

MAKING A MATERIAL DIFFERENCE

BREEDON GROUP
INTERIM REPORT 2020
www.breedongroup.com



From our quarries and plants come the essential construction materials that build our homes, workplaces and leisure spaces.

From roads to airport runways, from houses to warehouses, shops to offices, walkways, cycle paths, tennis courts and golf courses, you'll find our products transforming the lives of people at work and at play in cities, towns and villages across Great Britain and Ireland.

From the ground up, we are

MAKING A MATERIAL DIFFERENCE

INTRODUCTION

We are a leading vertically integrated construction materials group in Great Britain and Ireland. Our core outputs are aggregates and cement, from which we produce a range of value-added products including asphalt, ready-mixed concrete and mortar, together with the delivery of specialist contracting services including highway surfacing and maintenance.

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FOR MORE INFORMATION



FINANCIAL AND OPERATIONAL HIGHLIGHTS

REVENUE

£335.3m

2019: £447.4m -25%

UNDERLYING EBIT*

£(0.6)m

2019: £49.5m -101%

(LOSS)/PROFIT BEFORE TAX

£(10.1)m

2019: £39.5m -126%

UNDERLYING BASIC EARNINGS PER SHARE*

(0.65)p

2019: 2.03p -132%

NET DEBT

£253.6m

2019: £343.7m

* 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.

- ▶ Encouraging performance in first 12 weeks of the year
- ▶ COVID-19 lockdown at end of March prompted immediate fall in demand and managed shutdown of most operations
- ▶ Early and decisive action taken to keep colleagues safe and preserve liquidity
- ▶ Site reopenings commenced in early May as demand improved
- ▶ Recovery led by RoI, underlining benefit of Breedon's geographical spread
- ▶ June revenues recovered to 99 per cent of June 2019
- ▶ Strong balance sheet, with net debt reduced to £253.6 million: Leverage of 1.9x
- ▶ Financial headroom of £344.0 million at 30 June
- ▶ Acquisition of CEMEX assets expected to complete imminently
- ▶ Recovery well underway and outlook remains positive

BREEDON GROUP OVERVIEW

We are a leading vertically-integrated construction materials group in GB and Ireland.

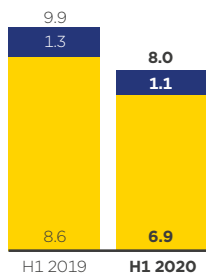
GREAT BRITAIN

In GB we operate a nationwide network of quarries and downstream operations extending from Stornoway in the Hebrides to Hampshire in the South of England. Our contracting services business undertakes contract surfacing for both minor and major infrastructure projects.

PRODUCT VOLUMES FIRST HALF 2020

AGGREGATES

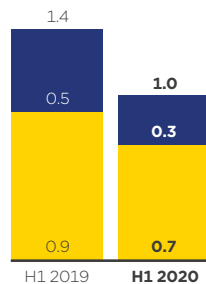
million tonnes



-19%

ASPHALT

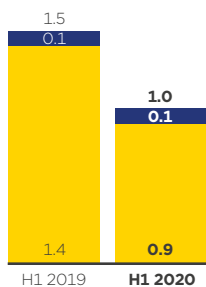
million tonnes



-28%

CONCRETE

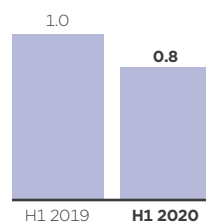
million m³



-36%

CEMENT

million tonnes



-22%

Great Britain Ireland Cement

Volume data in the above charts have been rounded to the nearest 0.1 million. Reported percentage movements are calculated based on non-rounded data.

REVENUE

£214.9m

UNDERLYING EBIT

£(1.4)m

Key Assets

- Substantial permitted mineral reserves and resources
- Extensive network of quarries, rail-linked aggregates depots, asphalt plants, ready-mixed concrete plants and concrete products manufacturing facilities throughout England, Scotland and Wales
- Nationwide fleet of delivery vehicles for all products
- Sizeable contracting services operations

Strategic Advantages

- Strong reserve base
- Fully vertically-integrated operations, yielding economies of scale
- Highly localised service with diverse range of customers
- Well positioned to secure acquisitions in fragmented market

IRELAND

Breedon trades under the Whitemountain brand in Northern Ireland (NI) and as Lagan in the Republic of Ireland (RoI). We operate a nationwide network of quarries and downstream operations alongside a significant contracting services business which undertakes contract surfacing as well as major infrastructure and highway maintenance contracts throughout Ireland.

REVENUE

£69.2m

UNDERLYING EBIT

£1.8m

Key Assets

- Highly regarded contract surfacing and highway maintenance business operating across RoI and GB
- Bitumen importation and distribution business, including production of bitumen emulsions and polymer modified bitumen and binders
- Growing network of quarries, asphalt plants, ready-mixed concrete plants and concrete and clay products manufacturing facilities throughout NI and RoI
- Port terminal for export of high-margin high PSV aggregates to GB

Strategic Advantages

- Established position in RoI market with strong growth prospects
- Excellent contract surfacing track record, including specialist expertise in airport runway surfacing
- Enhanced platform for further organic growth and bolt-on acquisition opportunities in fragmented markets

CEMENT

Breedon's Cement Division operates two cement plants, in GB and Ireland, including the UK's largest cement plant by capacity, together with four import/export terminals and a rail-linked distribution network.

REVENUE

£75.6m

UNDERLYING EBIT

£6.1m

Key Assets

- Two well-invested cement plants, including the UK's largest plant by capacity, together capable of producing more than two million tonnes of cement each year
- Import and export capability through three terminals in GB and another in Ireland
- Rail-linked distribution network in GB, servicing four regional cement depots with more than a million tonnes of throughput capacity
- Major cement bagging plant at Dagenham just outside London

Strategic Advantages

- Flexibility of supply due to production capability in GB and Ireland, coupled with cementitious import capacity
- Bulk supply complemented by higher-margin bagged products distributed to builders merchants market in GB and Ireland
- Reduced distribution costs due to rail links from our Hope Works to regional depots

BUSINESS REVIEW



We are immensely proud of all our colleagues.”

Pat Ward
Group Chief Executive



We moved quickly to preserve liquidity and reduced net debt.”

Rob Wood
Group Finance Director

FINANCIAL HIGHLIGHTS

	Six months ended 30 June 2020 £m	Six months ended 30 June 2019 £m	Variance
Revenue			
Great Britain	214.9	298.1	-28%
Ireland	69.2	93.5	-26%
Cement	75.6	93.4	-19%
Eliminations	(24.4)	(37.6)	
Total	335.3	447.4	-25%
Underlying EBIT			
Great Britain	(1.4)	30.8	-105%
Ireland	1.8	8.9	-80%
Cement	6.1	15.8	-61%
Central administration	(7.0)	(6.8)	
Share of associate and joint ventures	(0.1)	0.8	
Total	(0.6)	49.5	-101%
Underlying EBIT margin	(0.2)%	11.1%	

OVERVIEW

We are reporting on an unprecedented period in Breedon's history, during which the economy and our industry faced their greatest challenge for many years. We are immensely proud of all our colleagues, who confronted the challenge with great determination. Some of them continued to work providing essential services during the lockdown, for which we owe them a great debt of gratitude. Our overriding priority throughout was to ensure that all our colleagues and customers, together with the communities we serve, remained safe and unharmed, and we are pleased that the rigorous safety protocols we put in place at all our sites enabled this to happen. We continue to adapt and evolve these protocols in line with government guidance.

Following the encouraging performance of our businesses in the first 12 weeks of the year, the move into lockdown and immediate fall in demand in the latter part of March led us into a swift and managed shutdown of the majority of our operations. Thanks to the high levels of investment in the Group in recent years, we were able immediately to restrict capital expenditure to committed and critical projects without compromising the longer-term performance of our operations. In addition, we halted all discretionary expenditure and applied robust discipline to our management of working capital.

We moved quickly to furlough more than 80 per cent of our colleagues, topping up their wages to 100 per cent, and immediately embarked on a comprehensive review of safety measures at all our sites, preparing detailed COVID-19 protection protocols and back-to-work induction programmes to ensure that as our colleagues returned they could do so safely and confidently.

As demand recovered, we were able to swiftly reopen our sites in early May and this process gathered pace throughout the ensuing two months. By the end of June, over 90 per cent of our sites were open, including both our cement plants, with 82 per cent of our colleagues back at work.

The pace of reopening differed from division to division, determined in part by the needs of our customers and in part by the differing timelines by which the various governments and devolved administrations eased restrictions on movement. The timing of the recovery accordingly varied across the Group, with our operations in RoI recovering strongly from late May onwards, while volumes in England, Wales and NI also showed a steady improvement. Scotland remained subdued until well into June as a result of the delayed lifting of restrictions by the Scottish Parliament.

GROUP RESULTS

Trading in the first quarter was progressing broadly in line with our expectations until the latter part of March when the pandemic began to take hold. The impact on demand and consequently on our business was immediate and significant.

Our revenues in April fell to 19 per cent of those recorded in the same month of 2019, followed by 45 per cent in May, before improving to 99 per cent in June as the recovery began to gather pace.

Group aggregates volumes for the half-year totalled 8.0 million tonnes (2019: 9.9 million tonnes), asphalt volumes stood at 1.0 million tonnes (2019: 1.4 million tonnes), ready-mixed concrete volumes totalled 1.0 million cubic metres (2019: 1.5 million cubic metres) and cement volumes stood at 0.8 million tonnes (2019: 1.0 million tonnes).

Revenue for the half-year was £335.3 million (2019: £447.4 million) and Underlying EBIT was a loss of £0.6 million (2019: profit of £49.5 million).

We have also reflected the UK Government's decision to cancel the planned reduction in the corporation tax rate in 2020 from 19 per cent to 17 per cent. This has resulted in an increase of £5.5m in the Group's deferred tax liabilities.



As demand recovered, we were able to swiftly reopen our sites in early May and this process gathered pace throughout the ensuing two months. By the end of June, over 90 per cent of our sites were open, including both our cement plants, with 82 per cent of our colleagues back at work.”

BALANCE SHEET AND CASH FLOW

Net assets at 30 June 2020 were £842.7 million, compared to £839.1 million at 31 December 2019 and £805.9 million at 30 June 2019.

Net cash from operating activities was £55.2 million, benefiting from tax deferrals and the absence of the usual seasonal increase in working capital. Net cash used in investing activities was £15.1 million, after capital expenditure of £16.1 million. Finally, net cash generated from financing activities was £60.2 million, including the exercise of an accordion option to increase our existing banking facilities by £80 million in anticipation of the completion of the acquisition of certain UK assets from CEMEX.

Net debt at 30 June 2020 was £253.6 million, compared to £290.3 million at 31 December 2019 and £343.7 million at 30 June 2019, and leverage was 1.9 times. This clearly demonstrates how well the Group has managed its cash flow in these very challenging circumstances.

BUSINESS REVIEW CONTINUED

LIQUIDITY MANAGEMENT

As we moved into lockdown, immediate action was taken to maximise liquidity through restricting capital expenditure to committed and critical projects, halting all discretionary expenditure and applying robust discipline to our management of working capital, including obtaining deferrals for tax payments where available.

Although the recovery in May and June allowed us to remain comfortably within our original covenants, in April we agreed with our banks a relaxation of our 30 June 2020 covenants and a deferral of £35 million of loan amortisation to April 2022. Our banks have also indicated their intention to agree a relaxation of covenants for December 2020 if required. Additionally, in May we were confirmed as being eligible for the Covid Corporate Financing Facility (CCFF), with an issuer limit of £300 million, although we have no current intention of utilising this facility.

This meant that as at 30 June 2020 we had £124.6 million of cash and an undrawn committed bank facility of £219.4 million, combining to give headroom of £344.0 million excluding the CCFF.

SUSTAINABILITY

Following our commitment last year to the Sustainability Charter of the Global Cement & Concrete Association, we increased our engagement with shareholders on the Group's plans to ensure a positive environmental, social and economic impact in the coming years.

In June we appointed our first Group Head of Sustainability, who is now working closely with our management teams, our functional teams and our wider stakeholders to develop and embed a sustainability vision and strategy with clear performance criteria and targets across the full range of our businesses.

We look forward to reporting our progress and our contribution to creating a sustainable built environment in our 2020 Annual Report.

CEMEX ACQUISITION

We are looking forward to the completion of our acquisition of certain CEMEX's UK assets, which we expect to take place imminently. Following completion, these assets will be held separate from Breedon pending completion of the Competition and Markets Authority's investigation, which could take several more months.

This acquisition will strengthen our regional footprint in the UK and also provide a platform for organic expansion and future acquisitions in areas of the country where we do not currently have a presence.

These assets are high-quality, well-located, with a great team, and bring us a further 170 million tonnes of mineral reserves and resources. Whilst they have inevitably been impacted by the protracted transaction process, compounded by the effects of COVID-19, they are fundamentally strong operations whose performance we believe we can substantially improve in the future, as we have demonstrated with previous acquisitions.

OUTLOOK

The near-term outlook for our business is clearly dependent on the speed at which demand from our customers recovers and we return to more normal levels of activity. We are encouraged by recent announcements from a number of contractors, housebuilders and merchants which broadly point to a steady improvement in trading conditions in the UK, whilst in RoI the market has returned to near pre-COVID-19 levels of demand. We have demonstrated that we can reopen sites very quickly in line with increased demand, enabling us to continue responding almost instantaneously as our markets recover.

We have a fundamentally robust and diversified business. Our balance sheet remains strong, we have more than adequate liquidity and our strong cash flow will enable us to continue to quickly pay down our debt as trading improves. Although COVID-19 has been challenging, it has given us the opportunity to revisit a number of self-help measures and we are confident that we will emerge from this pandemic more efficient than we entered it.

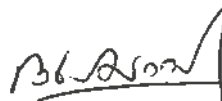
We would like to take this opportunity once again to thank all our colleagues, who have so readily risen to the challenge over the last few months.

Given the uncertainties we still face, we remain unable at this stage to provide market guidance. However, we will update the market as soon as we have sufficiently robust information to be able to do so.

The recovery in our markets now appears to be well underway, and we have seen continued improvement into July. The great majority of our sites are now open, including both our cement plants. While near-term uncertainty remains, there is significant pent-up demand to be satisfied in both housing and infrastructure, reinforced by the substantial programme of investment confirmed by the Chancellor earlier this month. Looking to the longer-term, we believe the outlook for our markets remains positive, supporting our confidence in the prospects for the Group.



Pat Ward
Group Chief Executive



Rob Wood
Group Finance Director

29 July 2020

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Six months ended 30 June 2020			Six months ended 30 June 2019			Year ended 31 December 2019		
	Underlying £m	Non- underlying* (note 6) £m	Total £m	Underlying £m	Non- underlying* (note 6) £m	Total £m	Underlying £m	Non- underlying* (note 6) £m	Total £m
Revenue	335.3	-	335.3	447.4	-	447.4	929.6	-	929.6
Cost of sales	(243.9)	-	(243.9)	(294.9)	-	(294.9)	(587.2)	-	(587.2)
Gross profit	91.4	-	91.4	152.5	-	152.5	342.4	-	342.4
Distribution expenses	(58.6)	-	(58.6)	(70.6)	-	(70.6)	(163.8)	-	(163.8)
Administrative expenses	(33.3)	(3.1)	(36.4)	(33.2)	(2.6)	(35.8)	(63.6)	(8.0)	(71.6)
Group operating (loss)/profit	(0.5)	(3.1)	(3.6)	48.7	(2.6)	46.1	115.0	(8.0)	107.0
Share of (loss)/profit of associate and joint ventures	(0.1)	-	(0.1)	0.8	-	0.8	1.6	-	1.6
(Loss)/profit from operations	(0.6)	(3.1)	(3.7)	49.5	(2.6)	46.9	116.6	(8.0)	108.6
Financial expense	(6.4)	-	(6.4)	(7.4)	-	(7.4)	(14.0)	-	(14.0)
(Loss)/profit before taxation	(7.0)	(3.1)	(10.1)	42.1	(2.6)	39.5	102.6	(8.0)	94.6
Taxation – at effective rate	1.5	0.3	1.8	(7.9)	0.4	(7.5)	(17.3)	0.7	(16.6)
Taxation – change in deferred tax rate	(5.5)	-	(5.5)	-	-	-	-	-	-
(Loss)/profit for the period	(11.0)	(2.8)	(13.8)	34.2	(2.2)	32.0	85.3	(7.3)	78.0
Attributable to:									
Equity holders of the parent	(11.0)	(2.8)	(13.8)	34.1	(2.2)	31.9	85.2	(7.3)	77.9
Non-controlling interests	-	-	-	0.1	-	0.1	0.1	-	0.1
(Loss)/profit for the period	(11.0)	(2.8)	(13.8)	34.2	(2.2)	32.0	85.3	(7.3)	78.0
Basic earnings per ordinary share	(0.65p)		(0.82p)	2.03p		1.90p	5.08p		4.64p
Diluted earnings per ordinary share	(0.65p)		(0.82p)	2.03p		1.90p	5.07p		4.63p

* 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 2020

	Six months ended 30 June 2020 £m	Six months ended 30 June 2019 £m	Year ended 31 December 2019 £m
(Loss)/profit for the period	(13.8)	32.0	78.0
Other comprehensive income/(expense)			
Items which may be reclassified subsequently to profit and loss:			
Foreign exchange differences on translation of foreign operations, net of hedging	15.6	(0.8)	(13.3)
Effective portion of changes in fair value of cash flow hedges	0.5	-	(1.5)
Taxation on items taken directly to other comprehensive income	(0.1)	-	0.2
Other comprehensive income/(expense) for the period	16.0	(0.8)	(14.6)
Total comprehensive income for the period	2.2	31.2	63.4
Total comprehensive income for the period is attributable to:			
Equity holders of the parent	2.2	31.1	63.3
Non-controlling interests	-	0.1	0.1
	2.2	31.2	63.4

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2020

	30 June 2020 £m	30 June 2019 £m	31 December 2019 £m
Non-current assets			
Property, plant and equipment	690.3	699.9	698.6
Intangible assets	472.2	461.6	464.2
Investment in associate and joint ventures	10.3	7.1	10.8
Total non-current assets	1,172.8	1,168.6	1,178.6
Current assets			
Inventories	51.1	59.6	58.5
Trade and other receivables	146.2	195.3	164.7
Current tax receivable	4.3	-	-
Cash and cash equivalents	124.6	23.5	23.8
Total current assets	326.2	278.4	247.0
Total assets	1,499.0	1,447.0	1,420.6
Current liabilities			
Interest-bearing loans and borrowings	(61.6)	(45.3)	(43.9)
Trade and other payables	(189.1)	(182.9)	(177.9)
Current tax payable	-	(6.9)	(7.6)
Provisions	(2.2)	(2.7)	(2.5)
Total current liabilities	(252.9)	(237.8)	(231.9)
Non-current liabilities			
Interest-bearing loans and borrowings	(316.6)	(321.9)	(270.2)
Provisions	(33.4)	(34.7)	(32.2)
Deferred tax liabilities	(53.4)	(46.7)	(47.2)
Total non-current liabilities	(403.4)	(403.3)	(349.6)
Total liabilities	(656.3)	(641.1)	(581.5)
Net assets	842.7	805.9	839.1
Equity attributable to equity holders of the parent			
Stated capital	551.0	549.9	550.0
Hedging reserve	(0.9)	-	(1.3)
Translation reserve	8.9	5.8	(6.7)
Retained earnings	283.6	250.0	297.0
Total equity attributable to equity holders of the parent	842.6	805.7	839.0
Non-controlling interests	0.1	0.2	0.1
Total equity	842.7	805.9	839.1

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Stated capital £m	Hedging reserve £m	Translation reserve £m	Retained earnings £m	Attributable to equity holders of parent £m	Non- controlling interests £m	Total equity £m
Balance at 31 December 2019	550.0	(1.3)	(6.7)	297.0	839.0	0.1	839.1
Shares issued	1.0	-	-	-	1.0	-	1.0
Dividend to non-controlling interests	-	-	-	-	-	-	-
Total comprehensive income for the period	-	0.4	15.6	(13.8)	2.2	-	2.2
Share-based payments	-	-	-	0.4	0.4	-	0.4
Balance at 30 June 2020	551.0	(0.9)	8.9	283.6	842.6	0.1	842.7

For the six months ended 30 June 2019

	Stated capital £m	Hedging reserve £m	Translation reserve £m	Retained earnings £m	Attributable to equity holders of parent £m	Non- controlling interests £m	Total equity £m
Balance at 31 December 2018	549.0	-	6.6	217.5	773.1	0.2	773.3
Shares issued	0.9	-	-	-	0.9	-	0.9
Dividend to non-controlling interests	-	-	-	-	-	(0.1)	(0.1)
Total comprehensive income for the period	-	-	(0.8)	31.9	31.1	0.1	31.2
Share-based payments	-	-	-	0.6	0.6	-	0.6
Balance at 30 June 2019	549.9	-	5.8	250.0	805.7	0.2	805.9

For the year ended 31 December 2019

	Stated capital £m	Hedging reserve £m	Translation reserve £m	Retained earnings £m	Attributable to equity holders of parent £m	Non- controlling interests £m	Total equity £m
Balance at 31 December 2018	549.0	-	6.6	217.5	773.1	0.2	773.3
Shares issued	1.0	-	-	-	1.0	-	1.0
Dividend to non-controlling interests	-	-	-	-	-	(0.2)	(0.2)
Total comprehensive income for the year	-	(1.3)	(13.3)	77.9	63.3	0.1	63.4
Share-based payments	-	-	-	1.6	1.6	-	1.6
Balance at 31 December 2019	550.0	(1.3)	(6.7)	297.0	839.0	0.1	839.1

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Six months ended 30 June 2020 £m	Six months ended 30 June 2019 £m	Year ended 31 December 2019 £m
Cash flows from operating activities			
(Loss)/profit for the period	(13.8)	32.0	78.0
Adjustments for:			
Depreciation	33.1	32.4	65.2
Amortisation	1.8	1.5	3.1
Financial expense	6.4	7.4	14.0
Share of loss/(profit) of associate and joint ventures	0.1	(0.8)	(1.6)
Net gain on sale of property, plant and equipment	(0.1)	(0.7)	(0.8)
Share-based payments	0.4	0.6	1.6
Taxation	3.7	7.5	16.6
Operating cash flow before changes in working capital and provisions	31.6	79.9	176.1
Decrease/(increase) in trade and other receivables	20.2	(34.5)	(0.8)
Decrease/(increase) in inventories	8.3	(4.8)	(5.7)
Increase/(decrease) in trade and other payables	10.0	8.1	(1.8)
Decrease in provisions	(0.1)	(1.7)	(2.0)
Cash generated from operating activities	70.0	47.0	165.8
Interest paid	(3.7)	(4.7)	(8.4)
Interest element of lease payments	(1.1)	(1.4)	(2.6)
Dividend paid to non-controlling interests	-	(0.1)	(0.2)
Income taxes paid	(10.0)	(8.7)	(18.1)
Net cash from operating activities	55.2	32.1	136.5
Cash flows used in investing activities			
Acquisition of businesses	-	-	(8.9)
Purchase of share in joint venture	-	-	(3.0)
Purchase of property, plant and equipment	(16.1)	(19.3)	(56.3)
Proceeds from sale of property, plant and equipment	0.5	2.2	3.3
Issue of loan to joint ventures	-	-	(4.0)
Dividends from associate and joint ventures	0.5	-	0.8
Net cash used in investing activities	(15.1)	(17.1)	(68.1)
Cash flows from/(used in) financing activities			
Proceeds from the issue of shares (net of costs)	1.0	0.9	1.0
Proceeds from new interest-bearing loans (net of costs)	143.7	-	-
Repayment of interest-bearing loans	(80.0)	(23.9)	(69.2)
Repayment of lease obligations	(4.5)	(6.6)	(12.9)
Net cash from/(used in) financing activities	60.2	(29.6)	(81.1)
Net increase/(decrease) in cash and cash equivalents	100.3	(14.6)	(12.7)
Cash and cash equivalents at beginning of period	23.8	37.6	37.6
Foreign exchange differences	0.5	0.5	(1.1)
Cash and cash equivalents at end of period	124.6	23.5	23.8

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 2019.

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 2019.

The comparative figures for the financial year ended 31 December 2019 have been extracted from 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.

New IFRS Standards and Interpretations

The Group has adopted the following standards from 1 January 2020:

- Amendments to References to Conceptual Framework in IFRS Standards
- Amendments to IAS 1 and IAS 8 – *Definition of material*
- Amendments to IFRS 9, IAS 39 and IFRS 7 – *Interest Rate Benchmark Reform*

The adoption of these standards has not had a material impact on the Interim Financial Statements.

2 GOING CONCERN

The Interim Financial Statements have been prepared on a going concern basis.

As a result of the COVID-19 lockdown, the Group suffered an immediate fall in demand for its products and services at the end of March 2020, resulting in the temporary closure of most operations. The Group's operations began to resume in early May as demand improved, with revenues in June recovering to 99 per cent of the same month in 2019.

The adverse impact of COVID-19 on trading in the first half of 2020 has been significant, and the near-term outlook is clearly dependent on the speed at which demand from our customers recovers and we return to more normal levels of activity.

The directors have prepared updated cash flow forecasts for a period of at least 12 months from the date of approval of these Interim Financial Statements which indicate that, taking account of severe but plausible downsides, the Group will have sufficient funds, through its banking facilities, to meet its liabilities as they fall due for that period. In addition, the Group has confirmed its eligibility to access an additional £300m of liquidity under the UK Government's Covid Corporate Financing Facility scheme, although it has no current plan to utilise this facility.

The Group's banking facilities require compliance with bank covenants which are measured against the Group's trading performance at June and December each year. At June 2020, the Group remained comfortably within these covenants. However, the limited clarity over the near-term future results in uncertainty as to whether the Group will be able to continue to comply with its banking covenants at December 2020.

The Group's lenders remain highly supportive and have indicated their intention to agree a relaxation of covenants for December 2020 if required. Whilst the directors acknowledge there can be no certainty without a legal agreement in place, they have no reason to believe the Group's covenants will not be relaxed for the December 2020 assessment and therefore have concluded that it remains appropriate to prepare the Interim Financial Statements on a going concern basis.

3 ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing these Interim Financial Statements, management have been required to make assumptions, estimates and judgements 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. There have been no material additional significant judgements made by management in applying the Group's accounting policies, nor key sources of estimation uncertainty compared to those applicable to the Consolidated Financial Statements for the year ended 31 December 2019 as set out in note 27 of the Annual Report for that year.

4 PRINCIPAL RISKS

The Group's principal risks in alphabetical order are:

- Acquisitions
- Competition and margins
- Environment and climate change
- Financing, liquidity and currency
- Health and safety
- IT and cyber security
- Legal and regulatory
- Market conditions
- People

Impact of COVID-19

The Group's Annual Report for the year ended 31 December 2019 noted that the UK and Ireland had reported initial cases of COVID-19, but that it was too soon to be able to quantify the extent of the risk. Subsequent events rapidly provided additional clarity and the Board has recently completed a review of the principal risks.

The Group does not consider that COVID-19 presents a principal risk in isolation, but instead impacts on a number of the existing principal risks as follows:

Competition and margins	Health and safety measures put in place at the Group's production sites in response to COVID-19 may negatively impact efficiency and profitability.
Financing, liquidity and currency	The COVID-19 pandemic has placed additional strain on the Group's financial resources, which may negatively impact the Group's liquidity or ability to comply with banking covenants.
Health and safety	Failure to successfully adapt workplaces to prevent the spread of COVID-19, in line with government guidance, could cause further disruption to operations.
IT and cyber security	Failure to maintain systems and hardware which are able to be securely accessed remotely could impact the Group's ability to service the increased demand for remote working caused by the COVID-19 pandemic.
Market conditions	The forecast recession in the economies in which the Group operates increases the level of risk that adverse market conditions could suppress demand for the Group's products. This could be further impacted by any subsequent peaks of the virus or delay in lifting existing government restrictions which have a negative impact on the macro-economic environment.
People	A second wave of COVID-19 may result in higher levels of staff absence.

Impact of Brexit

The Group also continues to manage the potential impacts Brexit could have on it. Brexit is not presented as an additional principal risk but adds an additional level of uncertainty that increases the overall risk profile of the Group. There have been no significant changes in the Group's assessment of Brexit risk subsequent to publication of the Group's Annual Report for the year ended 31 December 2019.

Further details of the main risks for the year ended 31 December 2019 are set out on pages 24 - 27 of the Group's Annual Report for the year ended 31 December 2019. 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. They continue to manage these risks and to mitigate their anticipated impact.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

5 SEGMENTAL ANALYSIS

Segmental information is presented in line with IFRS 8 - *Operating Segments*. The Group is split into the same reportable units as it was for the Consolidated Financial Statements for the year ended 31 December 2019, which are as follows:

Great Britain comprising our construction materials and contracting services businesses in Great Britain.

Ireland comprising our construction materials and contracting services businesses on the Island of Ireland.

Cement comprising our cementitious operations in Great Britain and Ireland.

Income statement

	Six months ended 30 June 2020		Six months ended 30 June 2019		Year ended 31 December 2019	
	Underlying		Underlying		Underlying	
	Revenue £m	EBITDA* £m	Revenue £m	EBITDA* £m	Revenue £m	EBITDA* £m
Great Britain	214.9	15.9	298.1	48.6	615.1	98.4
Ireland	69.2	5.6	93.5	12.4	202.0	33.8
Cement	75.6	18.0	93.4	26.9	186.4	58.8
Central administration	-	(6.9)	-	(6.8)	-	(10.8)
Eliminations	(24.4)	-	(37.6)	-	(73.9)	-
Group	335.3	32.6	447.4	81.1	929.6	180.2

* Underlying EBITDA is earnings before interest, tax, depreciation, amortisation, non-underlying items (note 6) and before our share of (loss)/profit from associate and joint ventures.

Reconciliation to statutory (loss)/profit

Group Underlying EBITDA as above	32.6	81.1	180.2
Depreciation and mineral depletion	(33.1)	(32.4)	(65.2)
Underlying operating (loss)/profit			
Great Britain	(1.4)	30.8	62.8
Ireland	1.8	8.9	26.8
Cement	6.1	15.8	36.3
Central administration	(7.0)	(6.8)	(10.9)
	(0.5)	48.7	115.0
Share of (loss)/profit of associate and joint ventures	(0.1)	0.8	1.6
Underlying (loss)/profit from operations (EBIT)	(0.6)	49.5	116.6
Non-underlying items (note 6)	(3.1)	(2.6)	(8.0)
(Loss)/profit from operations	(3.7)	46.9	108.6
Financial expense	(6.4)	(7.4)	(14.0)
(Loss)/profit before taxation	(10.1)	39.5	94.6
Taxation - at effective rate	1.8	(7.5)	(16.6)
Taxation - change in deferred tax rate	(5.5)	-	-
(Loss)/profit for the period	(13.8)	32.0	78.0

6 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, including non-cash items. 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 2020 £m	Six months ended 30 June 2019 £m	Year ended 31 December 2019 £m
Included in administrative expenses:			
Redundancy and reorganisation costs	0.2	0.6	1.1
Acquisition costs	0.8	-	3.3
Loss on property disposals	0.3	0.5	0.5
Amortisation of acquired intangible assets	1.8	1.5	3.1
Total non-underlying items (pre-tax)	3.1	2.6	8.0
Non-underlying taxation	(0.3)	(0.4)	(0.7)
Total non-underlying items (post-tax)	2.8	2.2	7.3

7 FINANCIAL EXPENSE

	Six months ended 30 June 2020 £m	Six months ended 30 June 2019 £m	Year ended 31 December 2019 £m
Bank loans and overdrafts	3.7	4.7	8.4
Amortisation of prepaid bank arrangement fee	0.7	0.6	1.2
Lease liabilities	1.1	1.4	2.6
Unwinding of discount on provisions	0.9	0.7	1.8
Financial expense	6.4	7.4	14.0

8 TAXATION

Recognised in the Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30 June 2020 £m	Six months ended 30 June 2019 £m	Year ended 31 December 2019 £m
Taxation – at effective rate	(1.8)	7.5	16.6
Taxation – change in deferred tax rate	5.5	-	-
Total tax charge	3.7	7.5	16.6

The tax charge at effective rate for the six months ended 30 June 2020 has been based on the estimated effective weighted average rate applicable for existing operations for the full year. This is based on a combined effective rate of 18 per cent on profits arising in the Group's UK and Irish subsidiary undertakings.

In addition, legislation was passed on 17 March 2020 which substantially enacted a cancellation of the planned reduction in the UK corporation tax rate from 19 per cent to 17 per cent. A deferred tax charge of £5.5m has been recognised to remeasure the Group's UK deferred tax liabilities at 30 June 2020 at this higher rate.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

9 INTEREST-BEARING LOANS AND BORROWINGS

Net debt

	Six months ended 30 June 2020 £m	Six months ended 30 June 2019 £m	Year ended 31 December 2019 £m
<i>Net debt comprises the following items:</i>			
Cash and cash equivalents	124.6	23.5	23.8
Current borrowings	(61.6)	(45.3)	(43.9)
Non-current borrowings	(316.6)	(321.9)	(270.2)
Statutory net debt	(253.6)	(343.7)	(290.3)
IFRS 16 adjustments	42.2	45.9	43.6
Net debt excluding the impact of IFRS 16	(211.4)	(297.8)	(246.7)

	Six months ended 30 June 2020 £m	Six months ended 30 June 2019 £m	Year ended 31 December 2019 £m
Current borrowings			
Secured bank loans	55.0	35.0	35.0
Lease liabilities	6.6	10.3	8.9
	61.6	45.3	43.9
Non-current borrowings			
Secured bank loans	278.1	278.1	230.6
Lease liabilities	38.5	43.8	39.6
	316.6	321.9	270.2

In the first half of 2020, the Group exercised an accordion option to increase its existing banking facilities by £80m in anticipation of the completion of the acquisition of certain UK assets from CEMEX (see note 13).

At 30 June 2020, the Group's banking facilities comprise a term loan of £205m (30 June 2019 and 31 December 2019: £125m) and a multi-currency revolving credit facility of £350m (30 June 2019 and 31 December 2019: £350m). Interest was paid on the facilities during the period at a margin of between 1.30 per cent and 1.95 per cent above LIBOR or EURIBOR according to the currency of borrowings. The facility is secured by a floating charge over the assets of the Company and its subsidiary undertakings. The term loan is repayable in two further annual instalments up to April 2022. The revolving credit facility is repayable in April 2022.

10 EARNINGS PER SHARE

The calculation of earnings per share is based on the loss for the period attributable to ordinary shareholders of £13.8m (30 June 2019: profit of £31.9m, 31 December 2019: profit of £77.9m) and on the weighted average number of ordinary shares in issue during the period of 1,683,650,088 (30 June 2019: 1,680,338,704, 31 December 2019: 1,681,584,352).

The calculation of underlying earnings per share is based on the underlying loss for the period attributable to ordinary shareholders of £11.0m (30 June 2019: profit of £34.1m, 31 December 2019: profit of £85.2m) and on the weighted average number of ordinary shares in issue during the period as above.

Diluted earnings per ordinary share is based on 1,685,991,560 shares (30 June 2019: 1,683,917,318, 31 December 2019: 1,684,825,454) and reflects the effect of all dilutive potential ordinary shares.

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 2019. All related party transactions are on an arm's length basis.

12 STATED CAPITAL

	Number of ordinary shares (m)		
	Six months ended 30 June 2020	Six months ended 30 June 2019	Year ended 31 December 2019
Issued ordinary shares at beginning of period	1,682.9	1,679.2	1,679.2
Issued in connection with:			
Exercise of savings-related share options	1.8	1.8	2.1
Vesting of Performance Share Plan awards	1.8	1.6	1.6
	1,686.5	1,682.6	1,682.9

During the period, the Company issued 1,801,130 ordinary shares of no par value raising £1.0m in connection with the exercise of certain savings-related share options. The Company also issued 1,757,078 ordinary shares of no par value raising £nil in connection with the vesting of awards under the Performance Share Plans.

13 ACQUISITIONS

On 8 January 2020 the Group entered into a conditional agreement with CEMEX to acquire certain assets and operations in the UK for a total consideration of £178m on a cash and debt free basis. Completion of the transaction is anticipated imminently. The cash consideration is due on completion and will be financed by the Group's existing bank facility (see note 9).

14 RECONCILIATION TO NON-GAAP MEASURES

A number of non-GAAP performance measures are used throughout this Interim Report and these Interim Financial Statements. This note provides a reconciliation between these alternative performance measures to the most directly related statutory measures.

Reconciliation of earnings based alternative performance measures

	Great Britain £m	Ireland £m	Cement £m	Central administration and eliminations £m	Share of loss of associate and joint ventures £m	Total £m
Six months ended 30 June 2020						
Loss from operations						(3.7)
Non-underlying items (note 6)						3.1
Underlying EBIT	(1.4)	1.8	6.1	(7.0)	(0.1)	(0.6)
Underlying EBIT margin*	(0.7%)	2.6%	8.1%			(0.2%)
Underlying EBIT	(1.4)	1.8	6.1	(7.0)	(0.1)	(0.6)
Share of loss of associate and joint ventures	-	-	-	-	0.1	0.1
Depreciation and depletion	17.3	3.8	11.9	0.1	-	33.1
Underlying EBITDA	15.9	5.6	18.0	(6.9)	-	32.6

	Great Britain £m	Ireland £m	Cement £m	Central administration and eliminations £m	Share of profit of associate and joint ventures £m	Total £m
Six months ended 30 June 2019						
Profit from operations						46.9
Non-underlying items (note 6)						2.6
Underlying EBIT	30.8	8.9	15.8	(6.8)	0.8	49.5
Underlying EBIT margin*	10.3%	9.5%	16.9%			11.1%
Underlying EBIT	30.8	8.9	15.8	(6.8)	0.8	49.5
Share of profit of associate and joint ventures	-	-	-	-	(0.8)	(0.8)
Depreciation and depletion	17.8	3.5	11.1	-	-	32.4
Underlying EBITDA	48.6	12.4	26.9	(6.8)	-	81.1

* Underlying EBIT margin is calculated as Underlying EBIT divided by revenue

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

14 RECONCILIATION TO NON-GAAP MEASURES CONTINUED

Reconciliation of earnings based alternative performance measures CONTINUED

Year ended 31 December 2019	Great Britain £m	Ireland £m	Cement £m	Central administration and eliminations £m	Share of profit of associate and joint ventures £m	Total £m
Profit from operations						108.6
Non-underlying items (note 6)						8.0
Underlying EBIT	62.8	26.8	36.3	(10.9)	1.6	116.6
Underlying EBIT margin*	10.2%	13.3%	19.5%			12.5%
Underlying EBIT	62.8	26.8	36.3	(10.9)	1.6	116.6
Share of profit of associate and joint ventures	-	-	-	-	(1.6)	(1.6)
Depreciation and depletion	35.6	7.0	22.5	0.1	-	65.2
Underlying EBITDA	98.4	33.8	58.8	(10.8)	-	180.2

* Underlying EBIT margin is calculated as Underlying EBIT divided by revenue

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

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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 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. 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. The helpline is open between 9.00am and 5.30pm, Monday to Friday excluding public holidays in England and Wales.

Email: shareholderenquiries@linkgroup.co.uk

Website: www.linkassetservices.com

GLOSSARY

The following definitions apply throughout both this Interim Report and the 2019 Annual Report, unless the context requires otherwise.

Adopted IFRS	International Financial Reporting Standards as adopted by the EU	KPI	Key Performance Indicator
AGM	Annual General Meeting	Lagan	Lagan Group (Holdings) Limited. The construction materials and contracting services brand under which Breedon trades in the Republic of Ireland
AIM	Alternative Investment Market of the London Stock Exchange	Leverage	Net debt expressed as a multiple of LTM Underlying EBITDA
Alpha Resource Management	Alpha Resource Management Limited	LIBOR	London Inter-bank Offered Rate
BEAR Scotland	BEAR Scotland Limited	LTIFR	Lost Time Injury Frequency Rate
Breedon	Breedon Group plc	LTM	Last twelve months
Breedon Whitemountain	Breedon Whitemountain Ltd	MPA	Mineral Products Association
CGU	Cash Generating Units	MPQC	Mineral Products Qualifications Council
CI	Channel Islands	NI	Northern Ireland
CIF	Construction Industry Federation	NISRA	Northern Ireland Statistics Research Agency
CITB	Construction Industry Training Board	OHSAS	Occupational Health and Safety Assessment Standard
CMDO	Cement Market Data Order 2016	QCA	Quoted Companies Alliance
CPA	Construction Products Association	the Revenue	Office of the Revenue Commissioners in Rol
EBIT	Earnings before interest and tax	Rol	Republic of Ireland
EBITDA	Earnings before interest, tax, depreciation and amortisation and before our share of profit from associate and joint ventures	ROIC	Post-tax Return on Invested Capital
EPS	Earnings per share	Sterling	Pounds sterling
EU ETS	European Union Emissions Trading System	UK	United Kingdom (GB & NI)
EURIBOR	Euro Inter-bank Offered Rate	Underlying	Stated before acquisition-related expenses, redundancy and reorganisation costs, property items, amortisation of acquisition intangibles and related tax items
FCA	Financial Conduct Authority	Whitemountain	Whitemountain Quarries Limited. The construction materials and contracting services brand under which Breedon now trades in NI
FRC	Financial Reporting Council	WTO	World Trade Organization
GAAP	Generally Accepted Accounting Principles		
GB	Great Britain		
HMRC	Her Majesty's Revenue & Customs in the UK		
IAS	International Accounting Standards		
IFRS	International Financial Reporting Standard		
Invested Capital	Net assets plus net debt		
Ireland	The Island of Ireland		
ISO	International Organization for Standardisation		



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