26 July 2023

BREEDON GROUP PLC
Interim results 2023

Strong first half; full year expectations maintained
Strategic execution and operational focus deliver robust performance

Breedon Group plc (Breedon or the Group), a leading vertically-integrated construction materials group in Great Britain and Ireland, announces unaudited interim results for the six months ended 30 June 2023.

	Statutory highlights			Underlying[1] highlights			
£m except where stated	H1 2023	H1 2022	% change	H1 2023	H1 2022	% change	% LFL[2]
Revenue	**742.7**	671.1	11%	**742.7**	671.1	11%	7%
EBIT	**62.1**	65.5	(5)%	**70.5**	66.9	5%	4%
EBIT margin	**8.4%**	9.8%	(140)bps	**9.5%**	10.0%	(50)bps	
Profit Before Tax	**56.5**	59.5	(5)%	**64.9**	60.9	7%	
Basic EPS[3,4]	**13.0p**	14.5p	(10)%	**15.3p**	15.0	2%	
Dividend per share[4]				**4.0p**	3.5p	14%	
Net Debt[5]				**220.4**	256.7	(14)%	
Covenant Leverage[6]				**0.7x**	1.0x	(0.3)x	
ROIC[7]				**10.0%**	10.0%	-	

FINANCIAL HIGHLIGHTS

Operational focus and agile delivery generated a strong first half financial performance

- Resilient end-markets continued to be supported by long-term structural growth drivers
- Dynamic pricing tailwind more than offsets expected lower volumes, leading to revenue increase of 11% or 7% on a like-for-like basis
- Underlying EBIT growth of 5% reflects revenue drop through, partially offset by higher energy costs as hedges moved back into line with market pricing

Financial flexibility maintained while investing for growth

- ROIC maintained at 10%
- Investment in three strategic bolt-on acquisitions
- Significantly lower Covenant Leverage at 0.7x due to lower seasonal working capital outflow, good control of inventories and strong cash collection

Interim dividend increased significantly ahead of earnings by 14% to 4.0p

- Reflecting our confidence in the prospects of the Group and in keeping with our progressive dividend policy

OPERATING HIGHLIGHTS

Emphasis on operational excellence and cost recovery

- Self-help; all divisions initiated operational excellence reviews, Cement executed two scheduled kiln maintenance shutdowns on time and within budget
- GB revenue increased 10%; completed two bolt-on transactions and delivered a solid first half through nimble execution, strong pricing tailwind and careful cost management

- Ireland grew revenue 11%; traded well through tendering season, winning work on quality, and completed the acquisition of Robinson Quarry Masters
- Cement increased revenue 18%; strong pricing was sustained, enabled by resilient end-market demand

Significant sustainability milestones achieved

- Key partner in the launch of the Peak Cluster initiative, an innovative carbon capture and storage collaboration aiming to reduce industry emissions significantly
- 'Breedon Balance', our range of products with sustainable attributes, continued to gain traction, accounting for 30% of revenue
- Further improvement in our rate of Cement alternative fuel substitution to 50% (2022: 48.5%)

ADMITTED TO THE MAIN MARKET OF THE LONDON STOCK EXCHANGE

Breedon shares now traded on the Main Market

- We expect to be eligible for inclusion in the FTSE 250 and FTSE-All share indices at the next index review in September 2023

CURRENT TRADING AND OUTLOOK

Well-positioned for the second half; full year expectations maintained

- The end-markets we serve have remained resilient. End-market visibility beyond 2023 remains limited in light of the uncertain economic outlook
- In response, we have increased our emphasis across the Group on operational excellence and agility to ensure Breedon is as competitive as it has ever been
- Well-positioned for the second half of the year; the Group is trading in line with the Board's expectations which remain unchanged

Rob Wood, Chief Executive Officer, commented:

"In the first half our vertically-integrated and local operating model has again come to the fore, leveraging our long-term customer relationships and deep market knowledge. Our first class team has operated with great agility to deliver a strong start to 2023 for which I thank them sincerely and we are well-positioned for the second half of the year.

"The long-term structural dynamics driving infrastructure spending and housebuilding in GB and Ireland have not changed. To ensure we can efficiently and sustainably meet long-term demand for our essential construction materials, we have re-doubled our focus on those factors under our control; keeping our people safe and well while minimising the cost of production and maximising the value of the extensive portfolio of assets we own and acquire.

"By emphasising the operational factors we can influence, we will ensure we remain competitive and continue to deliver outstanding results. By challenging our procedures and practices, we can be sure we will be in the strongest possible position when our end-markets return to growth."

Notes:
1. Underlying results are stated before acquisition-related expenses, redundancy and reorganisation costs, property gains and losses, amortisation of acquisition intangibles, AIM to Main Market costs and related tax items. References to an Underlying profit measure throughout this announcement are defined on this basis.
2. Like-for-like reflects reported values adjusted for the impact of acquisitions and disposals.
3. EPS in the Underlying Highlights is Adjusted Underlying Basic EPS, which is Underlying Basic EPS adjusted to exclude the impact of changes in the deferred tax rate of £0.1m (HY 2022: £0.6m).
4. Comparative values for Earnings and Dividend per share measures have been restated to reflect the impact of the 5:1 share consolidation undertaken during the period.
5. Net Debt including IFRS 16 lease liabilities.
6. Covenant Leverage is defined as the ratio of Underlying EBITDA to Net Debt, with both Underlying EBITDA and Net Debt amended to reflect the material items which are adjusted by the Group and its lenders in determining leverage for the purpose of assessing covenant compliance. In both the current and prior periods, the only material adjusting item was the impact of IFRS 16.
7. ROIC: post-tax return on average invested capital.
8. Information for investors, including analyst consensus estimates, can be found on the Group's website at www.breedongroup.com/investors.

RESULTS PRESENTATION

Breedon will host a results presentation for analysts and investors at 08:30am today at the offices of Numis, 45 Gresham Street, London EC2V 7BF, or online via www.breedongroup.com/investors. The presentation will be followed by Q&A, where it will be possible to participate through the following dial-in details:

Event Title:	Breedon Interim Results 2023
Start Time/Date:	08:30 Wednesday, 26 July 2023 - please join the event 5-10 minutes prior to scheduled start time. When prompted, provide the confirmation code or event title
United Kingdom, Toll-free:	0808 109 0700
United Kingdom, Local:	+44 (0) 33 0551 0200
Password:	Quote ‘Breedon interim results’ when prompted

ENQUIRIES

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About Breedon Group plc

Breedon Group plc, a leading vertically-integrated construction materials group in Great Britain and Ireland, delivers essential products to the construction sector. Breedon holds 1bn tonnes of mineral reserves and resources with long reserve life, supplying value-added products and services, including specialty materials, surfacing and highway maintenance operations, to a broad range of customers through its extensive local network of quarries, ready-mixed concrete and asphalt plants.

The Group’s two well-invested cement plants are actively engaged in a number of carbon reduction practices, which include utilising alternative raw materials and lower carbon fuels. Breedon’s 3,800 colleagues embody our commitment to ‘Make a Material Difference’ as the Group continues to execute its strategy to create sustainable value for all stakeholders, delivering growth through organic improvement and acquisition in the heavyside construction materials market. Breedon shares (BREE) are traded on the Main Market of the London Stock Exchange.

STRONG FIRST HALF BENEFITS FROM AGILE EXECUTION

Markets

The construction materials market is contending with a number of conflicting forces. Long-term structural growth drivers remain in place, supporting the need for investment in infrastructure and housing. However, inflation-impacted government budgets, political instability and housing affordability present near-term headwinds.

Breedon's focus remains on charting our own clear course to ensure we are as competitive and agile as we can be. By faithfully implementing our sustainable growth strategy and maintaining our financial flexibility, focusing on the quality of our products and customer service, we have executed well through the first-half and delivered a strong financial performance.

Financial performance

During the first half we grew revenue 11% to £742.7m (H1 2022: £671.1m) or 7% on a like-for-like basis when adjusting for the six bolt-on acquisitions completed in the last twelve months. Volumes declined as expected, however were more than offset by a 12 ppt increase in pricing.

Underlying EBIT of £70.5m (H1 2022: £66.9m) grew 5% reflecting the benefits of the pricing tailwind carried through from 2022 and full input cost recovery achieved in the first half, partially offset by higher energy costs as hedges moved back into line with market pricing. Consequently, Underlying EBIT margin of 9.5% reduced by 50bps when compared to the same period in the prior year (H1 2022: 10.0%).

The Group generated free cash inflow of £20.8m (H1 2022: outflow of £22.0m) following stable capital investment and lower seasonal working capital outflows of £40.9m (H1 2022: outflow of £77.2m), assisted by strong cash collection. Following the completion of three strategically significant bolt-on acquisitions for a combined enterprise value of £19m, closing Covenant Leverage was significantly lower at 0.7x (H1 2022: 1.0x). Post-tax return on invested capital remained at 10.0% (H1 2022: 10.0%), reflecting a robust trading outcome, partially offset by the impact of the increased UK corporate tax rate from the second quarter.

Dividend

The Board regularly reviews capital allocation scenarios, balancing capital investment and M&A with reducing debt and returning cash to shareholders, while prioritising profitable growth and ROIC. As a consequence of our strong financial performance, the Board intend to pay an interim dividend of 4.0p (H1 2022 restated: 3.5p), an increase of 14% and significantly ahead of earnings. This reflects our confidence in the prospects of the Group and is in keeping with our progressive dividend policy. The dividend timetable will be published in due course.

Move to the Main Market

On 17 May 2023 Breedon Group plc shares were admitted to the Premium Listing Segment of the Official List and to trading on the Main Market of the London Stock Exchange. At the same time, Breedon completed a five for one share consolidation which reduced the number of shares in issue. Comparative earnings per share and dividend per share figures have been restated as a consequence.

STRATEGY REVIEW

Sustain

Our sustainability strategy is gaining momentum and we were pleased to achieve significant milestones during the first half towards ensuring the long-term sustainability of the Group. During the period we made progress towards meeting our commitment to the Science Based Targets initiative. In addition, we have committed to securing a rating from CDP with the rating process underway.

Breedon is a key partner in the Peak Cluster initiative and in May we hosted the launch at our Hope cement plant in the heart of the Peak District. This is an innovative collaboration to capture, transport and permanently store CO_2 emissions from the cement and lime industry in Derbyshire and Staffordshire, as well as neighbouring industries in Cheshire. It is expected the project will remove over three million tonnes of carbon dioxide emissions each year by 2030, a move that will reduce UK emissions from cement and lime manufacture by around 40%.

The performance of our cement business is remarkable in the context of the high proportion of alternative fuels utilised, a factor which adds complexity to the production process. Fossil fuel replacement reached a combined rate of 50%; our Kinnegad cement plant continued to push the boundaries of alternative fuel use, achieving a rate of 82%, and at times exceeding 90%.

At Breedon, we have nearly 15,000 hectares of land, strong relationships with the nature groups and communities around our sites, and our colleagues are enthusiastic advocates of the ecosystems surrounding our operations. We hosted a biodiversity week in May to raise awareness of our commitment to nature and biodiversity, highlight good practice, and to accelerate our biodiversity action plans across the Group.

Our highest priority is ensuring that our 3,800 colleagues return 'Home Safe and Well' each day. We constantly strive to improve our outcomes in this area, so we were pleased to see industry body, MPA, recognise our colleagues' achievements with regional awards for health and safety initiatives on site. We undertook a pulse engagement survey to understand cultural perceptions around our safety behaviours and inform the training we implement throughout the rest of the year.

We continue to strive to make Breedon a great place to work. We partnered with a leading wealth and benefits advisor to host regular personal finance seminars, and in April we awarded a pay increase of at least 6%, acknowledging the cost of living pressures many of our colleagues are facing. In May, Breedon Ireland achieved an outstanding 12th place on the Sunday Independent/Statista list of Ireland's 150 Best Employers, the highest placed company in the construction related sectors, which is testament to our commitment to our colleagues' overall health, safety and wellbeing.

Optimise

Our core values emphasise self-help, seeking to improve the efficiency of our operations by 'keeping it simple' and 'striving to improve'. Following more than a decade of growth, an active M&A programme and more than 300 sites across the Group, each division initiated operational excellence reviews in 2023.

GB created a new role to drive operational improvement and standardise quarry operations. Ireland, under a new leadership team and structure, reorganised support functions and is taking the opportunity to implement solar energy solutions where possible. Cement, which has a clear programme of scheduled maintenance, sustained its market-leading reliability performance.

Expand

Many of our acquisition opportunities come to us through our local knowledge and personal engagement with the asset owners. During the first half we completed three transactions in GB and Ireland, with a combined enterprise value of up to £19m, as our active M&A pipeline continued to yield high quality, earnings enhancing opportunities.

In Ireland the acquisition of Robinson Quarry Masters, a family-run quarrying and concrete block business, has extended our footprint North of Belfast. Robinson Quarry Masters, with nearly 40 million tonnes of mineral reserves and resources, has enhanced our mineral footprint in Ireland and has a well-established customer base with exposure to housing, commercial and infrastructure end-markets.

In GB we acquired two downstream businesses. Broome Bros., a leading manufacturer of concrete blocks based in Doncaster, is adjacent to one of our existing ready-mixed concrete sites. Minster Surfacing, an award-winning regional surfacing business based in Lincoln with strong sustainability credentials, delivers a diverse portfolio of works from the Midlands to London. Each of the acquired businesses has started promisingly under Breedon ownership.

Our M&A pipeline remains healthy and active. We are a trusted partner for asset owners in GB and Ireland where we have looked to build and strengthen relationships as we seek to in-fill our existing capability and footprint. Longer-term, we continue to explore the possibility of selectively establishing a platform in the US, a large fragmented market that offers attractive growth prospects.

Our vertically-integrated model is backed by around one billion tonnes of mineral reserves and resources making us one of the largest heavyside building materials suppliers in GB and Ireland, with reserves under our stewardship equivalent to over 30 years of production. Our mineral planning pipeline is currently in excess of 100 million tonnes.

OUTLOOK

We entered 2023 in a good strategic and financial position, supplying structurally growing end-markets with essential materials. We have had a strong start to the year, benefitting from the dynamic pricing strategy implemented in recent years while maintaining a sharp focus on operational excellence.

The UK economic landscape remains uncertain with limited visibility beyond 2023, particularly with respect to residential housebuilding from which c.20% of our revenues are derived. While recent UK construction PMI data indicates infrastructure and non-residential building (end-markets that account for c.70% of our revenues) remain in expansionary territory, CPA growth forecasts have been reduced, indicating construction output will return to muted growth in 2024.

Similarly for Republic of Ireland, Euroconstruct construction output forecasts were reduced during the period. Although growth expectations for 2023 were reduced by 0.4% to 2.1%, this remained one of the fastest growth rates in Western Europe. Encouragingly, the construction PMI returned to growth territory, increasing to 50.4 in June 2023, the first upturn in activity since September 2022.

Our forward hedging programme, which has moved back into line with market pricing, continues to provide visibility of our cost base and support our careful approach to cost and risk management.

Due to the timing of price increases in 2022, the phasing of Underlying EBIT in 2023 will continue to be weighted towards the second half, although to a lesser extent than in prior years

The Breedon model is resilient and continues to deliver a solid operational performance with continued strong cash generation, irrespective of the macroeconomic or political backdrop. We are well-positioned for the second half of the year; the Group is trading in line with the Board's expectations which remain unchanged.

OPERATIONAL REVIEW

Product volumes

m' tonnes except where stated	**H1 2023**	H1 2022	H1 2021	H1 2020	H1 2019
Aggregates	**13.0**	13.6	15.0	8.0	9.9
Asphalt	**1.8**	1.9	2.0	1.0	1.4
Cement	**1.1**	1.2	1.2	0.8	1.0
Ready-mixed concrete (m^3)	**1.5m**	1.5m	1.7m	1.0m	1.5m

Volumes performed broadly in line with industry forecasts. On a like-for-like basis, aggregate volumes reduced 6%, asphalt 3%, cement 3% and ready-mixed concrete was marginally lower compared with the first half of 2022.

Great Britain

£m except where stated	**H1 2023**	H1 2022	Change %	LFL %
Revenue	**519.6**	473.1	+10%	+5%
Underlying EBIT	**42.8**	41.5	+3%	+1%
Underlying EBIT margin	***8.2%***	*8.8%*	*(60)bps*	

Our GB team delivered a solid performance in a softening market. Revenue increased 10% or 5% on a like-for-like basis when adjusting for the five transactions completed by the division since 30 June 2022.

Aggregate and asphalt volumes declined in line with the broader market while volumes of ready-mixed concrete were stable. Pricing, which benefitted from the prior year tailwind, remained well-underpinned by resilient end-markets and was sufficient to offset input cost inflation. Underlying EBIT margin decreased by 60bps to 8.2%, primarily attributable to product mix and the impact of operating leverage from reduced volumes.

Our enhanced focus on operational excellence yielded positive outcomes. At Dowlow, our largest rail-connected limestone quarry, the team relocated the mobile crushing plant to a new processing area, reducing fuel usage and cycle times while creating additional maintenance windows. They also improved blasting efficiency by increasing the size of shot-fires, which in turn reduced fuel consumption, drill rig wear and the safety risk associated with extracting mineral from the active face. Elsewhere, our Naunton quarry installed a 0.5km pipeline from our own borehole, directly into the concrete plant, reducing vehicle movements and fuel costs whilst saving personnel time and improving safety.

Following the award of a position on the North Super Region of the National Highways Pavement Delivery Framework in 2022, we secured a good portfolio of work in the first year of delivery. After nearly a year of reliably supplying high quality asphalt to the A11 Wymondham resurfacing project, we have delivered nearly 150,000 tonnes to the largest project on the National Highways concrete roads framework.

In recent years we have developed a successful airport runway resurfacing business. We have a strong pipeline of work and during the period we were active on Islay and Southampton airport runways. Delivering our own high quality materials, pulled through our vertically-integrated model and delivered reliably by our in-house teams, has positioned us well to pursue and win other major national surfacing works where the client's focus is increasingly on quality and sustainability measures where we score highly.

Great Britain outlook

Markets remain unpredictable and so we are taking actions to enhance our competitive position and maximise the benefit of our vertically-integrated model. We recognise that recent decisions to delay or cancel major infrastructure projects, alongside growing pressure on local authority road maintenance budgets, has reduced visibility. We will remain close to our customers and deliver a high quality, sustainable service while continuing to review our asset portfolio for efficiencies.

Ireland

£m except where stated	**H1 2023**	**H1 2022**	**Change %**	**LFL %**
Revenue	**109.1**	98.4	+11%	+10%
Underlying EBIT	**10.0**	9.0	+11%	+9%
Underlying EBIT margin	***9.2%***	*9.1%*	*10bps*	

Our business in Ireland is strategically located within markets that have significant pent-up demand, long-term infrastructure deficits and a material shortfall in residential housing, enabled by strong client relationships and a long track record of high quality delivery.

We have performed well in the first half of 2023. While the market in Northern Ireland remains impacted by the absence of a governing Assembly, we continued to secure new work, winning the Limavady term surfacing contract, and resecured two street lighting maintenance contracts. The market in RoI was healthy with a positive tendering season, reflecting clients' increasing tendency to award work on quality measures where we perform well.

Consequently, revenue for the six months to 30 June 2023 increased 11% to £109.1m. On a like-for-like basis, adjusting for the acquisition of Robinson Quarry Masters, revenue increased 10%. Softness in aggregate and ready-mixed concrete volumes reflected the market decline in NI while increased asphalt volumes were attributed to tendering activity in RoI.

Average selling prices remained well supported and we continued to benefit from the price increases achieved in 2022. As a result, we were able to fully recover input costs, generate Underlying EBIT of £10.0m and sustain an Underlying EBIT margin of 9.2%.

The economic and social infrastructure requirements in Ireland are driven by a growing population. The region enjoys long-term government infrastructure spending commitments as well as significant private foreign direct investment. Consequently our Ireland growth strategy is focused on ensuring we have the right assets and services in the right locations. To meet the demand for the essential construction materials and services that we foresee, our active organic mineral pipeline is complemented by a healthy M&A channel.

Ireland outlook

In NI, where our business is underpinned by multi-year frameworks and term contracts, the pace of activity remains impacted by the absence of the governing Assembly, with a growing pipeline of pent-up demand. We continue to deliver high quality work for repeat customers in RoI which is forecast to remain the fastest growing economy in Western Europe.

Cement

£m except where stated	H1 2023	H1 2022	Change %
Revenue	**176.8**	150.1	+18%
Underlying EBIT	**25.9**	23.7	+9%
Underlying EBIT margin	***14.6%***	*15.8%*	*(120)bps*

Our cement plants in GB and Ireland delivered a strong first half, achieving a significant milestone towards our net zero objective with the launch of the Peak Cluster carbon capture and storage project.

Revenue increased 18% as the diverse end-markets we serve remained resilient, underpinned by long-term structural growth drivers. While cement volumes declined 3%, the pricing environment was supported by robust fundamentals alongside the tailwind of price increases achieved during 2022. Consequently, Underlying EBIT increased 9%. A high proportion of the cost base associated with cement production is fixed and, as a result of reduced volumes, Underlying EBIT margin declined 120bps.

Our teams at Hope and Kinnegad carried out two planned kiln maintenance shutdowns during January, both concluding on schedule and within budget. Each plant maintained an outstanding reliability record, in excess of 96%, due to the rigorous forward planning and exceptional commitment of our Cement colleagues. Hope sustained plant mastery status into its fifth year, a rare occurrence in the industry, while the expertise and dedication of the team at Kinnegad was recognised by the Ireland Operational Excellence Awards 2023, winning Operations Team of the Year.

We continued to reduce the clinker content of our products, supporting our clients' sustainability objectives; CEM II sales out of Kinnegad exceeded 50% (2022: 50%) while in GB we are well-positioned for the rapid uptake we expect to see in CEM II once British concrete standards are reviewed.

Cement outlook

Our cement business remains resilient. End-market demand is underpinned by large ongoing infrastructure projects in the UK where industry fundamentals are well balanced. In RoI, housing and infrastructure are supported by the government's development plans to accommodate a rapidly growing population.

FINANCE REVIEW

The Group delivered a strong trading performance in the first half. Favourable tailwinds from our dynamic pricing strategy more than offset expected lower volumes and resulted in revenue for the half-year increasing by 11% to £742.7m (H1 2022: £671.1m). The revenue improvement includes 12ppt of pricing combined with volume reductions of 5ppt. On a like-for-like basis, excluding the impact of the six acquisitions completed since H1 2022, revenue in the period increased by 7%.

Underlying EBIT benefited from the drop through on increased revenues, partially offset by higher energy costs as hedges moved back into line with market pricing, to increase by 5% to £70.5m (H1 2022: £66.9m). Underlying EBIT margin in the first half was 9.5% (H1 2022: 10.0%).

Non-underlying items

The Group recorded £8.4m of non-underlying items during the period (H1 2022: £1.4m, net of £0.4m of profits realised on property transactions). This comprised £5.0m of professional fees incurred in connection with the re-domiciliation of the Group's parent company and the move from AIM to the Main Market of the London Stock Exchange; £3.0m amortisation of intangible assets and £0.4m of acquisition expenses.

Interest

Net interest costs in H1 were £5.6m (H1 2022 £6.0m) with the benefit of increased returns on surplus cash holdings being largely offset by non-cash increases in risk free rates used to unwind discounts on the Group's provisions. The Group continues to benefit from longer-term fixed rates of borrowing at a blended rate of c.2% from the £250m of US Private Placement notes issued in 2021, with repayment dates between 2028 and 2036.

Taxation

The underlying tax charge in the period has been based on the estimated effective weighted average rate applicable for existing operations for the full year. This represents a combined underlying effective rate of 20.3% on profits arising in the Group's UK and RoI subsidiary undertakings, with the increase in the effective rate (FY 2022: 16.0%) primarily attributable to the impact of the increased UK corporation tax rate from the second quarter.

Earnings per share

Adjusted Underlying Basic EPS for the period improved by 2% to 15.3p (H1 2022 restated: 15.0p), Statutory Basic EPS was 13.0p (H1 2022 restated: 14.5p).

Statement of financial position and ROIC

Net assets at 30 June 2023 were £1,060.1m (FY 2022: £1,043.8m).

Using average invested capital over the past twelve months, ROIC remained at 10.0% (H1 2022: 10.0%) reflecting a robust trading outcome, partially offset by the impact of the increased UK corporate tax rate. This remains in line with our medium term target and reflects disciplined capital allocation across our business.

Free cash flow

£m	H1 2023	H1 2022	Change
Underlying EBITDA	**112.3**	107.0	5.3
Working capital	**(40.9)**	(77.2)	36.3
Net interest	**(3.5)**	(4.5)	1.0
Income taxes paid	**(15.9)**	(15.3)	(0.6)
Net capex	**(31.9)**	(32.5)	0.6
Other	**0.7**	0.5	0.2
Free cash flow	**20.8**	(22.0)	42.8
Acquisitions	**(11.1)**	-	(11.1)
Dividends paid	**(23.7)**	(18.6)	(5.1)
Non-underlying items	**(5.4)**	0.4	(5.8)
Other	**(3.3)**	(4.0)	0.7
(Increase)/decrease in net debt	**(22.7)**	(44.2)	21.5

The Group's free cash flow in H1 2023 was an inflow of £20.8m (H1 2022: outflow of £22.0m) reflecting increased earnings and reduced seasonal working capital outflows. The improvement in working capital reflects strong cash collections, good control over inventories and the timing of purchases of carbon emission trading credits.

The spend on acquisitions relates to the initial payments and associated transaction costs for the three bolt-on acquisitions completed during the period. Further payments for these acquisitions, estimated at c.£6.1m and subject to the agreement of completion balance sheets, fall due within the second half of the year.

Net debt

Closing Net Debt at 30 June 2023 was £220.4m (H1 2022: £256.7m, FY 2022: £197.7m) and Covenant Leverage was 0.7x, in line with the year end and significantly lower than June 2022 (H1 2022: 1.0x, FY 2022: 0.7x).

Borrowing facilities

The Group's facilities total £600m and are unchanged from those disclosed in the 2022 Annual Report. All covenants were comfortably met in the period.

The Group has exercised a one year extension option in respect of its £350m Revolving Credit Facility, with the consequence that the facility will now fall due for repayment in June 2026 rather than June 2025. Arrangement fees of £0.7m have been incurred and capitalised within loan arrangement fees.

Dividend

We have announced our intention to pay an interim dividend of 4.0p per share (H1 2022 restated: 3.5p per share) reflecting our confidence in the prospects of the Group and in keeping with our progressive dividend policy. The dividend timetable will be announced in due course.

Group restructuring and share consolidation

In connection with the Group's move from AIM to the Premium Segment of the Main Market of the London Stock Exchange during the first half of 2023, a new UK holding company for the Group was established with one share in the new company issued to shareholders in exchange for every five shares held in the previous Group holding company.

The Group's equity has been adjusted to reflect that of the new holding company, with earnings and dividend per share measures restated throughout this announcement to reflect the impact of the five for one share consolidation. In all other aspects, the Group results and financial position are unaffected by this change and reflect the continuation of the Group.

Further details in relation to the restructuring have been included under the basis of preparation note in the Interim Financial Statements accompanying this announcement.

2023 technical guidance

The Group is trading in line with the Board's expectations which remain unchanged.

Net interest expense for the full year will be c.£12m, of which £8m will be cash interest.

We expect an effective tax rate for the full year of c.20% (2022: 16%), rising to c.22% in 2024, which will impact our post tax performance measures (including ROIC), with cash taxes higher than the effective rate.

The net cash cost of the three-bolt on acquisitions completed in H1 2023 will be c.£17m and total capital expenditure for the full year will be c.£100m.

The cash cost of the interim dividend paid in the second half of the year will be £13.6m, resulting in a total cash cost of dividends paid during 2023 of £37.3m.

We continue to expect a modest inflationary increase in working capital over the full year cycle.

RISK

The Group's principal risks in alphabetical order (by risk category) are:

Strategic
- Acquisitions
- Climate change
- Digitalisation
- Market conditions
- Mineral reserves
- People

Operational
- Environmental impact
- Failure of a critical asset
- Health, safety and wellbeing
- Input costs
- IT and cyber security
- Legal and regulatory
- Product specification

Financial
- Credit risk
- Currency risk
- Financing and interest rate risk

Further details of the principal risks facing the Group are set out on pages 44-49 of the Group's Annual Report for the year ended 31 December 2022 which is available on the Group website.

The Board consider that these are the risks that could impact the performance of the Group in the remaining six months of the current financial year. Although the nature of the risks as described in the 2022 Annual Report are unchanged for the half year, current market conditions has increased the overall level of risk faced by the Group. The Board continues to manage these risks and to mitigate their expected impact.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors confirm that, to the best of their knowledge:

- the condensed consolidated half-year financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the UK
- the interim management report includes a fair review of the information required by:

(a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed consolidated half-year financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

(b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last Annual Report that could do so.

The Directors of Breedon Group plc are listed in the Group's 2022 Annual Report on pages 96-97.

Since the publication of the 2022 Annual Report, there have been no changes to the composition of the Board.

Rob Wood
Chief Executive Officer

James Brotherton
Chief Financial Officer

26 July 2023

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Six months ended 30 June 2023			Six months ended 30 June 2022			Year ended 31 December 2022		
	Underlying	**Non-underlying* (note 5)**	**Total**	Underlying	Non-underlying* (note 5)	Total	Underlying	Non-underlying* (note 5)	Total
	£m	**£m**	**£m**	£m	£m	£m	£m	£m	£m
Revenue	**742.7**	**-**	**742.7**	671.1	-	671.1	1,396.3	-	1,396.3
Cost of sales	**(505.2)**	**-**	**(505.2)**	(449.2)	-	(449.2)	(910.1)	-	(910.1)
Gross profit	**237.5**	**-**	**237.5**	221.9	-	221.9	486.2	-	486.2
Distribution expenses	**(116.6)**	**-**	**(116.6)**	(109.1)	-	(109.1)	(231.0)	-	(231.0)
Administrative expenses	**(52.0)**	**(8.4)**	**(60.4)**	(47.6)	(1.4)	(49.0)	(103.7)	(7.0)	(110.7)
Group operating profit	**68.9**	**(8.4)**	**60.5**	65.2	(1.4)	63.8	151.5	(7.0)	144.5
Share of profit of associate and joint ventures	**1.6**	**-**	**1.6**	1.7	-	1.7	3.5	-	3.5
Profit from operations	**70.5**	**(8.4)**	**62.1**	66.9	(1.4)	65.5	155.0	(7.0)	148.0
Financial income	**0.7**	**-**	**0.7**	-	-	-	0.2	-	0.2
Financial expense	**(6.3)**	**-**	**(6.3)**	(6.0)	-	(6.0)	(12.4)	-	(12.4)
Profit before taxation	**64.9**	**(8.4)**	**56.5**	60.9	(1.4)	59.5	142.8	(7.0)	135.8
Tax at effective rate	**(13.2)**	**0.7**	**(12.5)**	(10.0)	0.3	(9.7)	(22.9)	0.8	(22.1)
Changes in deferred tax rate	**(0.1)**	**-**	**(0.1)**	(0.6)	-	(0.6)	(1.1)	-	(1.1)
Taxation	**(13.3)**	**0.7**	**(12.6)**	(10.6)	0.3	(10.3)	(24.0)	0.8	(23.2)
Profit for the period	**51.6**	**(7.7)**	**43.9**	50.3	(1.1)	49.2	118.8	(6.2)	112.6
Attributable to:									
Breedon Group shareholders	**51.6**	**(7.7)**	**43.9**	50.3	(1.1)	49.2	118.7	(6.2)	112.5
Non-controlling interests	**-**	**-**	**-**	-	-	-	0.1	-	0.1
Profit for the period	**51.6**	**(7.7)**	**43.9**	50.3	(1.1)	49.2	118.8	(6.2)	112.6

* Non-underlying items represent acquisition-related expenses, redundancy and reorganisation costs, property gains or losses, amortisation of acquisition intangibles, AIM to Main Market costs and related tax items.

	Six months ended 30 June 2023	Six months ended 30 June 2022	Year ended 31 December 2022
Earnings per share (restated)**			
Basic	**13.0p**	14.5p	33.2p
Diluted	**12.9p**	14.5p	33.1p

Underlying earnings per share are shown in note 8.

	Six months ended 30 June 2023	Six months ended 30 June 2022	Year ended 31 December 2022
Dividends in respect of the period (restated)**			
Dividend per share	**4.0p**	3.5p	10.5p

** Restated comparatives to reflect the impact of the 5:1 share consolidation undertaken during the period. See note 1.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Six months ended 30 June 2023 £m	Six months ended 30 June 2022 £m	Year ended 31 December 2022 £m
Profit for the period	**43.9**	49.2	112.6
Other comprehensive (expense)/income			
Items which may be reclassified subsequently to profit and loss:			
Foreign exchange differences on translation of foreign operations, net of hedging	**(5.6)**	5.5	10.2
Effective portion of changes in fair value of cash flow hedges	**(0.1)**	0.3	(1.3)
Taxation on items taken directly to other comprehensive income	**-**	-	0.2
Other comprehensive (expense)/income for the period	**(5.7)**	5.8	9.1
Total comprehensive income for the period	**38.2**	55.0	121.7
Total comprehensive income for the period is attributable to:			
Breedon Group shareholders	**38.2**	55.0	121.6
Non-controlling interests	**-**	-	0.1
	38.2	55.0	121.7

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2023

	30 June 2023 £m	30 June 2022 £m	31 December 2022 £m
Non-current assets			
Property, plant and equipment	**790.5**	749.9	787.9
Right-of-use assets	**47.3**	46.8	47.1
Intangible assets	**519.4**	503.2	518.2
Investment in associate and joint ventures	**15.3**	13.4	13.7
Trade and other receivables	**1.8**	5.3	3.8
Total non-current assets	**1,374.3**	1,318.6	1,370.7
Current assets			
Inventories	**87.1**	74.1	94.8
Trade and other receivables	**322.6**	291.3	218.6
Current tax receivable	**-**	0.5	-
Cash and cash equivalents	**76.9**	39.2	101.7
Total current assets	**486.6**	405.1	415.1
Total assets	**1,860.9**	1,723.7	1,785.8
Current liabilities			
Interest-bearing loans and borrowings	**(7.8)**	(7.3)	(7.9)
Trade and other payables	**(323.8)**	(277.2)	(263.8)
Current tax payable	**(1.9)**	(1.5)	(3.8)
Provisions	**(9.4)**	(9.6)	(9.2)
Total current liabilities	**(342.9)**	(295.6)	(284.7)
Non-current liabilities			
Interest-bearing loans and borrowings	**(289.5)**	(288.6)	(291.5)
Provisions	**(78.0)**	(65.0)	(76.8)
Deferred tax liabilities	**(90.4)**	(87.0)	(89.0)
Total non-current liabilities	**(457.9)**	(440.6)	(457.3)
Total liabilities	**(800.8)**	(736.2)	(742.0)
Net assets	**1,060.1**	987.5	1,043.8
Equity attributable to Breedon Group shareholders			
Share capital	**3.4**	-	-
Stated capital	**-**	554.8	555.0
Hedging reserve	**-**	1.5	0.1
Translation reserve	**(5.2)**	(4.3)	0.4
Merger reserve	**80.5**	-	-
Retained earnings	**981.1**	435.3	488.0
Total equity attributable to Breedon Group shareholders	**1,059.8**	987.3	1,043.5
Non-controlling interests	**0.3**	0.2	0.3
Total equity	**1,060.1**	987.5	1,043.8

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2023

For the six months ended 30 June 2023

	Share capital £m	Stated capital £m	Hedging reserve £m	Translation reserve £m	Merger reserve £m	Retained earnings £m	Attributable to Breedon Group shareholders £m	Non-controlling interests £m	Total equity £m
Balance at 31 December 2022	-	555.0	0.1	0.4	-	488.0	1,043.5	0.3	1,043.8
Dividends paid	-	-	-	-	-	(23.7)	(23.7)	-	(23.7)
Corporate reorganisation (note 1)	474.5	(555.0)	-	-	80.5	-	-	-	-
Capital reduction (note 1)	(471.1)	-	-	-	-	471.1	-	-	-
Total comprehensive income for the period	-	-	(0.1)	(5.6)	-	43.9	38.2	-	38.2
Share-based payments (inclusive of deferred tax recognised in equity)	-	-	-	-	-	1.8	1.8	-	1.8
Balance at 30 June 2023	**3.4**	**-**	**-**	**(5.2)**	**80.5**	**981.1**	**1,059.8**	**0.3**	**1,060.1**

For the six months ended 30 June 2022

	Stated capital £m	Hedging reserve £m	Translation reserve £m	Retained earnings £m	Attributable to Breedon Group shareholders £m	Non-controlling interests £m	Total equity £m
Balance at 31 December 2021	553.0	1.2	(9.8)	405.2	949.6	0.2	949.8
Shares issued	1.8	-	-	-	1.8	-	1.8
Dividends paid	-	-	-	(18.6)	(18.6)	-	(18.6)
Total comprehensive income for the period	-	0.3	5.5	49.2	55.0	-	55.0
Share-based payments (inclusive of deferred tax recognised in equity)	-	-	-	(0.5)	(0.5)	-	(0.5)
Balance at 30 June 2022	554.8	1.5	(4.3)	435.3	987.3	0.2	987.5

For the six months ended 31 December 2022

	Stated capital £m	Hedging reserve £m	Translation reserve £m	Retained earnings £m	Attributable to Breedon Group shareholders £m	Non-controlling interests £m	Total equity £m
Balance at 31 December 2021	553.0	1.2	(9.8)	405.2	949.6	0.2	949.8
Shares issued	2.0	-	-	-	2.0	-	2.0
Dividends paid	-	-	-	(30.5)	(30.5)	-	(30.5)
Total comprehensive income for the period	-	(1.1)	10.2	112.5	121.6	0.1	121.7
Share-based payments (inclusive of deferred tax recognised in equity)	-	-	-	0.8	0.8	-	0.8
Balance at 31 December 2022	555.0	0.1	0.4	488.0	1,043.5	0.3	1,043.8

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Six months ended 30 June 2023 £m	Six months ended 30 June 2022 £m	Year ended 31 December 2022 £m
Cash flows from operating activities			
Profit for the period	**43.9**	49.2	112.6
Adjustments for:			
Depreciation and mineral depletion	**43.4**	41.8	83.5
Amortisation	**3.0**	1.8	4.8
Financial income	**(0.7)**	-	(0.2)
Financial expense	**6.3**	6.0	12.4
Share of profit associate and joint ventures	**(1.6)**	(1.7)	(3.5)
Net gain on sale of property, plant and equipment	**(1.0)**	(1.8)	2.4
Gain on stepped acquisition	**-**	-	(0.3)
Share-based payments	**1.8**	-	1.2
Taxation	**12.6**	10.3	23.2
Operating cash flow before changes in working capital and provisions	**107.7**	105.6	236.1
Increase in trade and other receivables	**(99.7)**	(84.8)	(0.2)
Decrease/(increase) in inventories	**7.8**	(11.6)	(31.7)
Increase/(decrease) in trade and other payables	**51.3**	19.3	(9.1)
(Decrease)/increase in provisions	**(0.3)**	(0.1)	7.7
Cash generated from operating activities	**66.8**	28.4	202.8
Interest paid	**(3.0)**	(3.3)	(6.7)
Interest element of lease payments	**(1.2)**	(1.2)	(2.5)
Interest received	**0.7**	-	0.2
Income taxes paid	**(15.9)**	(15.3)	(25.8)
Net cash from operating activities	**47.4**	8.6	168.0
Cash flows used in investing activities			
Acquisition of businesses	**(11.1)**	-	(12.6)
Dividends from associate and joint ventures	**-**	0.5	1.7
Purchase of property, plant and equipment	**(33.8)**	(35.1)	(106.8)
Proceeds from sale of property, plant and equipment	**1.9**	2.6	4.8
Net cash used in investing activities	**(43.0)**	(32.0)	(112.9)
Cash flows used in financing activities			
Dividends paid	**(23.7)**	(18.6)	(30.5)
Proceeds from the issue of shares (net of costs)	**-**	1.8	2.0
Revolving Credit Facility extension costs	**(0.7)**	(0.7)	(0.7)
Repayment of lease obligations	**(4.7)**	(4.1)	(8.8)
Net cash used in financing activities	**(29.1)**	(21.6)	(38.0)
Net (decrease)/increase in cash and cash equivalents	**(24.7)**	(45.0)	17.1
Cash and cash equivalents at beginning of period	**101.7**	83.9	83.9
Foreign exchange differences	**(0.1)**	0.3	0.7
Cash and cash equivalents at end of period	**76.9**	39.2	101.7

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1 Basis of preparation

Breedon Group plc is a company domiciled in England. 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 UK. 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 Consolidated Financial Statements for the year ended 31 December 2022.

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 2022.

The comparative figures for the financial year ended 31 December 2022 have been extracted from the statutory accounts for that financial year other than Earnings and Dividends per share which have been restated due to the five to one share consolidation undertaken in the period (see corporate reorganisation below). 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.

Corporate Reorganisation (AIM to Main)

In connection with the Group's move from AIM to the Premium Segment of the Main Market of the London Stock Exchange during the first half of 2023, a new holding company for the Group was established. Breedon Group plc ('New Breedon'), a company registered in England & Wales with registration number 14739556 was incorporated on 17 March 2023 to act as the new parent company for the Group, in place of Breedon Group plc ('Old Breedon'), a company incorporated in Jersey with registration number 98465.

New Breedon obtained control of the Group on 17 May 2023 via a court approved scheme of arrangement. Under the scheme of arrangement, shares with a nominal value of £1.40 were issued in exchange for all the shares in Old Breedon at a ratio of one share in New Breedon for every five shares in Old Breedon. There were no changes in rights or proportion of control exercised as a result of the transaction.

IFRS 3 – *Business combinations* excludes common control transactions and group reconstructions. The Interim Financial Statements therefore incorporate the results of the reorganisation using the merger accounting method, whereby the results and cashflows of all the combining entities are brought into the Interim Financial Statements from the beginning of the financial year in which the combination occurs and comparative figures also reflect the combination of the entities. The Group's equity is adjusted to reflect that of the new holding company, with the difference between Stated Capital reported by Old Breedon under Jersey company law and Share Capital reported by New Breedon recognised as a Merger Reserve as follows:

	Stated capital £m	Share capital £m	Merger reserve £m	Retained earnings £m
As at 31 December 2022	**555.0**	**-**	**-**	**488.0**
Impact of corporate reorganisation	(555.0)	474.5	80.5	-
Capital structure post reorganisation	**-**	**474.5**	**80.5**	**488.0**

Earnings and Dividend per share measures have been restated to reflect the impact of the five to one share consolidation, but in all other aspects the Group's results and financial position are unaffected by the change and reflect the continuation of the Group.

Capital reduction

Further to the corporate reorganisation outlined above, on 9 June 2023 New Breedon undertook a capital reduction to convert £471.1m of share capital to distributable reserves, with Share Capital remaining at 338.9 million shares but with a nominal value of £0.01 per share.

1 Basis of preparation *(continued)*

New IFRS Standards and Interpretations

The Group has adopted the following standards from 1 January 2023:

- IFRS 17 – *Insurance Contracts*
- Amendments to IAS 1 – *Presentation of Financial Statements – Classification of Liabilities*
- Amendments to IAS 1 – *Presentation of Financial Statements – Disclosure of Accounting Policies*
- Amendments to IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*
- Amendments to IAS 12 – *Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction*

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

2 Going concern

These Interim Financial Statements are prepared on a going concern basis which the directors consider to be appropriate for the following reasons:

The Group meets day-to-day working capital and other funding requirements through banking facilities, which include an overdraft facility. Longer term debt financing is accessed through the Group's USPP loan note programme. The facilities comprise a £350m multi-currency RCF to June 2026 and £250m of USPP loan notes with maturities between 2028 and 2036. Further details of these facilities are provided in note 7 to these Interim Financial Statements.

The Group comfortably met all covenants and other terms of its borrowing agreements in the period, and maintained its track record of profitability, with an overall profit before taxation for the period of £56.5m. The Group has prepared cash flow forecasts for a period of more than 12 months from the date of signing these Interim Financial Statements, which show a sustained trend of profitability and cash generation. At 30 June 2023, the Group had cash of £76.9m and undrawn banking facilities of £350.0m, and at the date of this report, retains similar levels of liquidity which it is expected will provide sufficient liquidity for the Group to discharge its liabilities as they fall due and retain covenant headroom, even under a 'severe but plausible' downside scenario of forecast cash flows.

Consequently, the directors are confident that the Group will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of these financial statements and therefore have prepared the 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 2022 as set out in note 26 of the Annual Report for that year.

4 Segmental analysis

The principal activities of the Group are the quarrying of aggregates and manufacture and sale of construction materials and building products, including cement, asphalt and ready-mixed concrete, together with related activities in Great Britain and Ireland.

The Group's activities comprise the following reportable segments:

Great Britain: our construction materials and surfacing businesses in Great Britain.

Ireland: our construction materials and surfacing businesses on the Island of Ireland.

Cement: our cementitious operations in Great Britain and Ireland.

		Six months ended 30 June 2023		Six months ended 30 June 2022		Year ended 31 December 2022
Income statement	**Revenue £m**	**Underlying EBITDA* £m**	Revenue £m	Underlying EBITDA* £m	Revenue £m	Underlying EBITDA* £m
Great Britain	**519.6**	**69.0**	473.1	66.3	972.4	136.1
Ireland	**109.1**	**13.2**	98.4	12.0	226.2	34.4
Cement	**176.8**	**39.8**	150.1	37.7	300.7	79.6
Central administration	**-**	**(9.7)**	-	(9.0)	-	(15.1)
Eliminations	**(62.8)**	**-**	(50.5)	-	(103.0)	-
Group	**742.7**	**112.3**	671.1	107.0	1,396.3	235.0
Reconciliation to statutory profit						
Group Underlying EBITDA as above		**112.3**		107.0		235.0
Depreciation and mineral depletion		**(43.4)**		(41.8)		(83.5)
Great Britain		**42.8**		41.5		86.4
Ireland		**10.0**		9.0		28.3
Cement		**25.9**		23.7		52.1
Central administration		**(9.8)**		(9.0)		(15.3)
Underlying Group operating profit		**68.9**		65.2		151.5
Share of profit of associate and joint ventures		**1.6**		1.7		3.5
Underlying profit from operations (EBIT)		**70.5**		66.9		155.0
Non-underlying items (note 5)		**(8.4)**		(1.4)		(7.0)
Profit from operations		**62.1**		65.5		148.0

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

4 Segmental analysis *(continued)*

Analysis of revenue by major products and service lines by segment

	Six months ended 30 June 2023 £m	Six months ended 30 June 2022 £m	Year ended 31 December 2022 £m
Sale of goods			
Great Britain	**441.1**	413.3	829.0
Ireland	**48.0**	38.4	82.0
Cement	**176.8**	150.1	300.7
Eliminations	**(62.8)**	(50.5)	(103.0)
	603.1	551.3	1,108.7
Surfacing			
Great Britain	**78.5**	59.8	143.4
Ireland	**61.1**	60.0	144.2
	139.6	119.8	287.6
Total	**742.7**	671.1	1,396.3

Timing of revenue recognition

All revenues from the sale of goods relate to products for which revenue is recognised at a point in time as the product is transferred to the customer. Surfacing revenues are accounted for as products and services for which revenue is recognised over time.

Statement of financial position

	30 June 2023		30 June 2022		31 December 2022	
	Total assets £m	**Total liabilities £m**	Total assets £m	Total liabilities £m	Total assets £m	Total liabilities £m
Great Britain	**950.6**	**(251.8)**	881.4	(213.5)	900.9	(228.0)
Ireland	**296.6**	**(55.9)**	275.3	(46.3)	260.6	(40.5)
Cement	**531.9**	**(77.4)**	524.1	(73.5)	519.7	(62.0)
Central administration	**4.9**	**(26.1)**	3.2	(18.5)	2.9	(19.3)
Total operations	**1,784.0**	**(411.2)**	1,684.0	(351.8)	1,684.1	(349.8)
Current tax	**-**	**(1.9)**	0.5	(1.5)	-	(3.8)
Deferred tax	**-**	**(90.4)**	-	(87.0)	-	(89.0)
Net debt	**76.9**	**(297.3)**	39.2	(295.9)	101.7	(299.4)
Total Group	**1,860.9**	**(800.8)**	1,723.7	(736.2)	1,785.8	(742.0)
Net assets	**1,060.1**		987.5		1,043.8	

5 Non-underlying items

Non-underlying items are those which are either unlikely to recur in future periods or which distort the underlying trading performance of the business, including non-cash items. The directors monitor the performance of the Group using alternative performance measures which are on an underlying basis. In the opinion of the directors, this presentation aids understanding of the underlying business performance and any 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 2023 £m	Six months ended 30 June 2022 £m	Year ended 31 December 2022 £m
Included in administrative expenses:			
Acquisition costs	**0.4**	-	0.7
Property (gains)/losses	**-**	(0.4)	1.5
Amortisation of acquired intangible assets	**3.0**	1.8	4.8
AIM to Main Market costs (note 1)	**5.0**	-	-
Total non-underlying items (before tax)	**8.4**	1.4	7.0
Non-underlying taxation	**(0.7)**	(0.3)	(0.8)
Total non-underlying items (after tax)	**7.7**	1.1	6.2

6 Taxation

The tax charge at effective rate for the six months ended 30 June 2023 is based on the estimated effective weighted average rate applicable for existing operations for the full year.

This reflects a combined underlying effective rate of 20.3% per cent on profits arising in the Group's UK and Irish subsidiary undertakings.

7 Interest-bearing loans and borrowings

Net debt

	30 June 2023 £m	30 June 2022 £m	31 December 2022 £m
Cash and cash equivalents	**76.9**	39.2	101.7
Current borrowings	**(7.8)**	(7.3)	(7.9)
Non-current borrowings	**(289.5)**	(288.6)	(291.5)
Net debt (including IFRS 16)	**(220.4)**	(256.7)	(197.7)
IFRS 16 lease liabilities	**49.5**	48.5	49.3
Net debt (excluding IFRS 16)	**(170.9)**	(208.2)	(148.4)

Analysis of borrowings between current and non-current

	30 June 2023 £m	30 June 2022 £m	31 December 2022 £m
Lease liabilities	**7.8**	7.3	7.9
Current borrowings	**7.8**	7.3	7.9
Bank and USPP debt	**247.8**	247.4	250.1
Lease liabilities	**41.7**	41.2	41.4
Non-current borrowings	**289.5**	288.6	291.5

7 Interest-bearing loans and borrowings *(continued)*

Facilities

The Group's borrowing facilities comprise a £350m multi-currency RCF and a £250m USPP.

The RCF is available to the Group until June 2026. Interest on the RCF is calculated as a margin referenced to the Group's Covenant Leverage plus SONIA or EURIBOR according to the currency of borrowing. Interest margin on the RCF was charged in the period at rates of between 1.7% and 1.8%.

The USPP was issued in 2021 with an average fixed coupon of approximately 2% and comprises £170m sterling and £80m drawn in euro, with a maturity profile between 2028 and 2036.

During the period, the Group exercised an option to extend the RCF for a further one year period. Arrangement fees of £0.7m were capitalised in the year and will be amortised over the period of the additional borrowing.

Borrowing facilities are subject to leverage and interest cover covenants which are tested half-yearly. The Group remained fully compliant with all covenants during the period.

8 Earnings per share (restated)

	30 June 2023 pence	*30 June 2022 pence	*31 December 2022 pence
Adjusted Underlying Basic EPS	**15.3**	15.0	35.4
Underlying Basic EPS	**15.2**	14.9	35.1
Statutory Basic EPS	**13.0**	14.5	33.2
Underlying Diluted EPS	**15.2**	14.8	34.9
Statutory Diluted EPS	**12.9**	14.5	33.1

* Comparative figures restated to reflect the impact of the 5:1 share consolidation undertaken in the period. See note 1.

Adjusted Underlying Basic EPS is calculated based on Underlying profit for the period attributable to Breedon Group shareholders of £51.6m (30 June 2022: £50.3m, 31 December 2022: £118.7m), adjusted to exclude the impact of changes in the deferred tax rate of £0.1m (30 June 2022: £0.6m, 31 December 2022: £1.1m). The weighted average number of ordinary shares in issue during the period was 338,882,282 (*30 June 2022: 338,237,544, *December 2022: 338,553,497).

Underlying Basic EPS is calculated based on the Underlying profit for the period attributable to Breedon Group shareholders of £51.6m (30 June 2022: £50.3m, 31 December 2022: £118.7m) and on the weighted average number of ordinary shares in issue during the period as above.

Statutory Basic EPS is based on the profit for the period attributable to Breedon Group shareholders of £43.9m (30 June 2022: £49.2m, 31 December 2022: £112.5m) and on the weighted average number of ordinary shares in issue during the period as above.

Diluted earnings per ordinary share is based on 339,548,658 shares (*30 June 2022: 339,495,425, *31 December 2022: 339,812,882) and reflects the effect of all dilutive potential ordinary shares.

9 Related party transactions

The nature of related party transactions is consistent with those disclosed in the Annual Report for the year ended 31 December 2022. Related party transactions are conducted on an arm's length basis.

10 Acquisitions

The Group completed three acquisitions in the period, acquiring:

- 80% of the ordinary share capital of Minster Surfacing Limited on 5 May 2023
- 100% of the ordinary share capital of Broome Bros. (Doncaster) Limited on 1 May 2023; and
- 100% of the ordinary share capital of Robinson Quarry Masters Limited on 16 May 2023.

The provisional fair values of the assets and liabilities acquired are set out as below:

	Book value	Fair value adjustments	Provisional fair value on acquisition
	£m	£m	£m
Intangible assets	-	2.8	2.8
Property, plant and equipment	4.7	6.5	11.2
Inventories	1.2	-	1.2
Trade and other receivable	5.4	-	5.4
Cash and cash equivalents	6.0	-	6.0
Trade and other payables	(3.3)	-	(3.3)
Provisions	(0.3)	-	(0.3)
Current tax payable	(0.7)	-	(0.7)
Deferred tax liabilities	(0.7)	(2.2)	(2.9)
Total	**12.3**	**7.1**	**19.4**
Cash consideration on completion			17.1
Deferred consideration			8.2
Goodwill arising			**5.9**

Consideration

Deferred consideration includes £1.1m relating to an earnout arrangement and £1.0m relating to a put liability over the remaining 20% of the ordinary shares of Minster Surfacing Limited. The put liability has been accounted for using the anticipated acquisition method.

The remaining deferred consideration relates to payments to be made in the second half of 2023 subject to agreement of final completion accounts.

Fair value adjustments

The fair value adjustments primarily comprised:

- Intangible assets, including the value of acquired customer lists;
- Mineral valuations relating to acquired quarries; and
- Deferred tax balances.

The goodwill arising represents expected synergies, the potential for future growth, access to new markets and the skills of the existing workforce. Goodwill is not deductible for tax purposes.

Impact of current year acquisition

Income statement

During the period, the combined acquisitions contributed revenues of £2.4m, Underlying EBIT of £0.4m and profit before tax of £0.4m to the Group. If these acquisitions had occurred on 1 January 2023, the results of the Group for the six months ended 30 June 2023 would have shown revenue of £750.0m, Underlying EBIT of £71.6m and Profit before tax of £57.6m.

10 Acquisitions *(continued)*

Cash flow

The cash flow impact of acquisitions in the year can be summarised as follows:

	£m
Consideration - cash	17.1
Cash and cash equivalents acquired	(6.0)
Net cash consideration shown in the consolidated statement of cash flows	11.1

Acquisition costs

The Group incurred acquisition related costs of £0.4m which included external professional fees in relation to these acquisitions. See note 5.

11 Stated and Share capital

Number of Ordinary Shares (m)	**Six months ended 30 June 2023**	Six months ended 30 June 2022	Year ended 31 December 2022
Issued ordinary shares at the beginning of period	**1,694.4**	1,689.7	1,689.7
Issued in connection with:			
Exercise of savings-related share options	**-**	2.8	3.1
Vesting of Performance Share Plan awards	**-**	1.6	1.6
5:1 share consolidation as part of corporate reorganisation (note 1)	**(1,355.5)**	-	-
	338.9	1,694.1	1,694.4

12 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 from these alternative performance measures to the most directly related statutory measures.

Reconciliation of earnings based alternative performance measures

Six months ended 30 June 2023	**Great Britain £m**	**Ireland £m**	**Cement £m**	**Central administration and eliminations £m**	**Share of profit of associate and joint ventures £m**	**Total £m**
Revenue	**519.6**	**109.1**	**176.8**	**(62.8)**		**742.7**
Profit from operations						**62.1**
Non-underlying items (note 5)						**8.4**
Underlying EBIT	**42.8**	**10.0**	**25.9**	**(9.8)**	**1.6**	**70.5**
Underlying EBIT margin	**8.2%**	**9.2%**	**14.6%**			**9.5%**
Underlying EBIT	**42.8**	**10.0**	**25.9**	**(9.8)**	**1.6**	**70.5**
Share of profit of associate and joint ventures	**-**	**-**	**-**	**-**	**(1.6)**	**(1.6)**
Depreciation and mineral depletion	**26.2**	**3.2**	**13.9**	**0.1**	**-**	**43.4**
Underlying EBITDA	**69.0**	**13.2**	**39.8**	**(9.7)**	**-**	**112.3**

12 Reconciliation to non-GAAP measures *(continued)*

Six months ended 30 June 2022	Great Britain £m	Ireland £m	Cement £m	Central administration and eliminations £m	Share of profit of associate and joint ventures £m	Total £m
Revenue	473.1	98.4	150.1	(50.5)		671.1
Profit from operations						65.5
Non-underlying items (note 5)						1.4
Underlying EBIT	41.5	9.0	23.7	(9.0)	1.7	66.9
Underlying EBIT margin	8.8%	9.1%	15.8%			10.0%
Underlying EBIT	41.5	9.0	23.7	(9.0)	1.7	66.9
Share of loss of associate and joint ventures	-	-	-	-	(1.7)	(1.7)
Depreciation and mineral depletion	24.8	3.0	14.0	-	-	41.8
Underlying EBITDA	66.3	12.0	37.7	(9.0)	-	107.0

Year ended 31 December 2022	Great Britain £m	Ireland £m	Cement £m	Central administration and eliminations £m	Share of profit of associate and joint ventures £m	Total £m
Revenue	972.4	226.2	300.7	(103.0)		1,396.3
Profit from operations						148.0
Non-underlying items (note 5)						7.0
Underlying EBIT	86.4	28.3	52.1	(15.3)	3.5	155.0
Underlying EBIT margin	8.9%	12.5%	17.3%			11.1%
Underlying EBIT	86.4	28.3	52.1	(15.3)	3.5	155.0
Share of profit of associate and joint ventures	-	-	-	-	(3.5)	(3.5)
Depreciation and mineral depletion	49.7	6.1	27.5	0.2	-	83.5
Underlying EBITDA	136.1	34.4	79.6	(15.1)	-	235.0

Free cash flow

	Six months ended 30 June 2023 £m	Six months ended 30 June 2022 £m	Year ended 31 December 2022 £m
Net cash from operating activities	**47.4**	8.6	168.0
Net cash used in investing activities	**(43.0)**	(32.0)	(112.9)
Acquisition of businesses	**11.1**	-	12.6
Cash impact of non-underlying items	**5.3**	1.4	1.0
Free Cash Flow	**20.8**	(22.0)	68.7

12 Reconciliation to non-GAAP measures *(continued)*

Return on invested capital

	Twelve months ended 30 June 2023 £m	Twelve months ended 30 June 2022 £m	Year ended 31 December 2022 £m
H2 2021 Underlying EBIT	**-**	77.2	-
H1 2022 Underlying EBIT	**-**	66.9	66.9
H2 2022 Underlying EBIT	**88.1**	-	88.1
H1 2023 Underlying EBIT	**70.5**	-	-
LTM Underlying EBIT	**158.6**	144.1	155.0
Underlying effective tax rate	**20.3%**	16.4%	16.0%
Taxation at the Group's underlying effective rate	**(32.2)**	(23.6)	(24.8)
Underlying earnings before interest	**126.4**	120.5	130.2
Net assets	**1,060.1**	987.5	1,043.8
Net debt (note 7)	**220.4**	256.7	197.7
Invested capital	**1,280.5**	1,244.2	1,241.5
Average invested capital*	**1,262.4**	1,203.3	1,201.9
Return on invested capital**	**10.0%**	10.0%	10.8%

* Average invested capital is calculated by taking the average of the opening invested capital at the start of the period and the closing invested capital at the reporting date. Opening invested capital at 1 January 2022 was £1,162.3m.

** Return on invested capital is calculated as underlying earnings before interest for the previous twelve months, divided by average invested capital for the period.

Covenant Leverage

	Twelve months ended 30 June 2023 £m	Twelve months ended 30 June 2022 £m	Year ended 31 December 2022 £m
As reported			
H2 2021 Underlying EBITDA	**-**	118.2	-
H1 2022 Underlying EBITDA	**-**	107.0	107.0
H2 2022 Underlying EBITDA	**128.0**	-	128.0
H1 2023 Underlying EBITDA	**112.3**	-	-
LTM Underlying EBITDA	**240.3**	225.2	235.0
Impact of IFRS 16	**(11.0)**	(11.8)	(11.3)
Underlying EBITDA for covenants	**229.3**	213.4	223.7
Net debt (excluding IFRS 16)	**(170.9)**	(208.2)	(148.4)
Covenant leverage	**0.7x**	1.0x	0.7x

Covenant leverage is defined as the ratio of Underlying EBITDA to Net debt, with both Underlying EBITDA and Net debt adjusted to reflect the material items which are adjusted by the Group and its lenders in determining leverage for the purpose of assessing covenant compliance and, in the case of our bank facilities, the margin payable on debt. In both the current and prior periods, the only material adjusting item was the impact of IFRS 16.

Cautionary Statement

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014 (which forms part of domestic UK law pursuant to the European Union (Withdrawal) Act 2018 ("EUWA")) ("UK MAR"). In addition, market soundings (as defined in MAR) were taken in respect of certain matters contained in this Announcement with the result that certain persons became aware of inside information (as defined in MAR), as permitted by MAR. This inside information is set out in this Announcement. Therefore those persons that received inside information in a market sounding are no longer in possession of such inside information relating to the Company and its securities.

GLOSSARY

The following definitions apply throughout this announcement, unless the context requires otherwise.

Breedon	Breedon Group plc
CDP	CDP, formerly known as the 'Carbon Disclosure Project', is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.
CEM II	CEM II is a composite cement; comprising Portland cement and up to 35% of other single constituents to reduce the product's carbon intensity
Covenant Leverage	Leverage as defined by the Group's banking facilities. This excludes the impact of IFRS 16 and includes the proforma impact of M&A
EBIT	Earnings before interest and tax
EPS	Earnings per share
EURIBOR	Euro Inter-bank Offered Rate
GAAP	Generally Accepted Accounting Principles
GB	Great Britain
Group	Breedon and its subsidiary companies
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
Invested capital	Net assets plus net debt
Ireland	The Island of Ireland
IT	Information Technology
Leverage	Net debt expressed as a multiple of Underlying EBITDA
Like-for-like	Like-for-like reflects reported values adjusted for the impact of acquisitions, disposals and the timing of cement plant maintenance shutdowns compared to the comparable period.
LTM	Last twelve months
M&A	Mergers & acquisitions
NI	Northern Ireland
Ppt	Percentage point
RCF	Revolving credit facility
RoI	Republic of Ireland
ROIC	Post tax Return on Invested Capital for the previous twelve months
SONIA	Sterling Overnight Index Average
UK	United Kingdom (GB & NI)
Underlying	Stated before acquisition-related expenses, redundancy and reorganisation costs, property gains and losses, amortisation of acquisition intangibles, AIM to Main Market costs and related tax items.
Underlying EBITDA	Earnings before interest, tax, depreciation and amortisation non-Underlying items and before our share of profit from associate and joint ventures
USPP	US Private Placement