Breedon Aggregates
Interim results

6 months to 30 June 2013

Introduction

Peter Tom CBE

Chairman

2013 H1 presentation

- Results overview — Peter Tom, Chairman
- Financial review — Ian Peters, Finance Director
- Operational review, summary & outlook — Simon Vivian, Group CEO
- Q&A

Self-help and value-adding acquisitions

BREEDON AGGREGATES

- Improved EBITDA, margins & PBT, despite lower market volumes
- Continuing focus on self-help
- Further fixed-asset investment
- Transformational acquisitions completed
- £61m raised from new & existing shareholders

2013 H1 Highlights

BREEDON AGGREGATES

Sales Revenue	EBITDA	PBT
£100.2m	**£13.0m**	**£5.3m**
+20.8%	+34.0%	+£3.2m

EBITDA margin	Acquisitions	Net Debt
12.9%	**EBITDA**	**£72.2m**
+1.2pt	£1.6m	-£1.9m

EBITDA, PBT and EBITDA margin all exclude non-underlying items

Financial Review

Ian Peters

Group Finance Director

Detailed Profit & Loss Half-Year to June 2013

BREEDON AGGREGATES

	2012 £'000	2013 £'000	Variance v 2012 £'000	Variance v 2012 %
Revenue	82,977	100,205	17,228	+20.8%
EBITDA	9,684	12,973	3,289	+34.0%
Depreciation & Amortisation	(5,764)	(6,329)	(565)	(9.8)%
Underlying Operating Profit	3,920	6,644	2,724	+69.5%
Share of Associate	497	535	38	+7.6%
Interest	(2,253)	(1,837)	416	+18.5%
Underlying Profit Before Tax	2,164	5,342	3,178	+146.9%
Exceptional costs	570	(976)	(1,546)	
Profit Before Tax	2,734	4,366	1,632	+59.7%
Taxation	(632)	(996)	(364)	-57.6%
Minority Interest	(24)	(24)	-	-
Retained Profit	2,078	3,346	1,268	+61.0%
Underlying basic EPS	0.28p	0.55p	0.27p	+96.4%

Analysis by Division Half-Year to June 2013

BREEDON AGGREGATES

	2012 £'000	2013 £'000	Variance v 2012 £'000	Variance v 2012 %
Revenue				
England	44,043	50,821	6,778	+15.4%
Scotland	38,934	49,384	10,450	+26.8%
Total	**82,977**	**100,205**	**17,228**	**+20.8%**
EBITDA				
England	5,451	7,166	1,715	+31.5%
Scotland	5,737	7,317	1,580	+27.5%
Head Office	(1,504)	(1,510)	(6)	(0.4)%
Group Total (pre Associate)	**9,684**	**12,973**	**3,289**	**+34.0%**
EBITDA Margin	**11.7%**	**12.9%**	**+1.2pt**	

Volumes Half-Year to June 2013

BREEDON AGGREGATES

	2012 '000 tonnes	2013 '000 tonnes	Variance v 2012 %
England	1,124	1,561	+38.9%
Scotland	951	1,176	+23.7%
Aggregates	2,075	2,737	+31.9%
England	367	373	+1.6%
Scotland	219	243	+11.0%
Asphalt	586	616	+5.1%
England	117	160	+36.8%
Scotland	90	122	+35.6%
Concrete ('000m3)	207	282	+36.2%

Closing Balance Sheet at 30 June 2013

BREEDON AGGREGATES

	June 2012 £'000	Dec 2012 £'000	June 2013 £'000
Tangible Fixed Assets	147,027	144,895	187,198
Investments	914	887	1,422
Goodwill	2,143	2,143	13,772
Intangible Assets	162	152	444
Total Non-Current Assets	150,246	148,077	202,836
Current Assets	48,595	49,547	68,527
Creditors Less than One Year	(39,342)	(35,974)	(43,694)
Net Current Assets	9,253	13,573	24,833
Creditors Greater than One Year	(83,869)	(82,301)	(84,875)
Net Assets	75,630	79,349	142,794

Half-Year to June 2013 Analysis - Cashflow

BREEDON AGGREGATES

	2012 £'000	2013 £'000
Profit before Interest and Tax	4,987	6,203
Income from associate	(497)	(535)
Gain on asset sales	(719)	(1,282)
Depreciation and amortisation	5,801	6,342
Equity settled incentives	174	188
Movement in Inventories	(1,221)	863
Movement in Receivables	(3,494)	(16,449)
Movement in Payables	(1,597)	7,795
Movement in Provisions	(747)	(425)
Cash Generated from Operating Activities	**2,687**	**2,700**

	2012 £'000	2013 £'000
Interest Paid	(2,165)	(1,671)
Taxation	(-)	(-)
Dividends Received / (Paid)	375	(50)
Investment in Fixed Assets	(2,959)	(6,362)
Acquisitions	(847)	(54,124)
Disposal Proceeds	3,206	2,025
Cashflow before Financing	**297**	**(57,482)**
Equity Raised	14,394	59,920
Debt Repaid / New Loans	(9,782)	(139)
HP Capital Repayments	(3,564)	(2,530)
Net Cashflow	**1,345**	**(231)**

Analysis of Net Debt at 30 June 2013

BREEDON AGGREGATES

	Dec 2011 £'m	June 2012 £'m	Dec 2012 £'m	June 2013 £'m
Term Loans	72,607	63,111	62,822	62,733
Bank overdrafts	3,115	1,561	-	-
Cash	(921)	(712)	(5,048)	(4,817)
Bank Debt	74,801	63,960	57,774	57,916
Finance Leases (over 1 year)	16,262	12,606	11,468	9,618
Finance leases (less than 1 year)	5,122	5,243	4,816	4,642
Finance Leases	21,384	17,849	16,284	14,260
Net Debt	96,185	81,809	74,058	72,176
Multiple of EBITDA	5.6x	4.4x	3.7x	3.1x

Operational Review

Simon Vivian

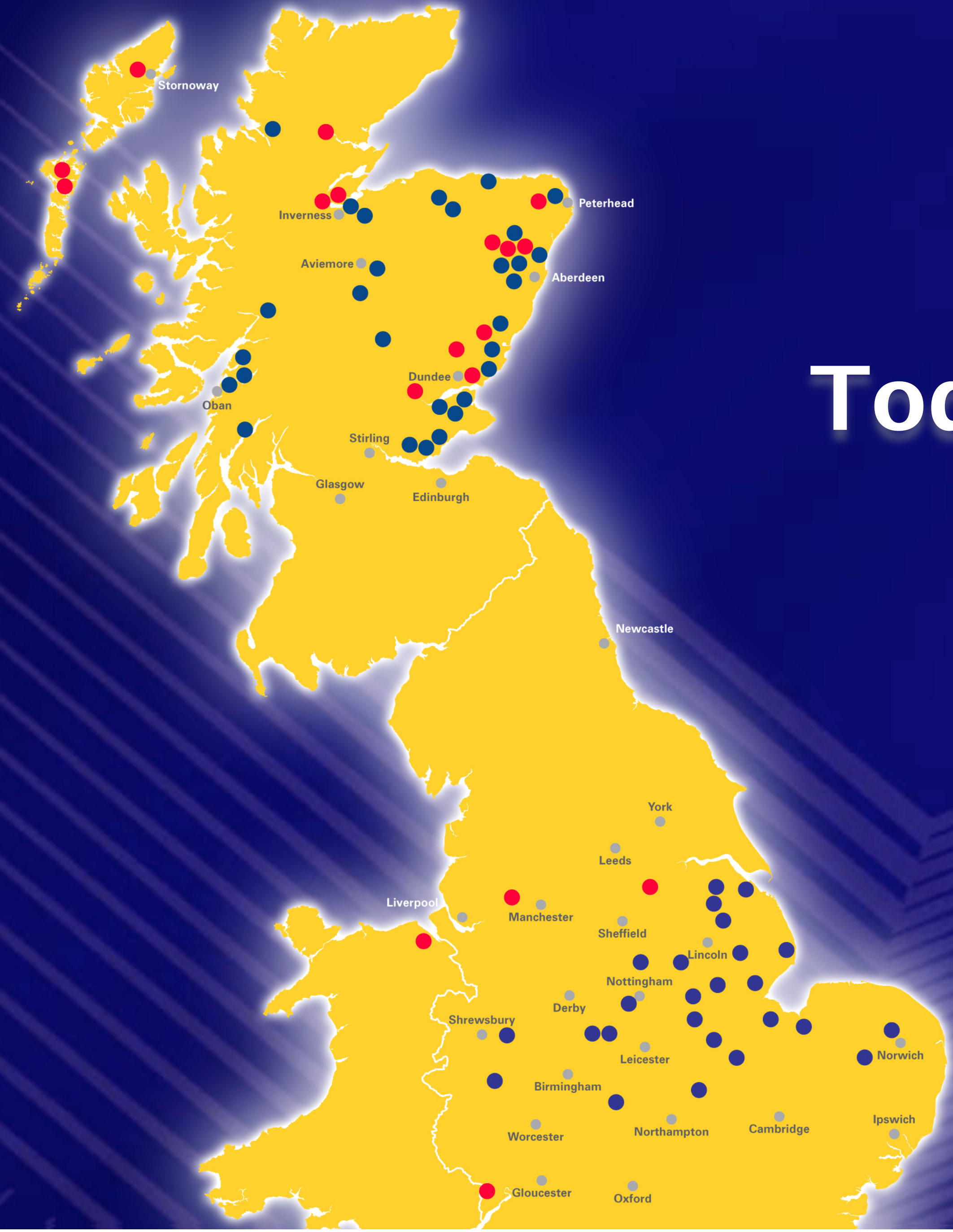
Group Chief Executive

2013 H1 key achievements

- Strong financial performance
- Overall volumes up, against lower MPA volumes
- Continuing progress on health and safety
- Further investment in fixed asset base
- Key strategic acquisitions completed

BREEDON AGGREGATES

Previously


Stornoway
Inverness
Peterhead
Aviemore
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Oban
Stirling
Glasgow
Edinburgh
Newcastle
York
Leeds
Liverpool
Manchester
Sheffield
Lincoln
Nottingham
Derby
Shrewsbury
Leicester
Norwich
Birmingham
Ipswich
Worcester
Northampton
Cambridge
Gloucester
Oxford

Today

England – financials & volumes

BREEDON AGGREGATES

	2012 H1 £'m	2013 H1 £'m	% change
Turnover	44,043	50,821	+15.4%
EBITDA	5,451	7,166	+31.5%
Op. Profit	2,615	3,975	+52.0%
EBITDA Margin	12.4%	14.1%	+1.7pt
Op. Margin	5.9%	7.8%	+1.9pt

Sales Volume

Aggregates	**+38.9%**
Asphalt	**+1.6%**
Concrete	**+36.8%**

England – highlights

- No RIDDORs or LTIs
- New tertiary crusher & hot storage bins at Leaton
- Owner-driver fleet up from 78 to 88
- Contracting overhead further reduced
- 1st Mix ahead of budget and extended to new areas
- Supplies to A453 widening & i54 JLR project
- Exclusive supplier in ongoing Norfolk Strategic Partenership

Acquisition – former Marshalls quarries

BREEDON AGGREGATES

Immediate benefits

- ‘In-it-to-win-it’ culture
- Strongly positioned strategic assets
- Synergies with existing business

Issues to be tackled

- Mobile plant investment
- Leadership & strategic direction

Acquisition – former Marshalls quarries

BREEDON AGGREGATES

Priorities

- Bring health and safety up to Breedon standards
- Extract further synergies
- Address production constraints
- Focus on sales drivers
  - improve understanding of customers, routes to market & value-added
  - reduce stock excesses
  - exploit organic growth opportunities
- Commission dredger at Astley Moss

England – opportunities in H2

- Increase commercial focus in contracting, extend customer base
- A453 sub-base package (main tonnage in 2014)
- A453 concrete (21km^3 still to be supplied in H2 and 2014)
- Further 40k tonnes of asphalt on Phase 2 works at i54 JLR
- Continuing benefits of exclusive supplies to Norfolk Strategic Partnership

Scotland – financials & volumes

	2012 H1 £'m	2013 H1 £'m	% change
Turnover	38,934	49,384	+26.8%
EBITDA	5,737	7,317	+27.5%
Op. Profit	2,814	4,179	+48.5%
EBITDA Margin	14.7%	14.8%	+0.1pt
Op. Margin	7.2%	8.5%	+1.3pt

Sales Volume

Aggregates	+23.7%
Asphalt	+11.0%
Concrete	+35.6%

Scotland – highlights

- Strong H1 performance despite weather impact
- Higher margins on value-added products
  - Positive price movements
  - Successful negotations with raw material suppliers
- Major supply contracts to Beauly-Denny Super Pylon project
- Developing partnerships with major customers

Acquisition – former AI units

Immediate benefits

- Strong self-managing H&S culture
- A very positive and willing team
- Excellent geographic fit
- Long-term mineral reserves

Issues to be tackled

- Investment
- Management
- ‘Silo mentality’

Acquisition – former AI units

BREEDON AGGREGATES

Priorities*

- Deliver a first-class service to customers
- Grow sales out of previously closed units
- Increase profitability
- Develop ‘one team’ working
- Initiate optimum inter-company / unit supplies
- Leverage increased purchasing power
- Plan for big project opportunities

* subject to OFT conditions

Scotland – opportunities in H2

- Health & safety continuing top priority
- Pre-qualified for £3m Inverness & Wick Airports contract
- Secured £2.5m civils/surfacing package & asphalt supply contract for Aberdeenshire County Council
- Concrete & aggregates potential with BAM Nuttall on Kildermory Dam
- Partnering with BEAR for North-East 4G Trunk Road tender
- MCS pricing high level of opportunities UK-wide
- Increase owner-driver fleet on back of acquisition

Looking ahead – 2014/15

- Medium-term outlook improving
- Steady increase in underlying volumes
- Sustained recovery in housing market
- Support from Government spending review
- Continued encouraging prospects for Midlands markets
- Medium-term prospects good in Scotland
  - Modest anticipated increases in Transport Scotland spending
  - Buoyant renewables market
  - Future spending trending towards north of Scotland
- New markets opened up in Manchester, north Wales, Cheshire & Gloucestershire, Hebrides, Concrete Blocks
- Further acquisition opportunities available