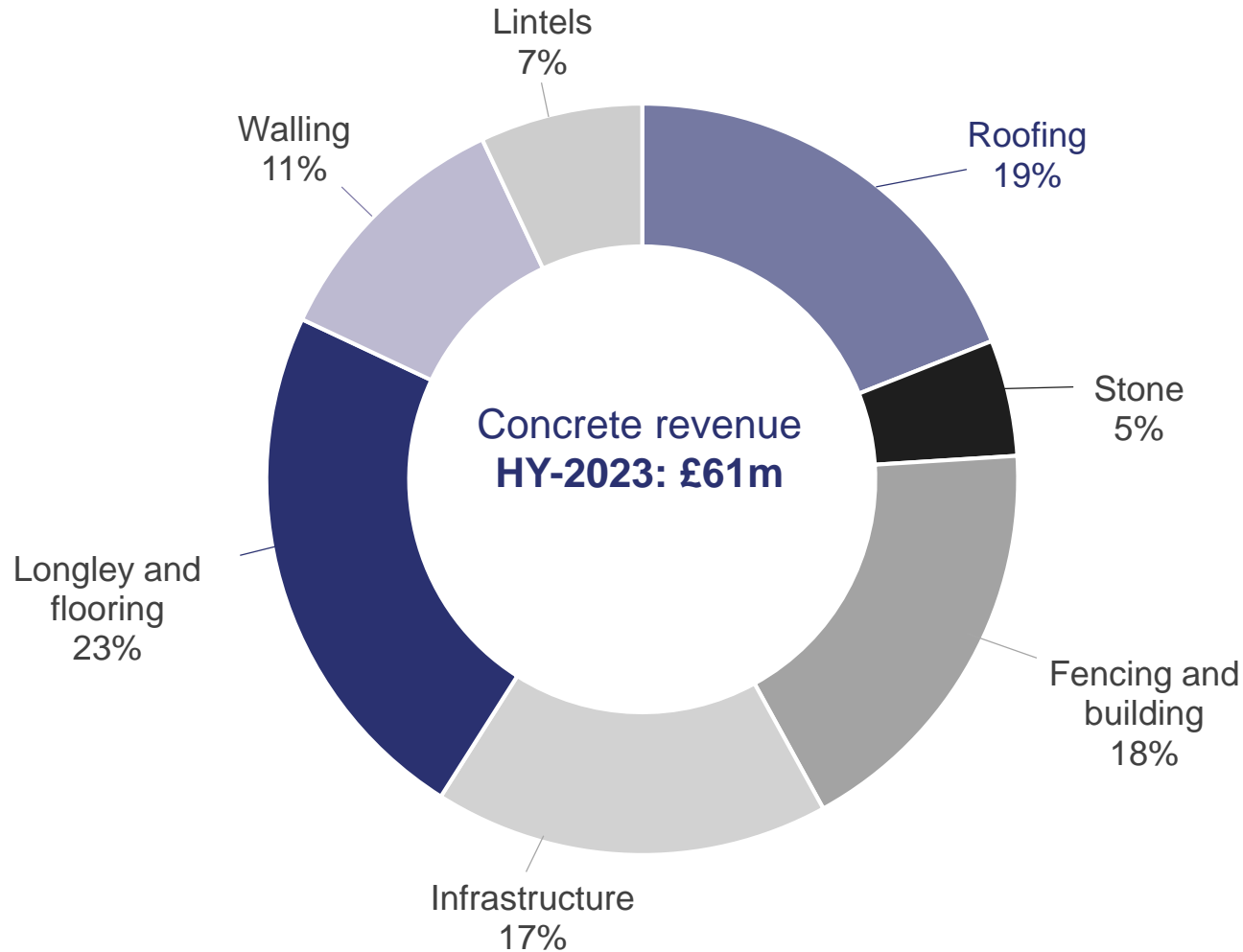
Industry inventories remained at historically low levels at Dec 22

Overall, industry dynamics remain positive despite subdued backdrop



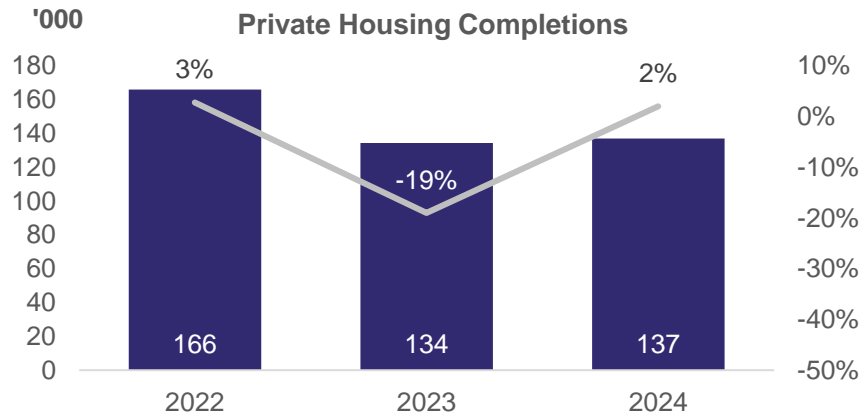
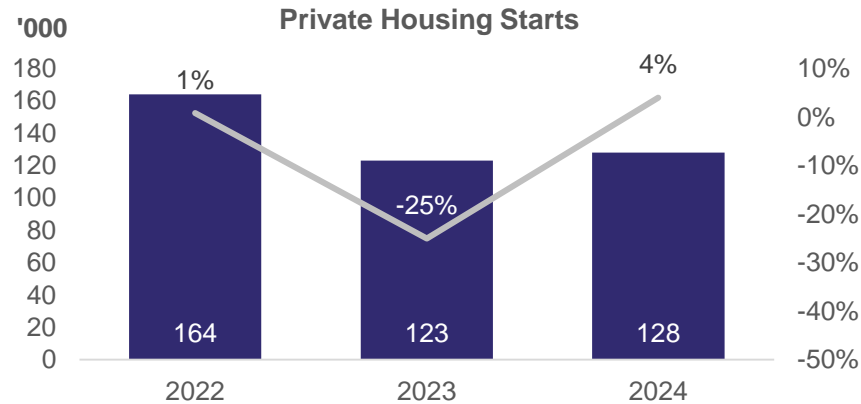


# CONCRETE REVENUE ANALYSIS

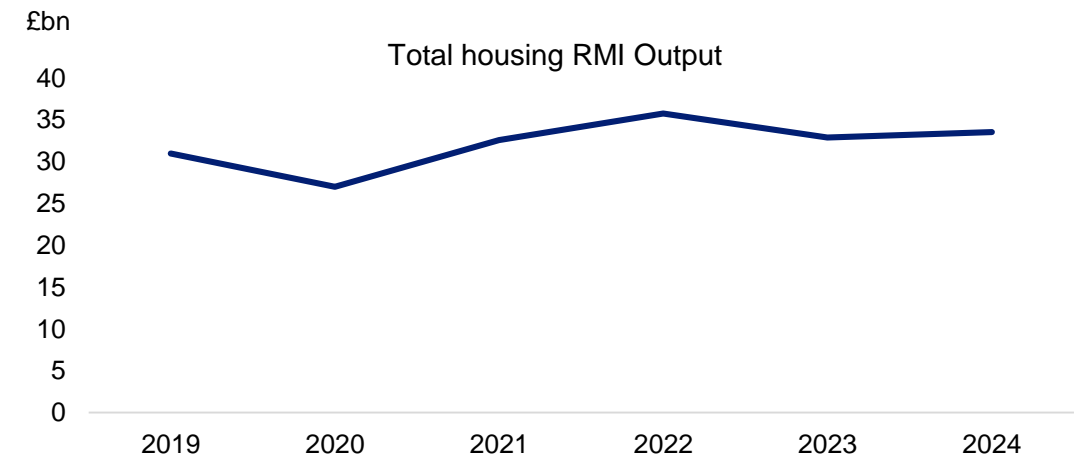


- › Concrete delivered a solid performance in H1 2023, despite macroeconomic concerns with slowing markets and the more cautious view of industry projections
- › The division delivered a resilient performance, benefiting from the breadth of end-market exposure
- › Overall Concrete revenue decreased by £13m, a decrease of 17% on H1 2022
- › Volume growth across rail, offset by lower volumes in all other categories

# CORE RESIDENTIAL MARKETS UPDATE



- UK Inflation rate remains elevated
- Starts projected to decrease 25% in 2023 however 2024 shows 4% growth.
- Completions projected to decrease 19% in 2023 and increase by 4% in 2024
- RMI remains relatively strong and comparable to 2022 levels, with a steady outlook for medium term





# INCOME STATEMENT

| 6 months ended 30 <sup>th</sup> June 2023      | 2023         | 2022         |
|--|--------------|--------------|
| <b>Revenue</b>                                 | <b>£223m</b> | <b>£259m</b> |
| <b>Adjusted EBITDA</b>                         | <b>£63m</b>  | <b>£71m</b>  |
| Normal depreciation                            | (£14m)       | (£13m)       |
| <b>Adjusted profit before interest and tax</b> | <b>£49m</b>  | <b>£57m</b>  |
| Cash interest                                  | (£2m)        | (£2m)        |
| <b>Adjusted profit before tax</b>              | <b>£46m</b>  | <b>£56m</b>  |
| Taxation - at effective rate                   | (£11m)       | (£10m)       |
| <b>Adjusted profit for the period</b>          | <b>£35m</b>  | <b>£46m</b>  |
| <b>Basic adjusted EPS</b>                      | <b>9.0p</b>  | <b>11.3p</b> |
| Exceptional items                              | (£11m)       | (£1m)        |
| <b>Net debt</b>                                | <b>£89m</b>  | <b>£36m</b>  |
| Net debt to Adjusted EBITDA (pre IFRS-16)      | 0.7x         | 0.3x         |
| Total ordinary dividend                        | 3.4p         | 3.3p         |



# ADJUSTED INCOME STATEMENT RECONCILIATION



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| 6 months ended 30 <sup>th</sup> June 2023 | Adjusted    | Depreciation and amortisation | Exceptional items | Non-cash interest | Deferred tax rate change | Reported    |
|---|-------------|-------------------------------|-------------------|-------------------|--------------------------|-------------|
| Revenue                                   | £223m       | -                             | -                 | -                 | -                        | £223m       |
| Costs                                     | (£160m)     | (£20m)                        | (£11m)            | -                 | -                        | (£191m)     |
| <b>EBITDA</b>                             | <b>£63m</b> | <b>(£20m)</b>                 | <b>(£11m)</b>     | -                 | -                        | <b>£32m</b> |
| Normal depreciation and amortisation      | (£14m)      | £14m                          | -                 | -                 | -                        | -           |
| <b>EBIT</b>                               | <b>£49m</b> | <b>(£6m)</b>                  | <b>(£11m)</b>     | -                 | -                        | <b>£32m</b> |
| Finance                                   | (£2m)       | -                             | -                 | -                 | -                        | (£2m)       |
| Tax                                       | (£11m)      | £2m                           | £3m               | -                 | -                        | (£7m)       |
| <b>Profit after tax</b>                   | <b>£35m</b> | <b>(£5m)</b>                  | <b>(£8m)</b>      | <b>£0m</b>        | <b>(£0m)</b>             | <b>£22m</b> |
| <b>EPS (pence per share)</b>              | <b>9.0p</b> | <b>(1.2p)</b>                 | <b>(2.1p)</b>     | <b>0.1p</b>       | <b>(0.1p)</b>            | <b>5.7p</b> |

Note

- (1) Adjusted EBITDA is earnings before interest, taxation, depreciation and amortisation after adjusting for exceptional items
- (2) Adjusted EPS is calculated on the basis of adjusted earnings after tax. Adjusted earnings after tax exclude fair value depreciation and amortisation as well as exceptional items
- (3) The fair value adjustments arose as a result of the 2015 disposal of the Group by CRH plc

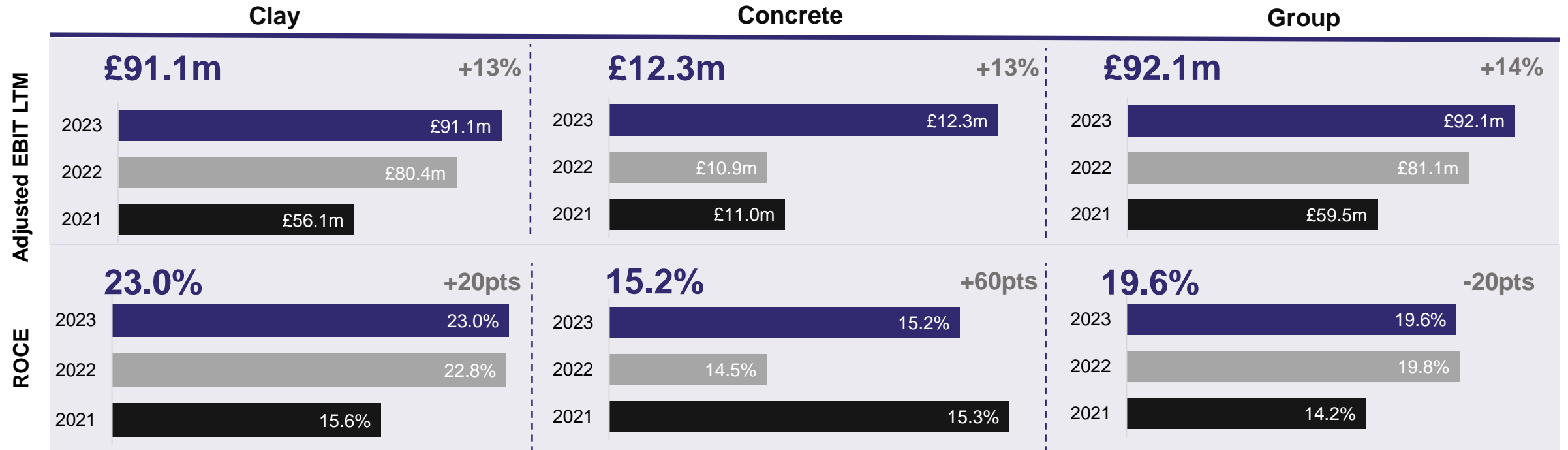


# BALANCE SHEET

| 6 months ended 30 <sup>th</sup> June 2023      | 2023         | 2022         |
|--|--------------|--------------|
| Property, plant and equipment                  | £424m        | £384m        |
| Right of Use assets                            | £39m         | £26m         |
| Intangible fixed assets & Goodwill             | £85m         | £91m         |
| <b>Non-current assets</b>                      | <b>£548m</b> | <b>£502m</b> |
| Inventories                                    | £112m        | £78m         |
| Trade and other receivables                    | £76m         | £93m         |
| Assets held for sale                           | £0m          | £0m          |
| <b>Current assets</b>                          | <b>£188m</b> | <b>£171m</b> |
| <b>Total assets</b>                            | <b>£737m</b> | <b>£673m</b> |
| Payables                                       | (£108m)      | (£125m)      |
| Lease liabilities                              | (£41m)       | (£28m)       |
| Other liabilities excluding debt & pension     | (£95m)       | (£104m)      |
| <b>Net assets excluding debt &amp; pension</b> | <b>£493m</b> | <b>£416m</b> |
| Net debt                                       | (£89m)       | (£36m)       |
| Pension  | £10m         | £56m         |
| <b>Net assets</b>                              | <b>£414m</b> | <b>£437m</b> |

# CASH FLOW

| 6 months ended 30 <sup>th</sup> June 2023                               | 2023          | 2022          |
|---|---------------|---------------|
| Cash generated from operations  | £22m          | £60m          |
| Interest paid   | (£2m)         | (£1m)         |
| Other interest paid - lease liabilities                                 | (£1m)         | (£0m)         |
| Tax paid  | (£3m)         | (£1m)         |
| <b>Net cash flow from operating activities</b>                          | <b>£16m</b>   | <b>£57m</b>   |
| <b>Cash flows from investing activities</b>                             |               |               |
| Purchase of property, plant and equipment                               | (£33m)        | (£19m)        |
| Proceeds from sale of property plant and equipment                      | £0m           | £0m           |
| Proceeds from sale of property plant and equipment - exceptional        | £0m           | £0m           |
| Purchase of intangible assets   | (£2m)         | (£4m)         |
| Settlement of deferred consideration                                    | (£0m)         | £0m           |
| Payment for acquisition of subsidiary undertaking, net of cash acquired | (£0m)         | £0m           |
| Interest received   | £0m           | £0m           |
| <b>Net cash flow from investing activities</b>                          | <b>(£34m)</b> | <b>(£23m)</b> |
| <b>Cash flows from financing activities</b>                             |               |               |
| Dividends paid  | (£22m)        | (£20m)        |
| Drawdown of borrowings  | £13m          | £0m           |
| Repayment of borrowings   | (£0m)         | £0m           |
| Debt issue costs  | (£0m)         | (£0m)         |
| Cash payments for the principal portion of lease liabilities            | (£4m)         | (£5m)         |
| Proceeds from issuance of equity shares                                 | £0m           | £0m           |
| Purchase of own shares by Employee Benefit Trust                        | £0m           | (£0m)         |
| Cash outflow from purchase of shares                                    | (£0m)         | (£6m)         |
| <b>Net cash outflow from financing activities</b>                       | <b>(£12m)</b> | <b>(£31m)</b> |
| <b>Net (decrease)/increase in cash and cash equivalents</b>             | <b>(£30m)</b> | <b>£3m</b>    |
| Cash and cash equivalents at beginning of the year                      | £54m          | £61m          |
| Exchange gains/(losses) on cash and cash equivalents                    | £0m           | (£0m)         |
| <b>Cash and cash equivalents at end of the year</b>                     | <b>£24m</b>   | <b>£65m</b>   |



**Strong ROCE performance throughout the Group, driven by higher earnings on a LTM basis**

- › Group ROCE 20 bps below prior year
- › Clay adjusted EBIT grew 13% versus prior year
- › Concrete adjusted EBIT grew 13% versus prior year