BREEDON

BREEDON GROUP
Interim Report 2018

SOLID PROGRESS

FINANCIAL HIGHLIGHTS

Revenue

£378.4m

30 JUNE 2017: £326.3m

+16%

Underlying EBIT*

£42.0m

30 JUNE 2017: £35.8m

+17%

* 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 Interim Report are defined on this basis.

Underlying profit before taxation*

£37.4m

30 JUNE 2017: 32.5m

+15%

Profit before taxation

£30.4m

30 JUNE 2017: £31.2m

-3%

Underlying basic earnings per share*

1.96p

30 JUNE 2017: 1.84p

+7%

Net debt

£383.6m

30 JUNE 2017: £146.8m

- 9.3 million tonnes of aggregates sold (30 June 2017: 7.9 million tonnes)
- 1.2 million tonnes of asphalt sold (30 June 2017: 0.9 million tonnes)
- 1.6 million cubic metres of ready-mixed concrete sold (30 June 2017: 1.7 million cubic metres)

OPERATIONAL HIGHLIGHTS

- Resilient performance in challenging market: underlying EBIT margin maintained at 11.1%
- Continued strong cash generation and organic investment
- Acquisition of Lagan Group, a key strategic step outside GB; integration progressing well
- Two bolt-on acquisitions completed in England and Scotland
- Further progress on safety: LTIFR reduced from 1.41 to 0.94
- Completion of Tarmac asset swap on 1 July, rebalancing aggregates/ readymix portfolio
- Positive outlook in Ireland offsetting continued short-term challenges of GB market
- Remain confident of meeting 2018 market expectations

Cover photo:
Stuart Hopley, Area Operations Manager, Leaton

INTRODUCTION

We are a leading construction materials group in the UK and Ireland. Our operations are fully integrated, supplying cement, aggregates, asphalt, ready-mixed concrete and mortar, concrete and clay products and slate. We also provide contract surfacing and highway maintenance services.

The group employs nearly 3,000 people and has nearly 900 million tonnes of mineral reserves and resources.

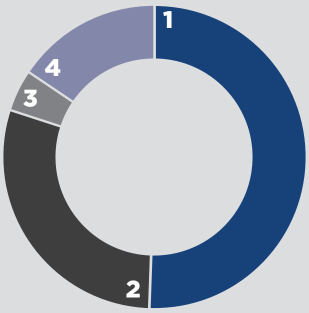
Our strategy is to continue growing through organic improvement and acquisition of businesses in the heavyside construction materials market.

Minffordd asphalt plant near Porthmadog, acquired as part of our asset swap with Tarmac.

For more information visit
www.breedongroup.com

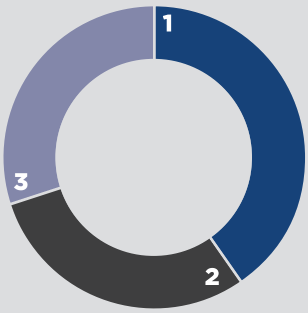
BREEDON GROUP OVERVIEW

Breedon is a business of significant scale, with operations extending from Stornoway in the north of Scotland to Dartford in Kent and throughout Northern Ireland and the Republic of Ireland.



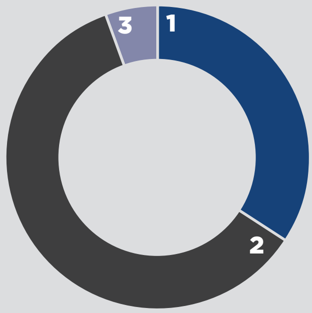
Quarries

1 Breedon Northern	43
2 Breedon Southern	25
3 Breedon Cement	5
4 Lagan Group	11



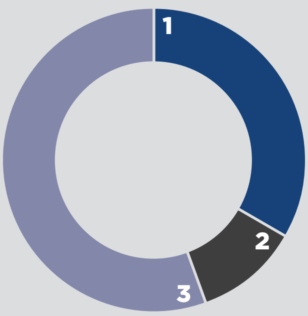
Asphalt plants

1 Breedon Northern	16
2 Breedon Southern	10
3 Lagan Group	11



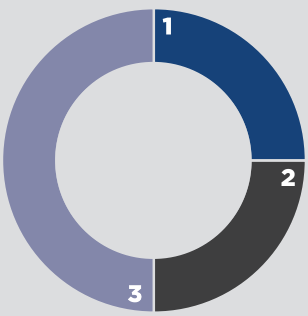
Ready-mixed concrete and mortar plants

1 Breedon Northern	56
2 Breedon Southern	101
3 Lagan Group	9



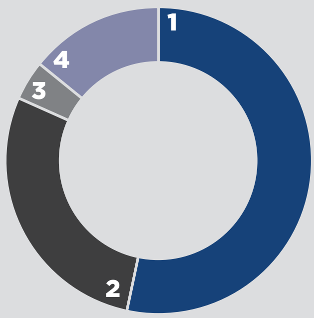
Concrete and clay products plants

1 Breedon Northern	3
2 Breedon Southern	1
3 Lagan Group	5



Contract surfacing & highway maintenance operations

1 Breedon Northern	1
2 Breedon Southern	1
3 Lagan Group	2



Colleagues (approx.)*

1 Breedon Northern	900
2 Breedon Southern	1000
3 Breedon Cement	240
4 Lagan Group	750

* Excludes central administration

All figures correct as at 30 June 2018.

2 cement manufacturing plants

84 active quarries

37 asphalt plants

166 ready-mixed concrete and mortar plants

4 contract surfacing businesses

6 import/export terminals

11 landfill & tipping sites

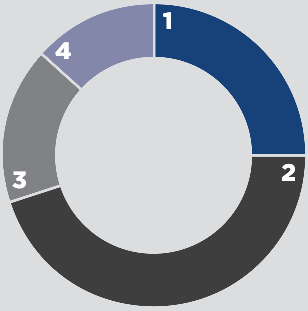
7 rail-fed depots

2 slate production facilities

7 concrete products plants

1 clay products plant

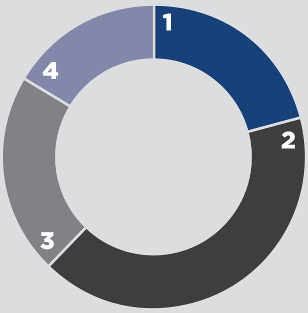
1 brick plant



Revenue by division †

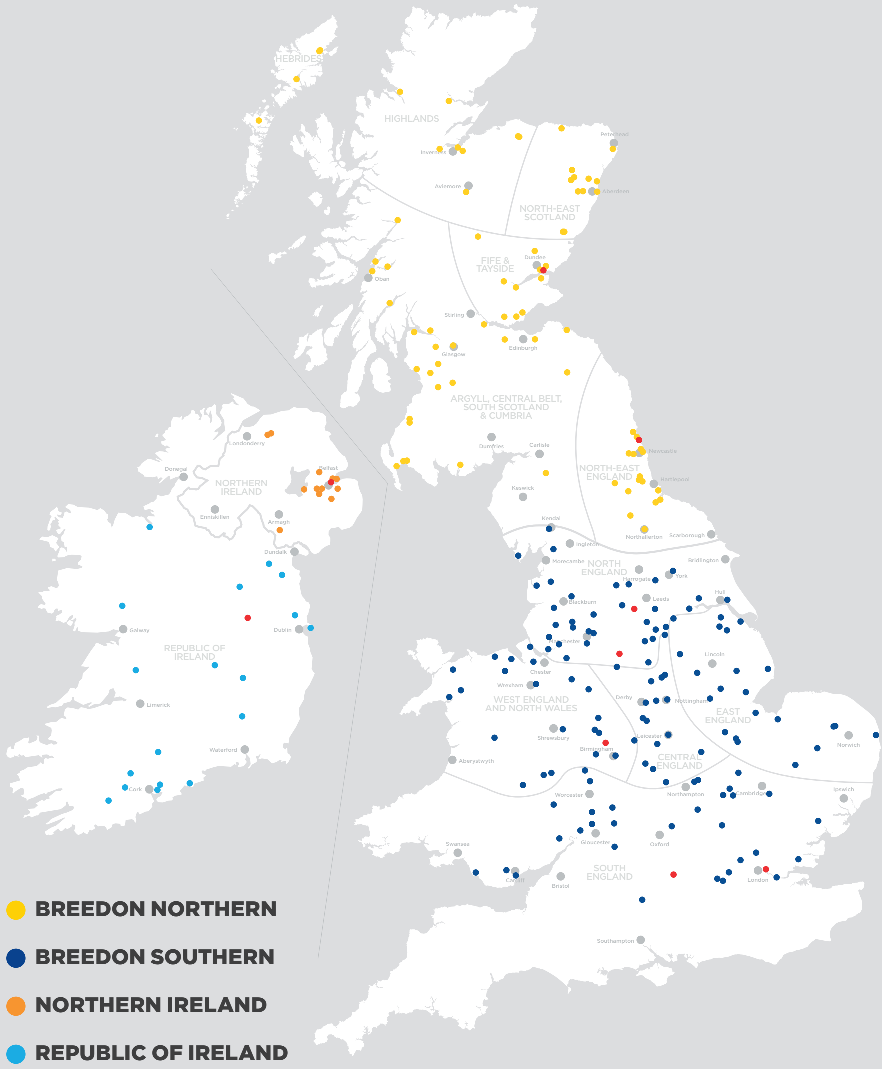
	£m
1 Breedon Northern	103.3
2 Breedon Southern	186.0
3 Breedon Cement	68.9
4 Lagan Group	54.6

† Excludes eliminations



Underlying EBIT by division ‡

	£m
1 Breedon Northern	9.9
2 Breedon Southern	19.4
3 Breedon Cement	10.0
4 Lagan Group	7.6



BREEDON NORTHERN
BREEDON SOUTHERN
NORTHERN IRELAND
REPUBLIC OF IRELAND
BREEDON CEMENT

‡ Excludes central administration and share of profit of associate and joint ventures

Information correct as at 1 July 2018 (post Tarmac asset swap)

BUSINESS REVIEW

Peter Tom CBE
Executive Chairman

Pat Ward
Group Chief Executive

FINANCIAL HIGHLIGHTS

	Six months ended 30 June 2018 £m	Six months ended 30 June 2017 £m	Variance
Revenue			
Breedon Northern	**103.3**	97.9	+6%
Breedon Southern	**186.0**	190.6	-2%
Breedon Cement	**68.9**	71.5	-4%
Lagan Group	**54.6**	–	–
Eliminations	**(34.4)**	(33.7)	+2%
Total	**378.4**	326.3	+16%
Underlying EBIT			
Breedon Northern	**9.9**	10.7	-7%
Breedon Southern	**19.4**	22.7	-15%
Breedon Cement	**10.0**	9.3	+8%
Lagan Group	**7.6**	–	–
Central administration	**(5.8)**	(8.1)	-28%
Share of associate and joint ventures	**0.9**	1.2	-25%
Total	**42.0**	35.8	+17%
Underlying EBIT margin	**11.1%**	11.0%	

GROUP RESULTS

Breedon Group, a leading construction materials group in the UK and Ireland, today announces its unaudited results for the six months to 30 June 2018.

This was one of the busiest periods in the Group's history, with four acquisitions completed by 1 July including our first outside Great Britain ("GB"), coupled with continued organic investment in a number of key projects. We had anticipated a challenging 2018 and so it proved in the first half, with testing trading conditions exacerbated by the severe weather in the first quarter and rising input costs throughout the period. Despite these headwinds, we delivered a resilient performance.

Our aggregates and asphalt volumes were both ahead, by 17 per cent (excluding acquisitions, 7 per cent) and 28 per cent (excluding acquisitions, 2 per cent) respectively. This contrasts with GB market volume declines of 1.3 per cent and 1.7 per cent respectively, according to the Mineral Products Association. The ready-mixed concrete market was particularly difficult and our volumes softened by 7 per cent (excluding acquisitions, 10 per cent) compared with a market decline of 6 per cent. In accordance with the Cement Market Data Order 2016, cement volumes are not disclosed.

Group revenue for the half-year was £378.4 million (2017: £326.3 million) and underlying earnings before interest and tax ("EBIT") increased by 17 per cent to £42.0 million (2017: £35.8 million). Excluding acquisitions, both are marginally down against the prior year.

The underlying EBIT margin, our principal performance measure, was maintained at 11.1% in spite of steadily increasing input costs. As in the prior year, the half-year margin is impacted by the phasing of planned cement kiln shutdowns. Whilst the acquisition of Lagan Group (Holdings) Limited ("Lagan Group") will as expected have a dilutive effect in the short term, we continue to target a 15 per cent underlying EBIT margin for the Group.

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

OPERATING PERFORMANCE

Breedon Northern's results reflected the subdued markets in which it was operating. Nevertheless, we supplied several new and existing projects, including the final phase of the Aberdeen Western Peripheral Route, the new £2.2 billion Woodsmith potash mine in Yorkshire and the £50 million expansion of Peterhead Harbour. We opened a strategically valuable new hard rock quarry at North Drumboy near Glasgow and the sand & gravel quarry we opened late last year at Low Harperley near Durham came into full production, enabling us to internalise the supply of more material to our concrete plants in the region.

Breedon Southern also traded in weaker markets, with volumes under pressure, particularly in ready-mixed concrete. The picture, as always, varied across our regions, with busier markets in the Midlands contrasting with muted demand in London and the South-East. We continued to supply significant quantities of material to the 700-acre East Midlands Gateway project and benefited from our longstanding ability to provide a highly-responsive local service to smaller customers. We also opened a new sand & gravel quarry at Earls Barton in Northamptonshire.

In a significant achievement, Breedon Bow Highways Limited (Breedon Southern's joint venture with Thomas Bow Limited) was awarded a Framework Contract by Highways England to provide road surfacing services in the Midlands and Eastern England. This is the first time that Breedon has worked directly for Highways England on a major framework contract, which we believe should lead to more collaboration in the years ahead.

Although revenue reflected the softness of the ready-mixed concrete market, Breedon Cement delivered a sound performance.

ORGANIC DEVELOPMENT

We sustained our programme of investment in operational efficiency improvements and capacity expansion in the first half of the year. Most notably, we opened a replacement asphalt plant in our Furnace quarry near Inveraray in Scotland and commenced installation of a new asphalt plant at our Dowlow quarry in Derbyshire. These investments (coupled with the recent acquisition from Tarmac of a plant at Minffordd near Porthmadog in Wales) have added further to our GB asphalt capacity.

ACQUISITION OF LAGAN GROUP

On 20 April we completed the £455 million acquisition of Lagan Group, funded by a combination of debt and an equity placing. We were particularly pleased that the £170 million equity placing was significantly oversubscribed, as was the accompanying €5 million open offer, which we believe demonstrated our investors' confidence in the potential of this important strategic step for the Group.

Lagan Group gives us immediate scale in a new and growing market outside GB, with a new modern cement plant and complementary downstream businesses with strong development potential. The attractions of the acquisition were underlined by Lagan Group's performance in the first 10 weeks under our ownership, which exceeded our expectations, as it benefited from more favourable trading conditions, particularly in the Republic of Ireland ("RoI").

The integration of the business commenced promptly after completion and is progressing well, with encouraging evidence of its future prospects. We remain confident of delivering the full £5 million of synergies by the third year, as we indicated in April.

MANAGEMENT STRUCTURE

Lagan Group will be reported as a single entity for the 2018 financial year. However, for operational purposes the Group is now being managed as follows:

Breedon Cement, led by Managing Director Jude Lagan, comprises our cementitious operations in the UK and Ireland, including our cement plants at Hope and Kinnegad, our import/export terminals in Belfast, Dundee and Blyth, and our rail-linked depots and bagging plant.

Breedon Northern, led by Managing Director Alan Mackenzie, comprises our construction materials, contract surfacing and highway maintenance operations in Scotland and parts of northern England.

Breedon Southern, led by Managing Director Mike Pearce, comprises our construction materials, contract surfacing and highway maintenance operations in the majority of England and Wales, including Welsh Slate.

"We sustained investment in operational efficiency improvements and capacity expansion"

BUSINESS REVIEW CONTINUED

Whitemountain, led by Managing Director Mark Kelly, comprises our construction materials, contract surfacing, highway maintenance, civil engineering and airfield construction operations in Northern Ireland ("NI"), with some project delivery in the UK.

Lagan, led by Managing Director Terry Lagan, comprises our construction materials, contract surfacing, highway maintenance and airfield construction operations in RoI, also with some project delivery in the UK.

OTHER ACQUISITIONS

On 3 April we acquired Staffs Concrete Limited, a mini-mix concrete operator based in Stoke-on-Trent, as a complement to our existing mini-mix businesses which operate throughout the West and East Midlands and East Anglia. It draws material from our local ready-mixed concrete plants, extending our reach to the north of Birmingham, and has performed in line with our expectations.

On 1 June we acquired Blinkbonny Quarry (Borders) Limited, which operates a quarry and ready-mixed concrete plant near Kelso in the Scottish Borders. It has provided us with an 'anchor quarry' in the region, with reserves and resources of high-quality basalt rock and a fleet of ready-mixed concrete mixers and tippers together with a volumetric concrete mixer.

SAFETY OF COLLEAGUES

We made further progress in improving the key measure of our safety performance, reporting a 33 per cent reduction in our employees Lost Time Injury Frequency Rate ("LTIFR") from 1.41 at the end of 2017 to 0.94 at the end of the first half. We are targeting an improvement in our LTIFR to 1.0 or better for the full year.

We continued to place a heavy emphasis on Visible Felt Leadership ("VFL"), led by our Executive Committee, which requires our managers to spend a significant proportion of their time out in the business interacting with our operational teams and ensuring that we do not miss any opportunities to identify areas for improvement. We are already closely monitoring the number of VFL interactions in Lagan and will incorporate these into the enlarged Group's performance statistics in our 2018 health & safety report.

We also invested additional time and resources in management training during the first half, focusing in particular on providing our managers with the softer skills they need, especially in group and one-to-one communications, to ensure that they engage positively and effectively with their teams and so embed our Safety Commitments more firmly throughout the Group.

BALANCE SHEET AND CASH FLOW

Net assets at 30 June 2018 were £724.2 million, compared to £528.1 million at 31 December 2017 and £494.1 million at 30 June 2017, the increase since 31 December being underpinned by the Lagan Group acquisition.

Cash generated from operating activities was £29.2 million, after an increase in working capital and provisions of £31.6 million as a result of the seasonal requirements of the business. The Group expended cash of £398.2 million on three acquisitions and incurred cash spend on capital expenditure of £10.9 million.

Proceeds from the issue of shares included the net proceeds of the equity placing and open offer in respect of the Lagan Group acquisition. The proceeds from new loans raised and the repayment of loans reflect the refinancing undertaken at the time of the acquisition.

TARMAC ASSET SWAP

Immediately after the period-end, on 1 July, we completed an asset swap with Tarmac, giving us four new quarries with approximately 25 million tonnes of additional reserves and resources, together with a new asphalt plant with an annual capacity of up to 50,000 tonnes, in exchange for 23 ready-mixed concrete plants and £6.1 million in cash. This is an excellent, margin-enhancing deal, in line with our strategy of strengthening our asset base and improving the quality of our earnings.

"We invested additional time and resources in management training"

It streamlines our concrete network and enables us to release value by relinquishing peripheral plants which we were unable to supply internally and which in many cases were on short-term leases. This means we have become much less dependent on third-party aggregates and can now supply more of our concrete and asphalt plants with our own minerals.

It is also a further example of how we can work with our larger peers – in this case Tarmac, a subsidiary of one of the world's most successful global building materials companies – to benefit customers and other stakeholders on both sides of the transaction.

BOARD APPOINTMENT

Further to the announcement on 7 March that we had commenced a formal search process to seek two new independent non-executive directors, we are pleased to announce the first appointment. Peter Cornell will join the Board as an independent non-executive director on 1 October this year. He is a Founding Partner of Metric Capital, a Special Situations Fund targeting mid-sized companies throughout Europe, a former Managing Director of Terra Firma and former Global Managing Partner of Clifford Chance. Further details of Peter's appointment can be found in today's accompanying announcement.

We expect to confirm the appointment of a further non-executive director before the end of this year.

OUTLOOK

In the three months since our purchase of Lagan Group (May-July) our revenues were up 46 per cent (excluding acquisitions 4 per cent) compared to the same period of 2017, in part reflecting recovery of some of the first-quarter shortfall.

We expect the GB market to remain challenging for the remainder of 2018, compounded by persistent uncertainties around the nature and timing of our exit from the European Union, with the Construction Products Association forecasting a 0.6 per cent decline in output this year. This contrasts, however, with a more positive outlook for the rest of 2018 in the island of Ireland.

Against this background, and being mindful of the continuing pressure from rising input costs, we will continue to practise the strategy of self-help which has served us well in previous economic slowdowns, bearing down on expenditure and extracting maximum value from every tonne of material we produce, whilst continuing to invest carefully for the long term. We also continue to actively review potential acquisition opportunities.

We did much in the first six months of this year to rebalance the Group, both geographically and operationally. Our new businesses in Ireland provide a valuable economic counterpoint to the continuing short-term challenges of our markets in GB and our asset swap with Tarmac has expanded our aggregates base and further reduced our reliance on the ready-mixed concrete market, thereby improving the quality of our earnings.

We continue to view the medium- to long-term outlook in GB positively, with infrastructure spending forecast to increase steadily over the next three years and Government strategies to address our chronic housing shortage expected to fuel continued growth in the residential sector.

Market conditions in Ireland are expected to be even healthier, with construction output in RoI forecast by Euroconstruct to grow by approximately 28 per cent in the three years to 2020 and NI expected to sustain construction output at approximately £3 billion per annum from 2018 to 2022, according to the CITB Construction Skills Network.

In the more immediate term, taking into account our more balanced geographical exposure, we remain comfortable with current market expectations for 2018.

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

Peter Tom CBE
Executive Chairman

Patrick R Ward

Pat Ward
Group Chief Executive
5 September 2018

> **"We did much in the first six months to rebalance the Group"**

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Underlying £000	Non-underlying* (note 5) £000	Six months ended 30 June 2018 Total £000	Underlying £000	Non-underlying* (note 5) £000	Six months ended 30 June 2017 Total £000	Underlying £000	Non-underlying* (note 5) £000	Year ended 31 December 2017 Total £000
Revenue	**378,356**	**–**	**378,356**	326,289	–	326,289	652,416	–	652,416
Cost of sales	**(248,113)**	**–**	**(248,113)**	(207,206)	–	(207,206)	(408,041)	–	(408,041)
Gross profit	**130,243**	**–**	**130,243**	119,083	–	119,083	244,375	–	244,375
Distribution expenses	**(61,920)**	**–**	**(61,920)**	(60,812)	–	(60,812)	(117,647)	–	(117,647)
Administrative expenses	**(27,261)**	**(7,011)**	**(34,272)**	(23,671)	(1,305)	(24,976)	(49,035)	(2,776)	(51,811)
Group operating profit	**41,062**	**(7,011)**	**34,051**	34,600	(1,305)	33,295	77,693	(2,776)	74,917
Share of profit of associate and joint ventures	**902**	**–**	**902**	1,196	–	1,196	2,688	–	2,688
Profit from operations	**41,964**	**(7,011)**	**34,953**	35,796	(1,305)	34,491	80,381	(2,776)	77,605
Financial income	**–**	**–**	**–**	–	–	–	7	–	7
Financial expense	**(4,578)**	**–**	**(4,578)**	(3,264)	–	(3,264)	(6,415)	–	(6,415)
Profit before taxation	**37,386**	**(7,011)**	**30,375**	32,532	(1,305)	31,227	73,973	(2,776)	71,197
Taxation	**(7,185)**	**44**	**(7,141)**	(6,475)	260	(6,215)	(14,683)	481	(14,202)
Profit for the period	**30,201**	**(6,967)**	**23,234**	26,057	(1,045)	25,012	59,290	(2,295)	56,995
Attributable to:									
Equity holders of the parent	**30,115**	**(6,967)**	**23,148**	26,033	(1,045)	24,988	59,222	(2,295)	56,927
Non-controlling interests	**86**	**–**	**86**	24	–	24	68	–	68
Profit for the period	**30,201**	**(6,967)**	**23,234**	26,057	(1,045)	25,012	59,290	(2,295)	56,995
Basic earnings per ordinary share	**1.96p**		**1.51p**	1.84p		1.77p	4.14p		3.98p
Diluted earnings per ordinary share	**1.95p**		**1.50p**	1.79p		1.72p	4.07p		3.91p

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Six months ended 30 June 2018 £000	Six months ended 30 June 2017 £000	Year ended 31 December 2017 £000
Profit for the period	**23,234**	25,012	56,995
Other comprehensive income			
Items which may be reclassified subsequently to profit and loss:			
Exchange differences on translation of foreign operations, net of hedging	**358**	–	–
Effective portion of changes in fair value of cash flow hedges	**–**	(146)	(8)
Taxation on items taken directly to other comprehensive income	**–**	–	–
Other comprehensive income for the period	**358**	(146)	(8)
Total comprehensive income for the period	**23,592**	24,866	56,987
Total comprehensive income for the period is attributable to:			
Equity holders of the parent	**23,506**	24,842	56,919
Non-controlling interests	**86**	24	68
	23,592	24,866	56,987

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	30 June 2018 £000	30 June 2017 £000	31 December 2017 £000
Non-current assets			
Property, plant and equipment	**650,669**	458,935	477,393
Intangible assets	**455,411**	194,633	194,543
Investment in associate and joint ventures	**6,046**	5,702	6,171
Total non-current assets	**1,112,126**	659,270	678,107
Current assets			
Assets held for sale	**10,444**	–	–
Inventories	**52,655**	27,863	30,923
Trade and other receivables	**212,612**	142,835	113,487
Cash and cash equivalents	**33,142**	13,174	23,912
Total current assets	**308,853**	183,872	168,322
Total assets	**1,420,979**	843,142	846,429
Current liabilities			
Interest-bearing loans and borrowings	**(31,559)**	(4,716)	(4,414)
Trade and other payables	**(184,829)**	(123,370)	(120,825)
Current tax payable	**(7,333)**	(6,350)	(6,776)
Provisions	**(2,573)**	(6,803)	(2,568)
Total current liabilities	**(226,294)**	(141,239)	(134,583)
Non-current liabilities			
Interest-bearing loans and borrowings	**(385,146)**	(155,236)	(129,340)
Provisions	**(36,563)**	(25,416)	(26,097)
Deferred tax liabilities	**(48,737)**	(27,198)	(28,350)
Total non-current liabilities	**(470,446)**	(207,850)	(183,787)
Total liabilities	**(696,740)**	(349,089)	(318,370)
Net assets	**724,239**	494,053	528,059
Equity attributable to equity holders of the parent			
Stated capital	**548,963**	377,755	377,755
Cash flow hedging reserve	**–**	(138)	–
Translation reserve	**358**	–	–
Capital reserve	**–**	1,516	–
Retained earnings	**174,646**	114,728	150,118
Total equity attributable to equity holders of the parent	**723,967**	493,861	527,873
Non-controlling interests	**272**	192	186
Total equity	**724,239**	494,053	528,059

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Stated capital £000	Cash flow hedging reserve £000	Translation reserve £000	Retained earnings £000	Attributable to equity holders of parent £000	Non-controlling interests £000	Total equity £000
Balance at 31 December 2017	377,755	–	–	150,118	527,873	186	528,059
Shares issued	174,862	–	–	–	174,862	–	174,862
Expenses of share issue	(3,654)	–	–	–	(3,654)	–	(3,654)
Total comprehensive income for the period	–	–	358	23,148	23,506	86	23,592
Share-based payments	–	–	–	1,380	1,380	–	1,380
Balance at 30 June 2018	**548,963**	**–**	**358**	**174,646**	**723,967**	**272**	**724,239**

for the six months ended 30 June 2017

	Stated capital £000	Cash flow hedging reserve £000	Capital reserve £000	Retained earnings £000	Attributable to equity holders of parent £000	Non-controlling interests £000	Total equity £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
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 year ended 31 December 2017

	Stated capital £000	Cash flow hedging reserve £000	Capital reserve £000	Retained earnings £000	Attributable to equity holders of parent £000	Non-controlling interests £000	Total equity £000
Balance at 31 December 2016	375,495	8	1,516	90,307	467,326	218	467,544
Shares issued	2,260	–	(1,516)	–	744	–	744
Dividend to non-controlling interests	–	–	–	–	–	(100)	(100)
Total comprehensive income for the year	–	(8)		56,927	56,919	68	56,987
Share-based payments	–	–	–	2,884	2,884	–	2,884
Balance at 31 December 2017	377,755	–	–	150,118	527,873	186	528,059

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Six months ended 30 June 2018 £000	Six months ended 30 June 2017 £000	Year ended 31 December 2017 £000
Cash flows from operating activities			
Profit for the period	**23,234**	25,012	56,995
Adjustments for:			
Depreciation and amortisation	**26,026**	19,457	39,528
Financial income	**-**	–	(7)
Financial expense	**4,578**	3,264	6,415
Share of profit of associate and joint ventures	**(902)**	(1,196)	(2,688)
Net (gain)/loss on sale of property, plant and equipment	**(622)**	55	(998)
Equity settled share-based payment expense	**1,380**	984	2,884
Taxation	**7,141**	6,215	14,202
Operating cash flow before changes in working capital and provisions	**60,835**	53,791	116,331
(Increase)/decrease in trade and other receivables	**(39,134)**	(31,893)	706
Decrease/(increase) in inventories	**202**	1,469	(1,057)
Increase in trade and other payables	**7,874**	6,225	2,331
(Decrease)/increase in provisions	**(532)**	605	(1,142)
Cash generated from operating activities	**29,245**	30,197	117,169
Interest paid	**(3,227)**	(1,970)	(3,707)
Interest element of finance lease payments	**(167)**	(192)	(388)
Dividend paid to non-controlling interest	**-**	(50)	(100)
Income taxes paid	**(7,209)**	(5,003)	(12,082)
Net cash from operating activities	**18,642**	22,982	100,892
Cash flows used in investing activities			
Acquisition of businesses	**(398,226)**	(1,200)	(9,201)
Purchase of property, plant and equipment	**(10,853)**	(12,284)	(46,193)
Proceeds from sale of property, plant and equipment	**1,354**	1,790	3,246
Repayment of loan to joint venture	**54**	125	269
Interest received	**-**	–	7
Dividend from associate and joint venture	**-**	875	1,750
Net cash used in investing activities	**(407,671)**	(10,694)	(50,122)
Cash flows used in financing activities			
Proceeds from the issue of shares (net)	**171,208**	709	744
Proceeds from new loans raised	**409,943**	–	–
Repayment of loans	**(179,959)**	(1,337)	(26,568)
Repayment of finance lease obligations	**(2,974)**	(3,114)	(5,662)
Net cash from/(used in) financing activities	**398,218**	(3,742)	(31,486)
Net increase in cash and cash equivalents	**9,189**	8,546	19,284
Cash and cash equivalents at beginning of period	**23,912**	4,628	4,628
Foreign exchange differences	**41**	–	–
Cash and cash equivalents at end of period	**33,142**	13,174	23,912

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.

Other than in respect of IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* which apply from 1 January 2018, 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 2017.

The application of IFRS 9 and IFRS 15 has not had a material impact on the Interim Financial Statements. The Group expects to adopt IFRS 16 *Leases* with effect from 1 January 2019. The Group has material operating leases and therefore the adoption of the standard is expected to have a material impact on the Financial Statements of the Group.

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 2017.

The comparative figures for the financial year ended 31 December 2017 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 April 2022. 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 judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are materially the same as those that applied to the Consolidated Financial Statements for the year ended 31 December 2017 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 & margins
- Acquisitions
- Financing, liquidity & currency
- Legal and regulatory
- Health, safety & environment
- People
- IT & cyber security

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

3 FINANCIAL RISKS, ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

Further details of the main risks for the year ended 31 December 2017 are set out on pages 20 and 21 of the Group's Annual Report for the year ended 31 December 2017. 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. The Directors continue to manage these risks and to mitigate their anticipated impact.

4 SEGMENTAL ANALYSIS

Segmental information is presented in line with IFRS 8 – Operating Segments. In the Consolidated Financial Statements for the year ended 31 December 2017, the Group was split into three reportable units: Breedon Northern, Breedon Southern and Breedon Cement. Within the current period, the Group completed the acquisition of Lagan Group (Holdings) Limited ('Lagan Group') and this business has been reported as a separate operating segment.

Income statement	Revenue £000	Six months ended 30 June 2018 EBITDA* £000	Revenue £000	Six months ended 30 June 2017 EBITDA* £000	Revenue £000	Year ended 31 December 2017 EBITDA* £000
Breedon Northern	**103,305**	**16,135**	97,914	16,500	196,025	32,062
Breedon Southern	**186,008**	**26,859**	190,622	29,238	381,456	57,486
Breedon Cement	**68,917**	**17,457**	71,505	16,255	141,561	39,851
Lagan Group	**54,592**	**11,472**	–	–	–	–
Central administration	**–**	**(5,942)**	–	(8,044)	–	(12,400)
Eliminations	**(34,466)**	**–**	(33,752)	–	(66,626)	–
Group	**378,356**	**65,981**	326,289	53,949	652,416	116,999

* EBITDA is earnings before interest, tax, depreciation, amortisation, non-underlying items (note 5) and before our share of profit from associate and joint ventures.

Reconciliation to statutory profit	Six months ended 30 June 2018 £000	Six months ended 30 June 2017 £000	Year ended 31 December 2017 £000
Group EBITDA as above	**65,981**	53,949	116,999
Depreciation and mineral depletion	**(24,919)**	(19,349)	(39,306)
Underlying Operating Profit			
Breedon Northern	**9,863**	10,711	20,374
Breedon Southern	**19,422**	22,692	44,148
Breedon Cement	**9,961**	9,348	25,762
Lagan Group	**7,621**	–	–
Central administration	**(5,805)**	(8,151)	(12,591)
	41,062	34,600	77,693
Share of profit of associate and joint ventures	**902**	1,196	2,688
Underlying profit from operations (EBIT)	**41,964**	35,796	80,381
Non-underlying items (note 5)	**(7,011)**	(1,305)	(2,776)
Profit from operations	**34,953**	34,491	77,605
Net financial expense	**(4,578)**	(3,264)	(6,408)
Profit before taxation	**30,375**	31,227	71,197
Taxation	**(7,141)**	(6,215)	(14,202)
Profit for the period	**23,234**	25,012	56,995

5 NON-UNDERLYING ITEMS

Non-underlying items are those which are either unlikely to recur in future periods or which distort the underlying performance of the business. In the opinion of the directors, this presentation aids understanding of the underlying business performance and references to underlying earnings measures throughout this report are made on this basis. Underlying measures are presented on a consistent basis over time to assist in the comparison of performance.

	Six months ended 30 June 2018 £000	Six months ended 30 June 2017 £000	Year ended 31 December 2017 £000
Included in administrative expenses:			
Redundancy and reorganisation costs	**(229)**	(1,729)	(2,499)
Acquisition costs	**(5,674)**	(39)	(626)
Gain on property disposals	**–**	571	571
Amortisation of acquired intangible assets	**(1,108)**	(108)	(222)
Total non-underlying items (pre-tax)	**(7,011)**	(1,305)	(2,776)
Non-underlying taxation	**44**	260	481
Total non-underlying items (after tax)	**6,967**	(1,045)	(2,295)

6 FINANCIAL INCOME AND EXPENSE

	Six months ended 30 June 2018 £000	Six months ended 30 June 2017 £000	Year ended 31 December 2017 £000
Bank deposits	**–**	–	7
Financial income	**–**	–	7
Bank loans and overdrafts	**(3,227)**	(1,970)	(3,707)
Amortisation of prepaid bank arrangement fee	**(475)**	(393)	(806)
Finance leases	**(167)**	(192)	(388)
Unwinding of discount on provisions	**(709)**	(709)	(1,514)
Financial expense	**(4,578)**	(3,264)	(6,415)

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 2018 has been based on the estimated effective weighted average rate applicable for existing operations for the full year. This is based on an underlying effective rate of 19.2% per cent on profits arising in the Group's UK subsidiary undertakings with no tax deduction for expenses arising in Jersey.

A reduction in the UK corporation tax rate from 20 per cent to 19 per cent (effective from 1 April 2017) was substantively enacted on 26 October 2015, and an additional reduction to 17 per cent (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Group's future current tax charge accordingly. The deferred tax liability at 30 June 2018 has been calculated based on these rates.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

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 2018 £000	Six months ended 30 June 2017 £000	Year ended 31 December 2017 £000
Non-current liabilities			
Secured bank loans	**376,284**	148,171	124,247
Finance lease liabilities	**8,862**	7,065	5,093
	385,146	155,236	129,340
Current liabilities			
Secured bank loans	**25,000**		
Current portion of finance lease liabilities	**6,559**	4,716	4,414
	31,559	4,716	4,414

In April 2018, the Group entered into a new four year £500 million facility agreement, comprising a term loan of £150 million and a revolving credit facility of £350 million. The facility became effective on completion of the acquisition of Lagan Group and replaced the facility previously in place. Interest of between 1.35 per cent and 2.05 per cent above LIBOR was paid on the facilities during the period. The facility is secured by a floating charge over the assets of the Company and its subsidiary undertakings. The term loan is repayable in four annual instalments over a four year period. The revolving credit facility is repayable in April 2022.

Net debt

Net debt comprises the following items:	Six months ended 30 June 2018 £000	Six months ended 30 June 2017 £000	Year ended 31 December 2017 £000
Cash and cash equivalents	**33,142**	13,174	23,912
Current borrowings	**(31,559)**	(4,716)	(4,414)
Non-current borrowings	**(385,146)**	(155,236)	(129,340)
	(383,563)	(146,778)	(109,842)

9 EARNINGS PER SHARE

The calculation of earnings per share is based on the profit for the period attributable to ordinary shareholders of £23,148,000 (30 June 2017: £24,988,000, 31 December 2017: £56,927,000) and on the weighted average number of ordinary shares in issue during the period of 1,538,090,540 (30 June 2017: 1,412,888,278, 31 December 2017: 1,428,956,906).

The calculation of underlying earnings per share is based on the profit for the period attributable to ordinary shareholders, adjusted to add back non-underlying items, of £30,115,000 (30 June 2017: £26,033,000, 31 December 2017: £59,222,000) and on the weighted average number of ordinary shares in issue during the period as above.

Diluted earnings per ordinary share is based on 1,545,480,843 shares (30 June 2017: 1,453,486,340, 31 December 2017: 1,454,185,019) and reflects the effect of all dilutive potential ordinary shares.

10 ACQUISITIONS

On 20 April 2018, the Group acquired 100% of the share capital of Lagan Group. This transaction was accounted for as a business combination under IFRS 3. The provisional fair value of the consideration paid and the consolidated net assets acquired, together with the goodwill arising in respect of this transaction was as follows:

	Book value £000	Fair value adjustments £000	**Fair value on acquisition £000**
Intangible assets	13,522	42,528	**56,050**
Share of joint ventures	198	647	**845**
Property, plant and equipment	114,990	73,938	**188,928**
Inventories	21,341	888	**22,229**
Trade and other receivables	59,763	(455)	**59,308**
Cash	18,759	–	**18,759**
Trade and other payables	(54,830)	(586)	**(55,416)**
Interest-bearing loans and borrowings	(54,872)	–	**(54,872)**
Provisions	(2,980)	(7,343)	**(10,323)**
Deferred tax liabilities	(2,346)	(17,970)	**(20,316)**
Total	**113,545**	**91,647**	**205,192**
Consideration – cash			**413,700**
Consideration – deemed proceeds from stepped acquisition of Breedon Whitemountain Limited			**2,325**
Goodwill arising			**210,833**

The fair value adjustments primarily comprised adjustments to:

- eliminate the £13,522,000 of pre-existing goodwill which comprised the book values of intangible assets in the opening balance sheet;
- recognise intangible assets, including the value of acquired customer related intangibles, brand, permits and. emissions assets;
- revalue certain items of property, plant & equipment, including the cement plant at Kinnegad and the acquired mineral reserves and resources to reflect the fair value at date of acquisition;
- working capital accounts to reflect fair value;
- restoration provisions to reflect costs to comply with environmental, planning and other legislation; and
- deferred tax balances.

The goodwill arising represents the potential to access further reserves of mineral subject to obtaining the necessary permissions, the strategic geographic location of the assets acquired and the skills of the existing workforce and management team.

Acquisition costs of £5,674,000 were expensed in the period, primarily relating to professional fees and due diligence costs. These have been included as non-underlying administrative costs (note 5).

Lagan Group forms a separate reportable segment under IFRS 8. The financial impact of this acquisition on the performance of the Group within the period is disclosed within the segmental reporting (note 4)

The acquisitions of Staffs Concrete Limited on 3 April 2018 and Blinkbonny Quarry (Borders) Limited on 1 June 2018 are not material to the interim financial statements. Full acquisition accounting disclosure will be provided in the full year accounts.

Cash flow effect

The cash flow effect of all current period acquisitions can be summarised as follows:

	£000
Consideration paid	(418,103)
Cash acquired with the businesses	19,877
Net cash consideration shown in the Consolidated Statement of Cash Flows	**(398,226)**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

10 ACQUISITIONS (CONTINUED)

In addition to the above acquisitions which completed in the period, the acquisition of four quarries and an asphalt plant from Tarmac Holdings Limited completed on 1 July 2018 for consideration of £16.5 million, satisfied by the transfer of 23 ready-mixed concrete plants and a cash payment of £6.1 million.

11 RELATED PARTY TRANSACTIONS

The nature of related party transactions is consistent with those disclosed in the Group's Annual Report for the year ended 31 December 2017. All related party transactions are on an arm's length basis.

12 STATED CAPITAL

	Number of Ordinary Shares		
	Six months ended 30 June 2018	Six months ended 30 June 2017	Year ended 31 December 2017
Issued ordinary shares at the beginning of the period	**1,446,626,210**	1,411,013,763	1,411,013,763
Issued in connection with:			
Acquisition of Lagan Group	**227,765,189**	–	–
Exercise of savings-related share options	**1,658,940**	2,360,258	2,456,412
Vesting of Performance Share Plan awards	**2,973,726**	2,876,962	2,876,962
Exercise of warrants	**–**	–	30,279,073
	1,679,024,065	1,416,250,983	1,446,626,210

During the period, the Company issued 1,658,940 ordinary shares of no par value raising £615,000 in connection with the exercise of certain savings-related share options.

On 25 April 2018, the Company issued 2,973,726 ordinary shares of no par value raising £7,000 in connection with the vesting of awards under the Performance Share Plans.

On 19 April 2018, the Company issued 222,222,222 ordinary shares of no par value raising £170,000,000 in connection with the acquisition of Lagan Group. Further to this, an additional 5,542,967 shares were issued raising £4,240,000 as a result of the related open offer.

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.

ADVISERS AND COMPANY INFORMATION

COMPANY SECRETARY
JTC (Jersey) Limited
28 Esplanade
St Helier
Jersey
JE2 3QA

REGISTERED OFFICE
28 Esplanade
St Helier
Jersey
JE2 3QA

INDEPENDENT AUDITOR
KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

REGISTERED IN JERSEY
Company number 98465

NOMINATED ADVISER
Cenkos Securities plc
6.7.8 Tokenhouse Yard
London
EC2R 7AS

LEGAL ADVISER
Carey Olsen
47 Esplanade
St Helier
Jersey
JE1 0BD

SHAREHOLDER INFORMATION

REGISTRAR AND TRANSFER OFFICE
The Company's Registrar is Link Asset Services. The address of the Company's Registrar, to which all enquiries concerning shareholdings should be addressed, is Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU. Shareholder enquiries can also be made to 0871 664 0300. Calls cost 12 pence per minute plus your phone company's access charge. If you are outside the United Kingdom, please call +44 371 664 0300. Calls outside the United Kingdom will be charged at the applicable international rate. We are open between 9.00 am and 5.30 pm, Monday to Friday excluding public holidays in England and Wales.

Enquiries from outside the UK should be made to +44 208 639 3399.

Email: enquiries@linkgroup.co.uk

Website: www.linkassetservices.com

CONTACT
If you require information regarding Breedon Group, please contact:

Breedon Group
Breedon Quarry
Pinnacle House
Breedon on the Hill
Derby DE73 8AP
Tel: 01332 694010
Fax: 01332 694445
Email: info@breedongroup.com
Website: www.breedongroup.com

Breedon Group

28 Esplanade
St Helier
Jersey
JE2 3QA

Email: info@breedongroup.com

www.breedongroup.com