# News release

20 July 2017

## Breedon Group plc

("Breedon" or "the Group")

*Interim results (unaudited) for the six months to 30 June 2017*

**Breedon Group plc, the UK's largest independent construction materials group, announces its unaudited interim results for the six months ended 30 June 2017.**

| | 30 June 2017 | 30 June 2016 | Change |
|---|---|---|---|
| Revenue | £326.3 million | £163.0 million | +100% |
| Underlying EBIT† | £35.8 million | £22.8 million | +57% |
| Profit before tax | £31.2 million | £20.9 million | +50% |
| Underlying basic EPS† | 1.84 pence | 1.50 pence | +23% |
| Net debt/(cash) | £146.8 million | £(17.6) million | |

† *Underlying results are stated before acquisition-related expenses, redundancy and reorganisation costs, property items, amortisation of acquisition intangibles and related tax items. References to an underlying profit measure throughout this announcement are defined on this basis.*

7.9 million tonnes of aggregates sold (30 June 2016: 4.6 million tonnes)

0.9 million tonnes of asphalt sold (30 June 2016: 0.9 million tonnes)

1.7 million cubic metres of ready-mixed concrete sold (30 June 2016: 0.5 million cubic metres)

### Highlights

- Strong profit improvement from former Breedon Aggregates business and robust contribution from former Hope Construction Materials ("Hope")
- Underlying EBIT margin of 15.8% achieved in former Breedon Aggregates business, comfortably ahead of our 2020 target of 15%
- Further progress on safety improvement: Lost Time Injury Frequency Rate reduced from 1.87 in 2016 to 1.41 at half-year
- Net debt reduced to £146.8m (Dec 2016: £159.3m)
- Both cement kiln maintenance and upgrade shutdowns completed in first half, on time and to budget
- Integration of former Hope operations completed, with planned synergies expected to be fully delivered in 2018, ahead of schedule
- Pro Mini Mix acquired; further bolt-on acquisitions in pipeline
- Organic development underway in two new quarries in Scotland and County Durham
- Remain confident that we will meet 2017 market expectations

**Peter Tom CBE, Executive Chairman, commented:**

"I am pleased to report that in the first half of 2017 the former Breedon Aggregates business posted a strong profit improvement and the former Hope Construction Materials business made a robust contribution, even after taking into account the shutdowns of both our cement kilns for planned annual maintenance and upgrade during the first half, which were completed on time and to budget.

"Although the outcome of the General Election, coupled with the commencement of Brexit negotiations, have created some further uncertainty for the UK economy, the outlook for UK construction remains encouraging. It is reassuring that the Government's direction of travel appears to be moving away from continued austerity towards fiscal stimulus, which can only be helpful to our industry.

"We have consistently demonstrated our ability to generate value for our shareholders irrespective of economic conditions, through flexible and imaginative customer service, rigorous cost control, focused investment and a culture of continuous operational improvement. These disciplines, coupled with a strong balance sheet and healthy cashflow, put us in a strong position to take advantage of future growth opportunities, both organically and through further bolt-on acquisitions.

"More immediately, our performance in the first six months and our prospects for the second half give us confidence that we will meet 2017 market expectations."

- ends -

The full text of the Group's interim statement is attached, together with detailed financial results.

Breedon will host a meeting for invited analysts at 9.00am today and there will be a simultaneous webcast of the meeting. Please use this link to join the webcast:
http://webcasting.brrmedia.co.uk/broadcast/595e4de7e0455d29e61eae07

The webcast will also be available to view on our website later today at www.breedongroup.com/investors.


*Enquiries:*

| | |
|---|---|
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**Note to Editors**

Breedon Group plc is the UK's largest independent construction materials group. It operates the country's largest cement plant, two cementitious import terminals, around 60 quarries, 30 asphalt plants, 200 ready-mixed concrete plants and three concrete products plants nationwide. The Group employs around 2,300 people and has more than 750 million tonnes of mineral reserves and resources. Its strategy is to continue growing organically and through acquisition of businesses in the UK heavyside construction materials market.

# Breedon Group plc
# Interim results (unaudited) for the six months to 30 June 2017

## Group Results

Breedon Group, the UK's largest independent construction materials group, today announces its unaudited results for the six months to 30 June 2017.

The former Breedon Aggregates business posted a strong profit improvement and the former Hope Construction Materials business ("Hope") made a robust contribution, even after taking into account the shutdowns of both our cement kilns for planned annual maintenance and upgrade during the first half, which were completed on time and to budget.

Group revenue for the half-year was £326.3 million (2016: £163.0 million) and underlying earnings before interest and tax ("EBIT") increased by 57% to £35.8 million (2016: £22.8 million).

The underlying EBIT margin, our principal performance measure, was 11.0% (30 June 2016: 14.0%), reflecting, as anticipated, the lower margin delivered by the former Hope business and the phasing of Hope Cement's shutdowns. The former Breedon Aggregates business however, delivered an underlying EBIT margin of 15.8%, comfortably ahead of our medium-term target of 15% by 2020. Whilst it will clearly be more challenging in the wake of the Hope acquisition, we continue to target a 15% underlying EBIT margin for the Group by 2020.

Notwithstanding the seasonality of the business, the Group continued to be strongly cash-generative.

## Financial Highlights

| | **Six months ended 30 June 2017 £m** | Six months ended 30 June 2016 £m | Variance |
|---|---|---|---|
| **Revenue** | | | |
| Breedon Northern | 97.9 | 77.0 | +27% |
| Breedon Southern | 190.6 | 86.0 | +122% |
| Hope Cement | 71.5 | - | |
| Eliminations | (33.7) | - | |
| Total | 326.3 | 163.0 | +100% |
| **Underlying EBIT** | | | |
| Breedon Northern | 10.7 | 10.0 | +7% |
| Breedon Southern | 22.7 | 15.9 | +43% |
| Hope Cement | 9.3 | - | |
| Central administration | (8.1) | (3.5) | |
| Share of associate and joint ventures | 1.2 | 0.4 | |
| Total | 35.8 | 22.8 | +57% |
| **Underlying EBIT margin** | 11.0% | 14.0% | |

*As indicated in our 2016 full-year results announcement, all aggregates, asphalt and concrete operations have been consolidated into our Breedon Northern and Breedon Southern businesses and all our cementitious operations are now housed within Hope Cement. This provides the basis on which these results are reported.*

## Operating performance

Breedon Northern continued to benefit from the significant opportunities in Scotland created by the Aberdeen Western Peripheral Route and the widening of the A9, against the backdrop of a generally subdued market. The aggregates and concrete operations of Sherburn Minerals Group ("Sherburn"), acquired in November 2016, were smoothly integrated into the Division and a new regional office was opened on our own land at Raisby quarry in County Durham. Major supply contracts won in the period included the new Aberdeen Conference Centre and Macallan Distillery in the Highlands.

Breedon Southern supplied a number of major projects, including Jaguar Land Rover, the M1 widening scheme at junctions 23a-25 and phase one of the East Midlands Gateway. We also opened our first sales office in north-west England, which was quickly followed by winning our first significant ready-mixed concrete order in central Manchester. Major improvements were made to the former Hope quarries, notably at Dowlow, our rail-linked quarry in Derbyshire, where new machinery and crushing equipment delivered increased production and product flexibility.

Hope Cement's performance reflected two factors: our decision this year to carry out both annual maintenance and upgrade shutdowns at our cement plant in the first six months, which accordingly softened its first-half contribution; and the integration of Sherburn's cementitious import terminals which, as we expected, have proved highly complementary.

These performances were delivered against a background of continuing growth in construction, with the Office for National Statistics reporting a 1.1% increase in output in the first quarter compared with the previous quarter. The Mineral Products Association correspondingly reported seasonally-adjusted market volume increases of 2.1% for aggregates and 0.7% for ready-mixed concrete, with asphalt down 0.8%, over the same period.

In light of the fact that our cementitious activities have expanded and broadened with the acquisition of the Sherburn importation business, meaning they are no longer exclusively focused on the Hope Cement Works, we have decided to bring the Division under the umbrella of the Group brand. Accordingly, from 1 August 2017 Hope Cement will be renamed Breedon Cement, which will give us greater flexibility as we further develop this business in the future.

## Integration of Hope

The integration of the former Hope operations is now complete, with all three Divisions on a common IT platform. We now expect to deliver the full £10 million of planned synergies in 2018, comfortably ahead of our original schedule.

## Safety of colleagues

We made good progress in improving the key measure of our safety performance, reporting a 25% reduction in our Lost Time Injury Frequency Rate (LTIFR) from 1.87 at the end of 2016 to 1.41 at the end of the first half, moving us closer to our goal of a 40% LTIFR reduction over the full year.

Safety remains at the top of the Board agenda and we continue to push hard towards our goal of Zero Harm.  We are focused on developing a strong culture of safe behaviour, driven by a reinvigorated Visible Felt Leadership programme which commits our senior executive team to spending more time in the field, encouraging greater engagement among our colleagues.

At the heart of our drive for safer behaviour is a set of non-negotiable Safety Commitments which we introduced at the beginning of this year and which every one of our colleagues is expected to sign up to.  These Commitments are providing a sharpened focus for all our health & safety activities and it has been encouraging to see them enthusiastically embraced by our workforce.

**Organic development**

Our programme of investment in improving operational efficiency and expanding our capacity and mineral reserves continued through the first six months.  Most notably, we commenced investment in two strategically important new quarries, at North Drumboy in the Central Belt of Scotland and Low Harperley in County Durham, for which planning consents were recently secured.

North Drumboy is a hard rock quarry situated approximately 10 miles from the buoyant Glasgow market and will enable us further to internalise supply of stone to our network of concrete plants in the region.  Low Harperley, near Bishop Auckland, is the only active source of sand & gravel in County Durham and will provide us with an additional source of material for our network of concrete plants in the north-east of England.  Both quarries are expected to be fully operational in the second half of this year.

The acquisition of Hope has also made possible a key strategic investment in additional asphalt capacity for Breedon Southern, with a proposal for a new plant at Dowlow quarry which we expect to be operational in early 2018.

**Acquisition**

In May we acquired Pro Mini Mix, a small mini mix concrete operator based in the Black Country, which complements our 1stMix business and extends our reach into the West Midlands, also providing another valuable route to market for our aggregates and cement.

We continue to review a number of other potential bolt-on acquisitions.

**Balance sheet and cash flow**

Net assets at 30 June 2017 were £494.1 million, compared to £467.5 million at 31 December 2016 and £251.2 million at 30 June 2016.

Cash generated from operating activities was £30.2 million, after an increase in working capital of £23.6 million as a result of the seasonal requirements of the business.  Group capital expenditure totalled £12.3 million and was all spent in cash.

The Group received £1.8 million from asset disposals and repaid £4.5 million of loans and finance leases.  The net cash inflow for the period was £8.5 million and the Group had net debt at 30 June 2017 of £146.8 million, compared to net debt of £159.3 million at 31 December 2016 and net cash of £17.6 million at 30 June 2016.

**Breedon Southern leadership**

It is nearly seven years since Tim Hall took on the role of Chief Executive of Breedon Aggregates England, during which time he has made an outstanding contribution to the Group, leading his business through a period of exceptional growth and change, including numerous bolt-on purchases and the integration of our largest and most transformative acquisition to date, which is now complete.

As we look now to the long-term development of Breedon Southern, it is appropriate that we plan for his succession. We are therefore in the process of identifying a new Chief Executive for the Division, with a view to completing an orderly handover of Tim's responsibilities in due course. He has been an integral part of the Breedon success story and when he departs will leave a powerful legacy for his successor.

**Outlook**

Although the outcome of the General Election, coupled with the commencement of Brexit negotiations, have created some further uncertainty for the UK economy, the outlook for UK construction remains encouraging. The Construction Products Association (CPA) is forecasting construction output growth of 1.3% in 2017 and 1.2% in 2018, before accelerating to 2.3% growth in 2019.

Overall, the CPA expects construction output to be 4.9% higher in 2019 compared with 2016, underpinned by a 35% increase in infrastructure new work and increased housing activity, which end-uses together account for approximately two-thirds of our revenues. The Mineral Products Association is similarly optimistic, forecasting a 5% growth in ready-mixed concrete volumes and 4% growth in aggregates and cement volumes over 2017-2019, with asphalt sales expected to hold at roughly current levels over the same period.

It is reassuring that the Government's direction of travel appears to be moving away from continued austerity towards fiscal stimulus, which can only be helpful to our industry. Recent examples include the Chancellor's decision to extend the UK Guarantees Scheme to include construction guarantees for the first time, bringing greater certainty to the funding of large-scale infrastructure projects; the announcement of an additional £1 billion for trunk road upgrades; and a further £2.3 billion investment in infrastructure for new housing.

We have consistently demonstrated our ability to generate value for our shareholders irrespective of economic conditions, through flexible and imaginative customer service, rigorous cost control, focused investment and a culture of continuous operational improvement. These disciplines, coupled with a strong balance sheet and healthy cashflow, put us in a strong position to take advantage of future growth opportunities, both organically and through further bolt-on acquisitions.

More immediately, our performance in the first six months and our prospects for the second half give us confidence that we will meet 2017 market expectations.

Finally, we would like once again to thank everyone at Breedon, colleagues old and new, for their contributions to our results.

**Peter Tom CBE**
Executive Chairman

**Pat Ward**
Group Chief Executive

## Breedon Group plc
### *Interim results (unaudited) for the six months to 30 June 2017*

### Condensed Consolidated Income Statement
### for the six months ended 30 June 2017

| | **Six months ended 30 June 2017** | | | Six months ended 30 June 2016 | | | Year ended 31 December 2016 | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Underlying** | **Non-underlying* (note 5)** | **Total** | Underlying | Non-underlying* (note 5) | Total | Underlying | Non-underlying* (note 5) | Total |
| | **£000** | **£000** | **£000** | £000 | £000 | £000 | £000 | £000 | £000 |
| **Revenue** | **326,289** | **-** | **326,289** | 162,957 | - | 162,957 | 454,688 | - | 454,688 |
| Cost of sales | **(207,206)** | **-** | **(207,206)** | (102,778) | - | (102,778) | (278,746) | - | (278,746) |
| **Gross profit** | **119,083** | **-** | **119,083** | 60,179 | - | 60,179 | 175,942 | - | 175,942 |
| Distribution expenses | **(60,812)** | **-** | **(60,812)** | (23,598) | - | (23,598) | (78,517) | - | (78,517) |
| Administrative expenses | **(23,671)** | **(1,305)** | **(24,976)** | (14,174) | (788) | (14,962) | (39,188) | (8,372) | (47,560) |
| **Group operating profit** | **34,600** | **(1,305)** | **33,295** | 22,407 | (788) | 21,619 | 58,237 | (8,372) | 49,865 |
| Share of profit of associate and joint ventures (net of tax) | **1,196** | **-** | **1,196** | 434 | - | 434 | 1,374 | - | 1,374 |
| **Profit from operations** | **35,796** | **(1,305)** | **34,491** | 22,841 | (788) | 22,053 | 59,611 | (8,372) | 51,239 |
| Financial income | **-** | **-** | **-** | 35 | - | 35 | 63 | - | 63 |
| Financial expense | **(3,264)** | **-** | **(3,264)** | (1,231) | - | (1,231) | (4,540) | - | (4,540) |
| **Profit before taxation** | **32,532** | **(1,305)** | **31,227** | 21,645 | (788) | 20,857 | 55,134 | (8,372) | 46,762 |
| Taxation | **(6,475)** | **260** | **(6,215)** | (4,395) | 16 | (4,379) | (11,198) | 1,206 | (9,992) |
| **Profit for the period** | **26,057** | **(1,045)** | **25,012** | 17,250 | (772) | 16,478 | 43,936 | (7,166) | 36,770 |
| **Attributable to:** | | | | | | | | | |
| Equity holders of the parent | **26,033** | **(1,045)** | **24,988** | 17,234 | (772) | 16,462 | 43,885 | (7,166) | 36,719 |
| Non-controlling interests | **24** | **-** | **24** | 16 | - | 16 | 51 | - | 51 |
| **Profit for the period** | **26,057** | **(1,045)** | **25,012** | 17,250 | (772) | 16,478 | 43,936 | (7,166) | 36,770 |
| Basic earnings per ordinary share | **1.84p** | | **1.77p** | 1.50p | | 1.43p | 3.49p | | 2.92p |
| Diluted earnings per ordinary share | **1.79p** | | **1.72p** | 1.45p | | 1.38p | 3.38p | | 2.83p |

* Non-underlying items represent acquisition-related expenses, redundancy and reorganisation costs, property items, amortisation of acquisition intangibles and related tax items.

**Breedon Group plc**
***Interim results (unaudited) for the six months to 30 June 2017***

**Condensed Consolidated Statement of Comprehensive Income**
**for the six months ended 30 June 2017**

| | **Six months ended 30 June 2017 £000** | Six months ended 30 June 2016 £000 | Year ended 31 December 2016 £000 |
|---|---|---|---|
| **Profit for the period** | **25,012** | 16,478 | 36,770 |
| **Other comprehensive income** | | | |
| Items which may be reclassified subsequently to profit and loss: | | | |
| Effective portion of changes in fair value of cash flow hedges | **(146)** | (10) | 44 |
| Taxation on items taken directly to other comprehensive income | **-** | 1 | - |
| **Other comprehensive income for the period** | **(146)** | (9) | 44 |
| **Total comprehensive income for the period** | **24,866** | 16,469 | 36,814 |
| **Total comprehensive income for the period is attributable to:** | | | |
| Equity holders of the parent | **24,842** | 16,453 | 36,763 |
| Non-controlling interests | **24** | 16 | 51 |
| | **24,866** | 16,469 | 36,814 |

**Condensed Consolidated Statement of Financial Position**
**at 30 June 2017**

| | **30 June 2017 £000** | 30 June 2016 £000 | 31 December 2016 £000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | **458,935** | 213,108 | 467,514 |
| Intangible assets | **194,633** | 22,529 | 193,784 |
| Investment in associate and joint ventures | **5,702** | 5,037 | 5,502 |
| Total non-current assets | **659,270** | 240,674 | 666,800 |
| **Current assets** | | | |
| Inventories | **27,863** | 11,790 | 29,331 |
| Trade and other receivables | **142,835** | 71,264 | 110,772 |
| Cash and cash equivalents | **13,174** | 33,019 | 4,628 |
| Total current assets | **183,872** | 116,073 | 144,731 |
| **Total assets** | **843,142** | 356,747 | 811,531 |
| **Current liabilities** | | | |
| Interest-bearing loans and borrowings | **(4,716)** | (5,666) | (6,893) |
| Trade and other payables | **(123,370)** | (67,072) | (116,783) |
| Current tax payable | **(6,350)** | (4,224) | (5,114) |
| Provisions | **(6,803)** | (184) | (6,478) |
| Total current liabilities | **(141,239)** | (77,146) | (135,268) |
| **Non-current liabilities** | | | |
| Interest-bearing loans and borrowings | **(155,236)** | (9,719) | (157,073) |
| Provisions | **(25,416)** | (11,717) | (24,429) |
| Deferred tax liabilities | **(27,198)** | (7,011) | (27,217) |
| Total non-current liabilities | **(207,850)** | (28,447) | (208,719) |
| **Total liabilities** | **(349,089)** | (105,593) | (343,987) |
| **Net assets** | **494,053** | 251,154 | 467,544 |
| **Equity attributable to equity holders of the parent** | | | |
| Stated capital | **377,755** | 179,139 | 375,495 |
| Cash flow hedging reserve | **(138)** | (45) | 8 |
| Capital reserve | **1,516** | 1,516 | 1,516 |
| Retained earnings | **114,728** | 70,361 | 90,307 |
| **Total equity attributable to equity holders of the parent** | **493,861** | 250,971 | 467,326 |
| **Non-controlling interests** | **192** | 183 | 218 |
| **Total equity** | **494,053** | 251,154 | 467,544 |

## Condensed Consolidated Statement of Changes in Equity
## for the six months ended 30 June 2017

**For the six months ended 30 June 2017**

| | **Stated capital** | **Cash flow hedging reserve** | **Capital reserve** | **Retained earnings** | **Attributable to equity holders of parent** | **Non-controlling interests** | **Total equity** |
|---|---|---|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| Balance at 31 December 2016 | **375,495** | **8** | **1,516** | **90,307** | **467,326** | **218** | **467,544** |
| Shares issued | **2,260** | **-** | **-** | **(1,551)** | **709** | **-** | **709** |
| Dividend to non-controlling interests | **-** | **-** | **-** | **-** | **-** | **(50)** | **(50)** |
| Total comprehensive income for the period | **-** | **(146)** | **-** | **24,988** | **24,842** | **24** | **24,866** |
| Credit to equity of share-based payments | **-** | **-** | **-** | **984** | **984** | **-** | **984** |
| **Balance at 30 June 2017** | **377,755** | **(138)** | **1,516** | **114,728** | **493,861** | **192** | **494,053** |

For the six months ended 30 June 2016

| | Stated capital | Cash flow hedging reserve | Capital reserve | Retained earnings | Attributable to equity holders of parent | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Balance at 31 December 2015 | 178,637 | (36) | 1,516 | 52,958 | 233,075 | 167 | 233,242 |
| Shares issued | 502 | - | - | (154) | 348 | - | 348 |
| Total comprehensive income for the period | - | (9) | - | 16,462 | 16,453 | 16 | 16,469 |
| Credit to equity of share-based payments | - | - | - | 1,095 | 1,095 | - | 1,095 |
| Balance at 30 June 2016 | 179,139 | (45) | 1,516 | 70,361 | 250,971 | 183 | 251,154 |

For the year ended 31 December 2016

| | Stated capital | Cash flow hedging reserve | Capital reserve | Retained earnings | Attributable to equity holders of parent | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Balance at 31 December 2015 | 178,637 | (36) | 1,516 | 52,958 | 233,075 | 167 | 233,242 |
| Shares issued | 196,858 | - | - | (177) | 196,681 | - | 196,681 |
| Total comprehensive income for the year | - | 44 | - | 36,719 | 36,763 | 51 | 36,814 |
| Credit to equity of share-based payments | - | - | - | 807 | 807 | - | 807 |
| Balance at 31 December 2016 | 375,495 | 8 | 1,516 | 90,307 | 467,326 | 218 | 467,544 |

**Breedon Group plc**
***Interim results (unaudited) for the six months to 30 June 2017***

**Condensed Consolidated Cash Flow Statement**
**for the six months ended 30 June 2017**

| | **Six months ended 30 June 2017 £000** | Six months ended 30 June 2016 £000 | Year ended 31 December 2016 £000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit for the period | **25,012** | 16,478 | 36,770 |
| *Adjustments for:* | | | |
| Depreciation and amortisation | **19,457** | 9,028 | 25,530 |
| Financial income | **-** | (35) | (63) |
| Financial expense | **3,264** | 1,231 | 4,540 |
| Share of profit of associate and joint ventures (net of tax) | **(1,196)** | (434) | (1,374) |
| Net loss/(gain) on sale of property, plant and equipment | **55** | (494) | (1,007) |
| Equity-settled share-based payment expenses | **984** | 1,095 | 807 |
| Taxation | **6,215** | 4,379 | 9,992 |
| **Operating cash flow before changes in working capital and provisions** | **53,791** | 31,248 | 75,195 |
| (Increase)/decrease in trade and other receivables | **(31,893)** | (12,493) | 6,862 |
| Decrease/(increase) in inventories | **1,469** | 779 | (1,887) |
| Increase/(decrease) in trade and other payables | **6,225** | 1,948 | (801) |
| Increase in provisions | **605** | 404 | 1,429 |
| **Cash generated from operating activities** | **30,197** | 21,886 | 80,798 |
| Interest paid | **(1,970)** | (660) | (4,315) |
| Interest element of finance lease payments | **(192)** | (246) | (466) |
| Dividend paid to non-controlling interest | **(50)** | - | - |
| Income taxes paid | **(5,003)** | (3,547) | (8,307) |
| **Net cash from operating activities** | **22,982** | 17,433 | 67,710 |
| **Cash flows used in investing activities** | | | |
| Acquisition of businesses | **(1,200)** | - | (57,062) |
| Purchase of property, plant and equipment | **(12,284)** | (6,025) | (23,729) |
| Proceeds from sale of property, plant and equipment | **1,790** | 940 | 10,070 |
| Repayment of loan to joint venture | **125** | 100 | 200 |
| Interest received | **-** | 35 | 63 |
| Dividend from associate and joint venture | **875** | 375 | 750 |
| **Net cash used in investing activities** | **(10,694)** | **(4,575)** | **(69,708)** |
| **Cash flows used in financing activities** | | | |
| Proceeds from the issue of shares (net) | **709** | 348 | 397 |
| Proceeds from new loans raised | **-** | - | 195,000 |
| Repayment of loans | **(1,337)** | - | (205,090) |
| Repayment of finance lease obligations | **(3,114)** | (3,698) | (7,191) |
| Purchase of financial instrument - derivative | **-** | (11) | (12) |
| **Net cash used in financing activities** | **(3,742)** | (3,361) | (16,896) |
| **Net increase/(decrease) in cash and cash equivalents** | **8,546** | 9,497 | (18,894) |
| Cash and cash equivalents at beginning of period | **4,628** | 23,522 | 23,522 |
| **Cash and cash equivalents at end of period** | **13,174** | 33,019 | 4,628 |

**Notes to the Condensed Consolidated Interim Financial Statements**

## 1 Basis of preparation

Breedon Group plc is a company domiciled in Jersey.

These Condensed Consolidated Interim Financial Statements (the "Interim Financial Statements") consolidate the results of the Company and its subsidiary undertakings (collectively the "Group").

These Interim Financial Statements have been prepared in accordance with IAS 34 - Interim Financial Reporting, as adopted by the EU. The Interim Financial Statements have been prepared under the historical cost convention except where the measurement of balances at fair value is required.

The Interim Financial Statements have been prepared applying the accounting policies and presentation that were applied in the presentation of the Company's Consolidated Financial Statements for the year ended 31 December 2016.

These Interim Financial Statements have not been audited or reviewed by auditors pursuant to the Auditing Practices Board's guidance on the review of interim financial information. These statements do not include all of the information required for full annual financial statements and should be read in conjunction with the full Annual Report for the year ended 31 December 2016.

The comparative figures for the financial year ended 31 December 2016 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditor. The report of the auditor (i) was unqualified and (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report.

## 2 Going concern

The Group meets its day-to-day working capital and other funding requirements through its banking facility, which includes an overdraft facility, which expires in November 2019. The Group actively manages its financial risks and operates Board approved financial policies, including interest rate hedging policies, that are designed to ensure that the Group maintains an adequate level of headroom and effectively mitigates financial risks.

On the basis of current financial projections and facilities available, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and, accordingly, consider that it is appropriate to adopt the going concern basis in preparing these Interim Financial Statements.

## 3 Financial risks, estimates, assumptions and judgements

In preparing these Interim Financial Statements, management have been required to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and income and expense. Actual results may differ from estimates. The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those that applied to the Consolidated Financial Statements for the year ended 31 December 2016 as set out in note 27 of the Annual Report for that year.

The principal risks and uncertainties the Group faces are in respect of the following:

- Market conditions
- Competition and margins
- Acquisitions
- Financing and liquidity
- Legal and regulatory
- Health & safety and environment
- People
- IT and cyber security

Further details of these main risks are set out on pages 16 and 17 of the Group's Annual Report for the year ended 31 December 2016. The Directors consider that these are the risks that could impact the performance of the Group in the remaining six months of the current financial year. As in the previous year, these risks are being managed and their anticipated impact mitigated.

**Notes to the Condensed Consolidated Interim Financial Statements *(continued)***

## 4 Segmental analysis

Segmental information is presented in respect of the Group's business segments in line with IFRS 8 - Operating Segments which requires segmental information to be presented on the same basis as it is viewed internally. As from January 2017 all aggregates, asphalt and concrete operations have been consolidated into our Breedon Northern and Breedon Southern businesses and all our cementitious operations are now housed within Hope Cement. Prior year comparisons have been restated. There are no other operating segments. The majority of revenues are earned from the sale of aggregates, cement, related products and services.

| | **Six months ended 30 June 2017** | | Six months ended 30 June 2016 | | Restated Year ended 31 December 2016 | |
|---|---|---|---|---|---|---|
| **Income statement** | **Revenue £000** | **EBITDA* £000** | Revenue £000 | EBITDA* £000 | Revenue £000 | EBITDA* £000 |
| Breedon Northern | **97,914** | **16,500** | 76,946 | 14,689 | 174,194 | 29,963 |
| Breedon Southern | **190,622** | **29,238** | 86,011 | 20,190 | 265,254 | 48,338 |
| Hope Cement | **71,505** | **16,255** | - | - | 52,115 | 16,152 |
| Central administration | **-** | **(8,044)** | - | (3,461) | - | (10,803) |
| Eliminations | **(33,752)** | **-** | - | - | (36,875) | - |
| **Group** | **326,289** | **53,949** | 162,957 | 31,418 | 454,688 | 83,650 |

*EBITDA represents underlying EBITDA before share of profit from associate and joint ventures.

| | 2017 | 2016 (six months) | 2016 (year) |
|---|---|---|---|
| *Reconciliation to reported profit* | | | |
| Group EBITDA as above | **53,949** | 31,418 | 83,650 |
| Depreciation and mineral depletion | **(19,349)** | (9,011) | (25,413) |
| Underlying Operating Profit | | | |
| Breedon Northern | **10,711** | 10,027 | 19,909 |
| Breedon Southern | **22,692** | 15,851 | 38,113 |
| Hope Cement | **9,348** | - | 11,060 |
| Central administration | **(8,151)** | (3,471) | (10,845) |
| | **34,600** | 22,407 | 58,237 |
| Share of profit of associate and joint ventures | **1,196** | 434 | 1,374 |
| **Underlying profit from operations (underlying EBIT)** | **35,796** | 22,841 | 59,611 |
| Non-underlying items (note 5) | **(1,305)** | (788) | (8,372) |
| **Profit from operations** | **34,491** | 22,053 | 51,239 |
| Net financial expense | **(3,264)** | (1,196) | (4,477) |
| **Profit before taxation** | **31,227** | 20,857 | 46,762 |
| Taxation | **(6,215)** | (4,379) | (9,992) |
| **Profit for the period** | **25,012** | 16,478 | 36,770 |

**Notes to the Condensed Consolidated Interim Financial Statements *(continued)***

## 5 Non-underlying items

As required by IFRS 3 – Business Combinations, acquisition related costs have been expensed as incurred. Additionally, the Group incurred redundancy costs in respect of the reorganisation of parts of the business. Non-underlying items also include property items, the amortisation of acquisition intangible assets and related tax items.

| | **Six months ended 30 June 2017 £000** | Six months ended 30 June 2016 £000 | Year ended 31 December 2016 £000 |
|---|---|---|---|
| *Included in administrative expenses*: | | | |
| Redundancy and reorganisation costs | **(1,729)** | (126) | (5,326) |
| Acquisition costs | **(39)** | (704) | (3,119) |
| Gain on property disposals | **571** | 59 | 185 |
| Amortisation of acquisition intangible assets | **(108)** | (17) | (112) |
| Total non-underlying items (pre-tax) | **(1,305)** | (788) | (8,372) |
| Non-underlying taxation | **260** | 16 | 1,206 |
| **Total non-underlying items (after tax)** | **(1,045)** | (772) | (7,166) |

## 6 Financial income and expense

| | **Six months ended 30 June 2017 £000** | Six months ended 30 June 2016 £000 | Year ended 31 December 2016 £000 |
|---|---|---|---|
| Interest income – bank deposits | **-** | 35 | 63 |
| **Financial income** | **-** | 35 | 63 |
| Interest expense – bank loans and overdrafts | **(1,970)** | (684) | (2,748) |
| Amortisation of prepaid bank arrangement fee | **(393)** | (129) | (497) |
| Interest expense – finance leases | **(192)** | (246) | (466) |
| Unwinding of discount on provisions | **(709)** | (172) | (829) |
| **Financial expense** | **(3,264)** | (1,231) | (4,540) |

## 7 Taxation

The Company is resident in Jersey which has a zero per cent tax rate. The tax charge for the six months ended 30 June 2017 has been based on the estimated effective blended rate applicable for existing operations for the full year. This is based on an effective rate of 19.25 per cent on profits arising in the Group's UK subsidiary undertakings with no tax deduction for expenses arising in Jersey.

Reductions in the UK corporation tax rate from 20 per cent to 19 per cent (effective from 1 April 2017) and to 18 per cent (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17 per cent (effective from 1 April 2020) was substantially enacted on 6 September 2016. This will reduce the Group's future tax charge accordingly. The deferred tax liability at 30 June 2017 has been calculated based on these rates.

## 8 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings.

| | **Six months ended 30 June 2017 £000** | Six months ended 30 June 2016 £000 | Year ended 31 December 2016 £000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Secured bank loans | **148,171** | 488 | 147,779 |
| Finance lease liabilities | **7,065** | 9,231 | 9,294 |
| | **155,236** | 9,719 | 157,073 |
| **Current liabilities** | | | |
| Unsecured bank loans | **-** | - | 1,336 |
| Current portion of finance lease liabilities | **4,716** | 5,666 | 5,557 |
| | **4,716** | 5,666 | 6,893 |

In November 2015, the Group entered into a new four year £300 million facility agreement which became effective on completion of the acquisition of Hope Cement Limited and which replaced the facilities previously in place. The new facility carried a rate of interest of between 1.5 per cent and 1.9 per cent above LIBOR, compared to a rate of interest of between 1.35 per cent and 1.7 per cent above LIBOR on the previous facility. The loan is secured by a floating charge over the assets of the Company and its subsidiary undertakings and has a final repayment date of 17 November 2019.

**Net (debt)/cash**

| | **Six months ended 30 June 2017 £000** | Six months ended 30 June 2016 £000 | Year ended 31 December 2016 £000 |
|---|---|---|---|
| Net (debt)/cash comprises the following items: | | | |
| Cash and cash equivalents | **13,174** | 33,019 | 4,628 |
| Current borrowings | **(4,716)** | (5,666) | (6,893) |
| Non-current borrowings | **(155,236)** | (9,719) | (157,073) |
| | **(146,778)** | 17,634 | (159,338) |

## 9 Earnings per share

The calculation of earnings per share is based on the profit for the period attributable to ordinary shareholders of £24,988,000 (30 June 2016: £16,462,000, 31 December 2016: £36,719,000) and on the weighted average number of ordinary shares in issue during the period of 1,412,888,278 (30 June 2016: 1,150,048,780, 31 December 2016: 1,257,812,971).

The calculation of underlying earnings per share is based on the profit for the period attributable to ordinary shareholders, adjusted to add back the non-underlying items, of £26,033,000 (30 June 2016: £17,234,000, 31 December 2016: £43,885,000) and on the weighted average number of ordinary shares in issue during the period as above.

Diluted earnings per ordinary share is based on 1,453,486,340 (30 June 2016: 1,191,589,466, 31 December 2016: 1,299,537,417) shares and reflects the effect of all dilutive potential ordinary shares.

## 10 Acquisitions

There have been no material acquisitions in the period.

## 11 Related party transactions

Related parties are consistent with those disclosed in the Group's Annual Report for the year ended 31 December 2016. All related party transactions are on an arm's length basis.

**Notes to the Condensed Consolidated Interim Financial Statements *(continued)***

## 12 Stated capital

| | Number of Ordinary Shares | | |
|---|---|---|---|
| | **Six months ended 30 June 2017** | Six months ended 30 June 2016 | Year ended 31 December 2016 |
| Issued ordinary shares at the beginning of the period | **1,411,013,763** | 1,149,390,728 | 1,149,390,728 |
| Issued in connection with: | | | |
| Acquisition of Hope Cement Limited | **-** | - | 259,120,245 |
| Vesting of Performance Share Plan awards | **2,876,962** | - | - |
| Exercise of savings-related share options | **2,360,258** | 2,218,684 | 2,502,790 |
| | **1,416,250,983** | 1,151,609,412 | 1,411,013,763 |

During the period, the Company issued 2,360,258 ordinary shares of no par value raising £709,000 in connection with the exercise of certain savings-related share options. On 4 April 2017, the Company issued 2,876,962 ordinary shares of no par value in connection with the vesting of awards under the Performance Share Plan.

**Cautionary Statement**

This announcement contains forward looking statements which are made in good faith based on the information available at the time of its approval. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a number of risks and uncertainties that are inherent in any forward looking statement which could cause actual results to differ from those currently anticipated.