

An introduction to Breedon Aggregates Scotland

1 May 2014



Essential Products ♦ Scarce Resources

- ▲ Group overview
- ▲ Overview of Breedon Aggregates in Scotland
 - ▲ Reserves & resources
 - ▲ Health & safety improvement
 - ▲ Financial overview
- ▲ The economic and political landscape
- ▲ The competitive landscape
- ▲ Integrating the AI operations
- ▲ Investment priorities
- ▲ Major project opportunities



Group overview

- 2008** Marwyn Materials created and listed on AIM
 - Strategy to consolidate smaller end of heavyside building materials industry
 - Experienced management with track record in delivering shareholder value

- 2010** Acquisition of Breedon Holdings for £160m EV
 - Breedon Aggregates created – UK’s largest independent aggregates business
 - Oversubscribed £50m equity placing & renegotiated debt

- 2011** Acquisition of C&G Concrete for £10m

- 2012** Acquisition of Nottingham Readymix
Launch of 1stMix
Acquisition of St Michaels
£15m share placing to fund future acquisitions
Launch of Mobile Concrete Solutions

- 2013** Acquisitions of Aggregate Industries & Marshalls assets for £53m
 - Oversubscribed £61m equity placing

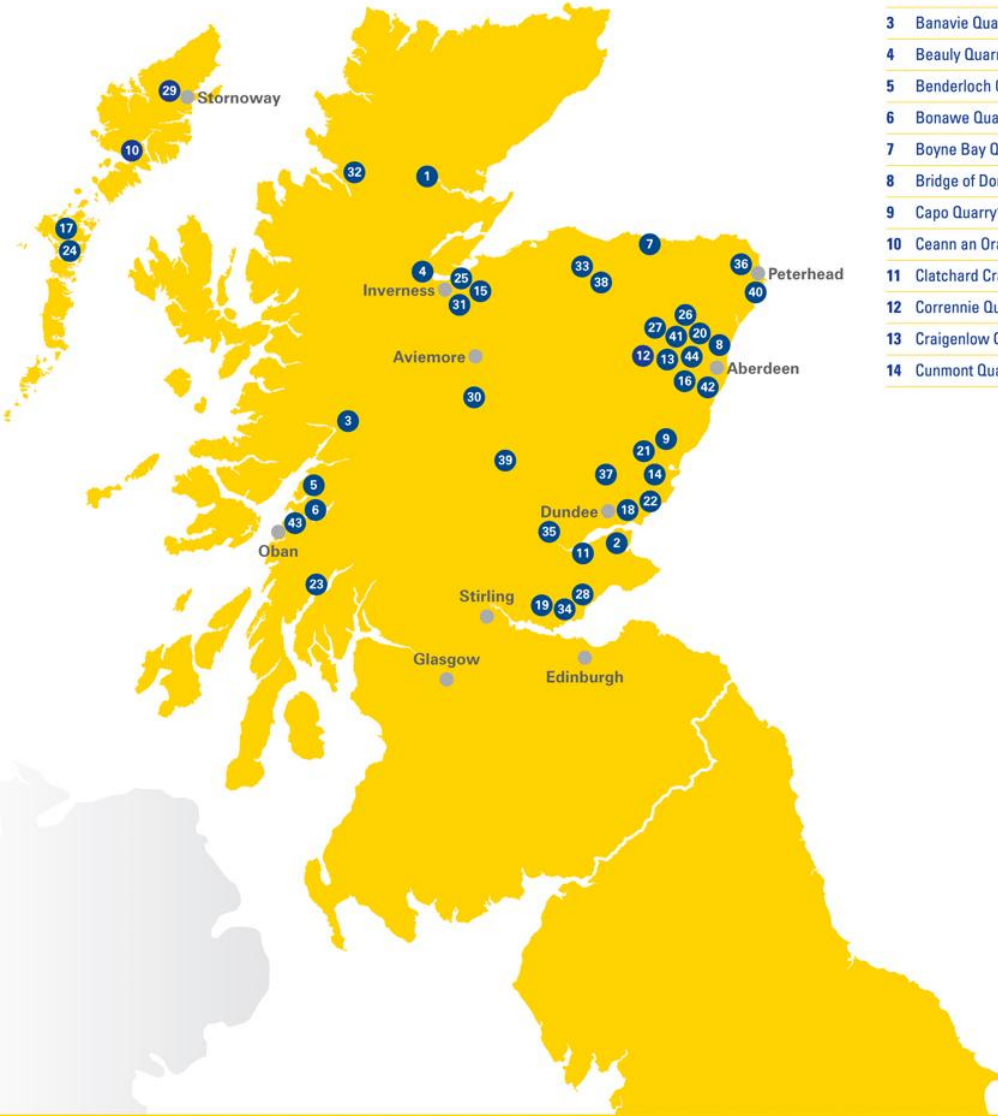
- 2014** Acquisition of Aggregate Industries’ concrete plant at Clearwell quarry

- ▲ Fully integrated aggregates business : 5th largest in UK
 - 41 quarries
 - 22 asphalt plants
 - 51 readymix & mortar plants
 - 2 concrete block plants
- ▲ 1,000 employees
- ▲ Fully invested operations
 - £14m annual fixed asset depreciation
- ▲ 400m tonnes of owned or controlled mineral reserves & resources
- ▲ Fixed assets totalling £184m at 31 Dec 2013
- ▲ Strong regional market positions in England and Scotland



Overview of Breedon Aggregates Scotland

Scotland Locations



1	Ardchronie Quarry	
2	Balmullo Quarry	
3	Banavie Quarry	
4	Beauly Quarry	
5	Benderloch Quarry*	
6	Bonawe Quarry	
7	Boyne Bay Quarry	
8	Bridge of Don Concrete Plant	
9	Capo Quarry*	
10	Ceann an Ora Quarry	
11	Clatchard Craig Quarry	
12	Corrennie Quarry	
13	Craigenlow Quarry	
14	Cunmont Quarry**	

15	Daviot Asphalt Plant	
16	Deeside Concrete Plant	
17	Druim Reallasger Quarry	
18	Dundee Concrete Plant	
19	Dunfermline Concrete Plant	
20	Dyce Concrete Plant	
21	Edzell Quarry	
22	Ethiebeaton Quarry	
23	Furnace Quarry	
24	Garbh Eilean Asphalt Plant	
25	Inverness Concrete Plant	
26	Inverurie Concrete Plant	
27	Kemnay	
28	Kirkcaldy Concrete Plant	
29	Marybank Quarry	
30	Meadowside Quarry	
31	Mid Lairgs Asphalt Plant	
32	Morefields Quarry	
33	Netherglen Quarry	
34	Orrock Quarry	
35	Perth Concrete Plant	
36	Peterhead Concrete Plant	
37	Powmyre Quarry*	
38	Rothies Glen Quarry	
39	Shierglas Quarry	
40	Stirlinghill Quarry	
41	Tom's Forest Quarry	
42	Tullos Concrete Plant	
43	West Area Contracting	
44	Westhill Concrete Plant	

Key

- Agricultural Lime
- Asphalt
- Concrete
- Concrete Products
- Contracting
- Crushed Rock
- Decorative Aggregates
- Mortar
- Sand & Gravel
- Tipping
- 1stMix

*Decorative Aggregates are also available bagged **Recycling available

- ▲ 27 quarries: granite, basalt, limestone, sand & gravel, decorative aggregates, agricultural lime
- ▲ 15 asphalt plants
- ▲ 31 ready-mixed concrete plants + 50% of Mobile Concrete Solutions
- ▲ 2 concrete block operations
- ▲ 6 surfacing contracting regional offices
- ▲ Strong market positions across north of Scotland
- ▲ c600 employees
- ▲ Minority stake in BEAR Scotland: manages NE, NW & SE trunk road networks for Transport Scotland
- ▲ Majority stake in Alba Traffic Management

Reserves & resources



Reserves

Resources

East

33 MT

24 MT

North East

190 MT

19 MT

North West

24 MT

13 MT

Hebrides

3 MT

4 MT

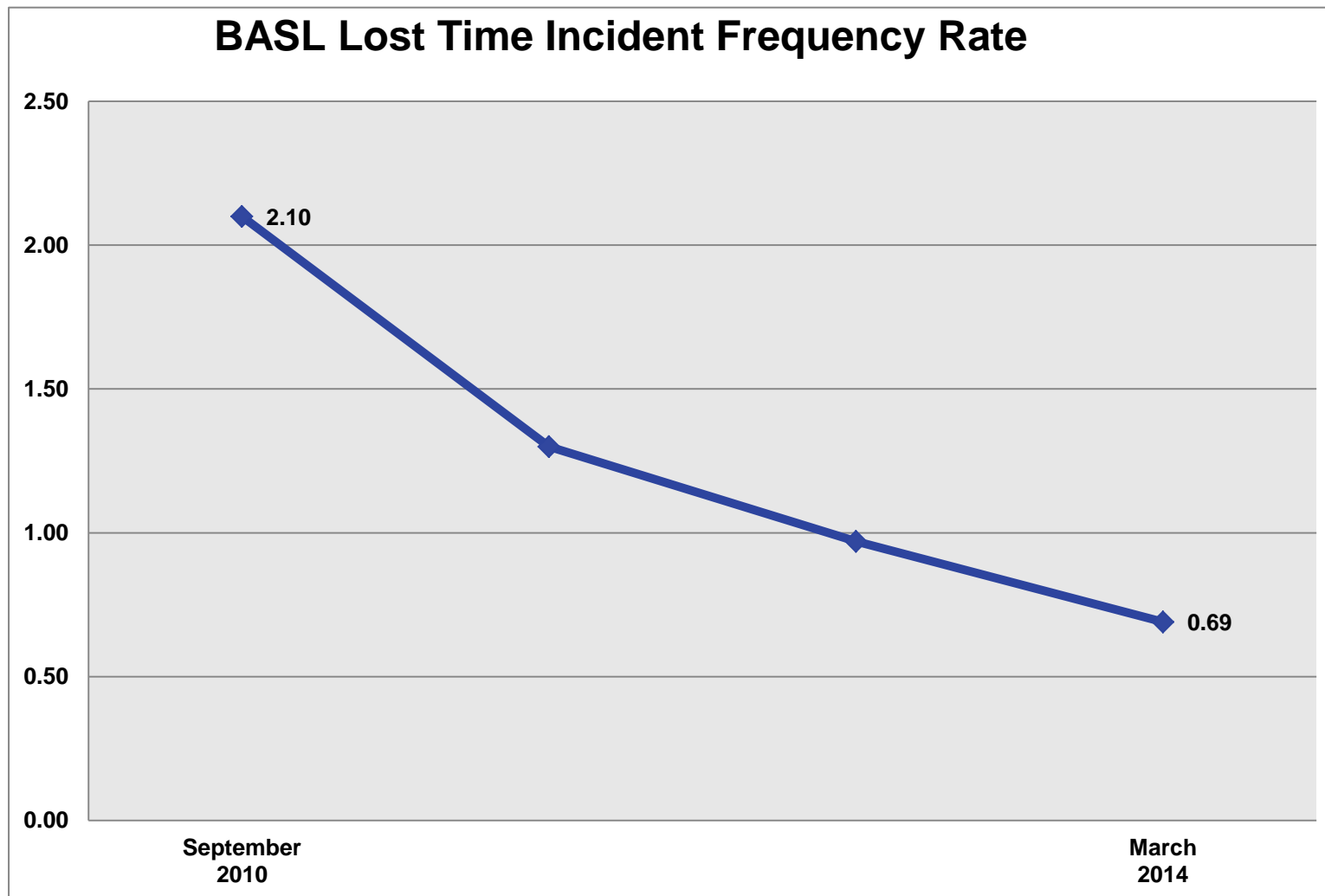
TOTAL

250 MT

60 MT

- Projects on-going to preserve and extend licence to operate at all quarry sites
- Two greenfield mineral projects in early planning phase
- Five quarry extension projects being pursued

- ▲ Near-miss reporting increased by nearly 6,000%
- ▲ VFL Reporting up 88% since 2012
- ▲ OHSAS 18001 health & safety accreditation secured for the entire Contracting business
- ▲ Strategy for OHSAS 18001 accreditation for concrete block operations
- ▲ 8 quarries in Scotland awarded *GoodQuarry* accreditation
- ▲ *GoodContracting* scheme introduced in late 2013



Scotland – Summary financials

	2012 £'000	2013 £'000	Variance %
Turnover	82,179	109,660	+33.4%
EBITDA	11,345	15,868	+39.9%
Operating Profit	5,548	9,013	+62.5%
EBITDA Margin	13.8%	14.5%	+0.7%
Operating margin	6.8%	8.2%	+1.4%

Volumes

+27.4% Aggregates
+14.5% Asphalt
+29.0% Concrete

- ▲ AI acquisition completed 1 May – strong performance despite OFT/CC distraction
- ▲ Efficiency gains in all products from margin improvement & cost control
- ▲ Contracting restructured & performed ahead of expectations

BEAR Scotland



experience that delivers

BEAR Scotland



BEAR Scotland is an integrated service provider based and operating in Scotland. Formed by the alliance of leading consultancy, quarry product and highway term maintenance organisations.

JACOBS

25.0%



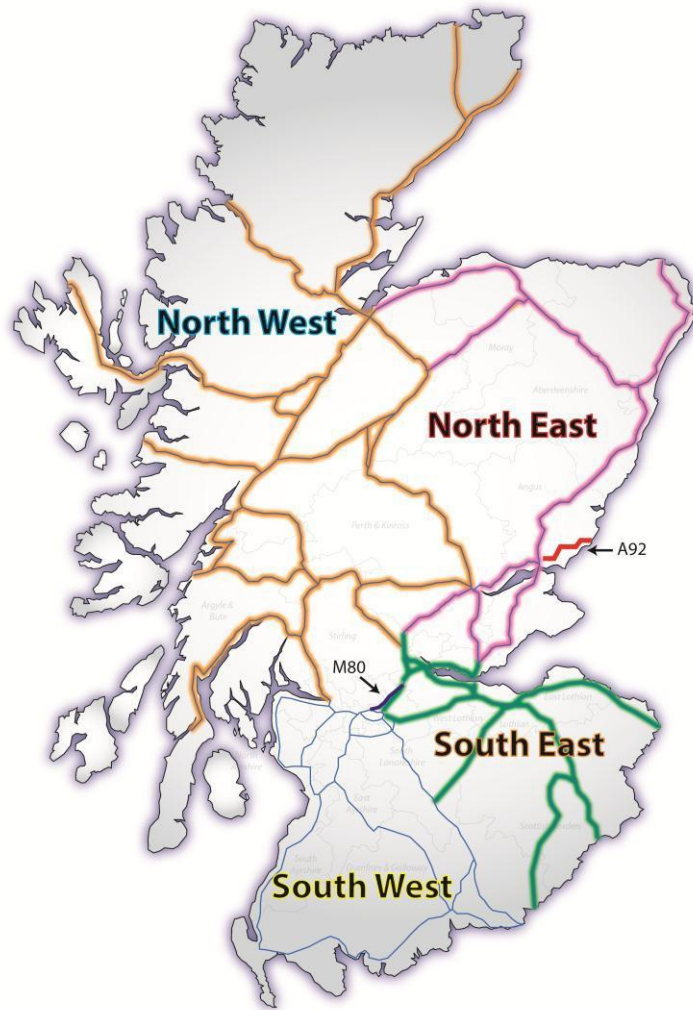
37.5%



37.5%

- ▲ Currently operating 3 out of 4 trunk road operating areas
- ▲ 700+ employees
- ▲ Strong financial performance
 - 2013 share of profit equity accounted £1.4m (2012 - £1.0m)
 - 2013 100% revenue £76m (2012 - £50.7m)
- ▲ Activities include:
 - Winter maintenance
 - Landscaping
 - Structural maintenance
 - Roads and bridge improvements
- ▲ Breedon carries out BEAR's surfacing works on NE and NW contracts

BEAR Scotland – history



2000 – Incorporated

2001 – Award of NW and NE contracts

2005 – Award of A92 Dundee-Arbroath

2006 – Lost NW to Scotland Transerv

2007 – Re-gain NE and win SE from Amey

2008 – Acquisition of Growing Concern

2010 – Awarded 10 year extension on A92

2010 – Award of M80 Stepps-Haggs

2012 – Award of NW

2013 – Tendering for 4G NE & SE

NE/SE 4th Generation contracts

Tender submitted – September 2013

Original scheduled award date – December 2013

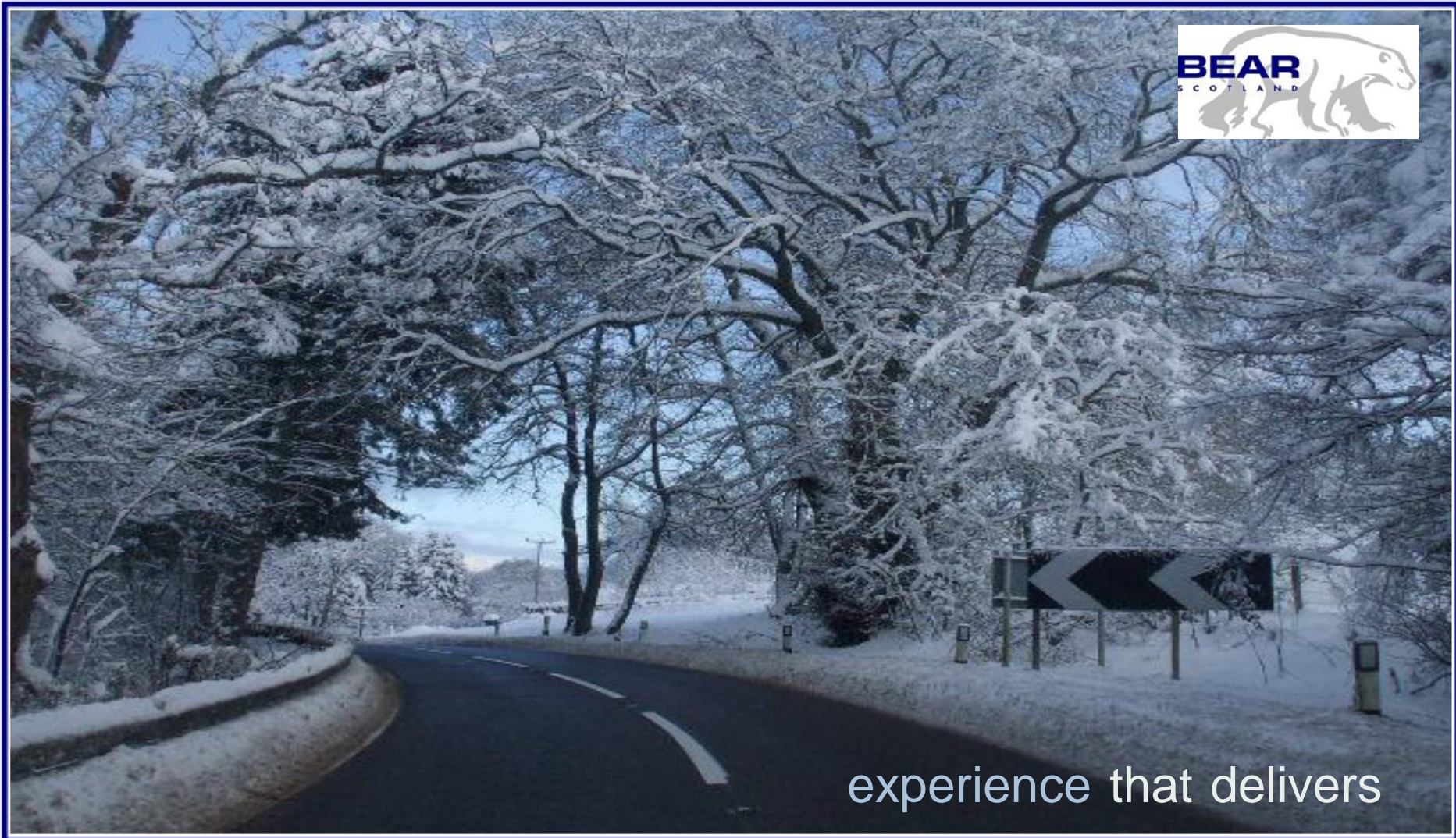
Original scheduled start date – 1st April 2014

Revised award date – to be confirmed

Revised notified start date – 16th August 2014



BEAR Scotland



experience that delivers

Alba Traffic Management



- ▲ Traffic management contractor
- ▲ Breedon owns 75%
- ▲ Works on trunk roads – complementing Breedon activities
- ▲ Events management – growing business
- ▲ Financial performance (100%)
 - 2013 revenue £2.6m (2012 - £2.1m)
 - 2013 EBITDA £0.3m (2012 - £0.3m)
- ▲ Growth continuing in 2014



Mobile Concrete Solutions

- ▲ Joint venture with TSL Contractors
- ▲ Formed in 2012
- ▲ 3 mobile concrete plants
- ▲ Ideally suited for high-volume projects in remote locations
- ▲ Focus on renewable energy sector
- ▲ Strong performance in 2012/13
- ▲ Project starts recently slowed due to clarification on tariffs and interconnector costs to grid
- ▲ Expected to pick up again in H2 2014



Economic and political landscape



- ▲ Scottish GDP up 1.6% in 2013 – fastest annual growth since 2007
- ▲ 2013 Q4 Scottish GDP up 0.2% – 7th consecutive quarter of economic growth
- ▲ Employment at highest level since records began
- ▲ March 2014:
 - Rises in output and new business
 - Private sector activity expanded for 18th consecutive month
- ▲ Continued uncertainty until Referendum on 18 September
 - Public infrastructure & maintenance spending still low after significant cuts in recent years
 - Infrastructure investment constrained outside Central Belt
 - Developers reluctant to invest in short term

- ▲ Breedon market leader in all products north of the Forth/Clyde Estuary
- ▲ Main competitors are independents, e.g. Leiths, Geddes, Tillicoultry, Skene, Pat Munro
- ▲ Margin growth record good
- ▲ Uncertainty of Referendum is undoubtedly stifling economic growth in the short term
- ▲ No step-change in growth apparent in our market area, but likely in 2015 following Referendum
- ▲ Housebuilding beginning to grow
- ▲ Market conditions vary from region to region influenced by level of investment and competitor behaviour

- ▲ Disposals and behavioural remedies to be expedited
- ▲ Commercial integration expected to begin shortly
- ▲ Supply optimisation to be implemented – reducing transport and production costs
- ▲ Full integration of staff and services a priority
- ▲ Planned investment in replacement capex underway
- ▲ Surplus land and property disposals to be identified

- ▲ Long-reach excavator and washing plant at Beauly
- ▲ Mobile asphalt plant to Uist or temporary in Aberdeen then AWPR/A9?
- ▲ Spaleck screen – to reclaim valued aggregates from unsellable stocks
- ▲ Mobile crushing – retaining production in-house to minimise costs
- ▲ Fleet modernisation – 5 new loading shovels, excavator and dumper on order
- ▲ New sheds – to allow increased use of recycled planings and reduced drying costs in asphalt production
- ▲ New production lines at Kemnay block factory
- ▲ Utilise waste materials and surplus stock at Cunmont block factory
- ▲ Additional dry storage for sand, dust and recycled materials
- ▲ Further organic investments being explored

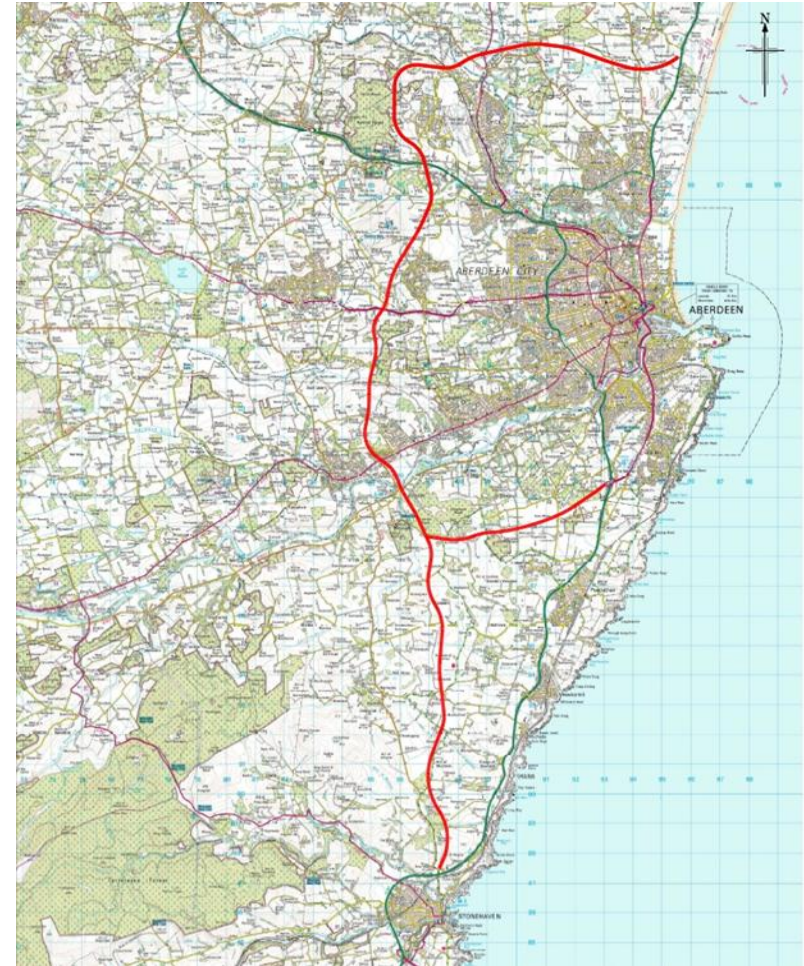
Major projects in medium term



Aberdeen Western Peripheral Route

Key Facts

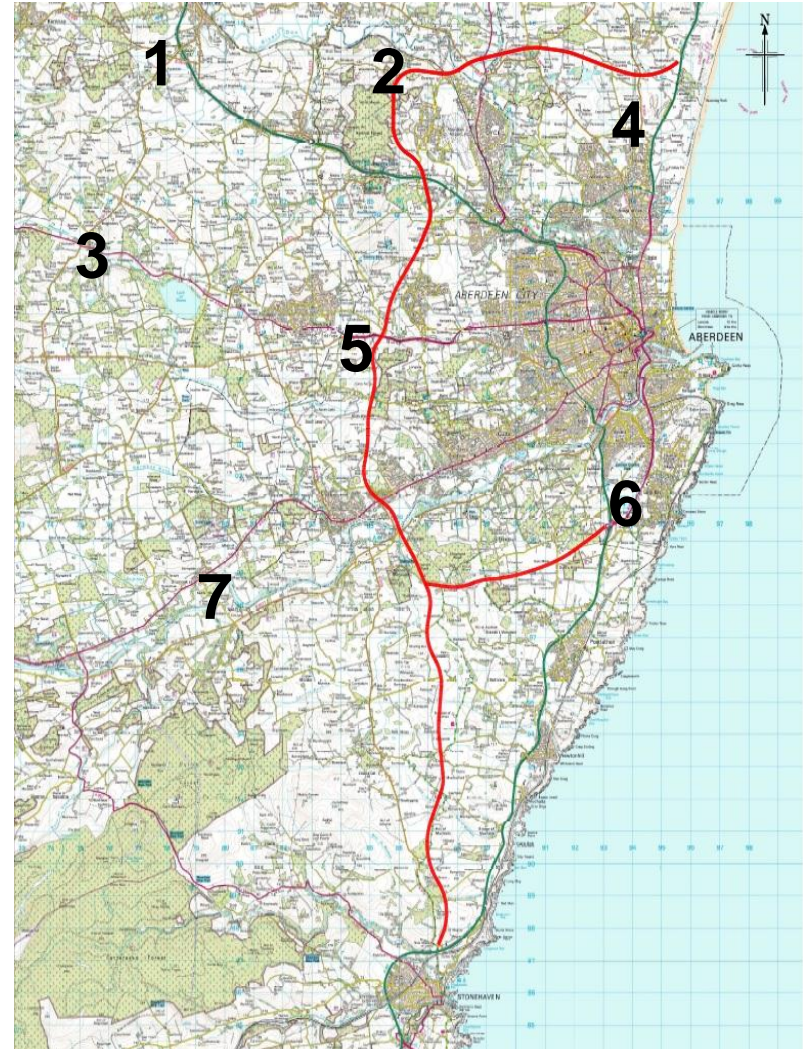
- Commence on-site Q1 2015
- Completion by 2018
- Project Value c. £500 million
- 55km of dual carriageway
- 22km of slip roads
- 39km of side roads & accesses
- 9 grade separated junctions
- 78 principal structures
- 94 culverts and mammal underpasses
- 10.4 million m³ of cut
- 10 million m³ of fill



Aberdeen Western Peripheral Route

Breedon Unit Locations

- 1 Tom's Forest quarry, asphalt plant & ready-mixed concrete plant
- 2 Dyce ready-mixed concrete plant
- 3 Craigenlow quarry, asphalt plant & ready-mixed concrete plant
- 4 Bridge of Don ready-mixed concrete plant
- 5 Westhill ready-mixed concrete plant
- 6 Tullos ready-mixed concrete plant
- 7 Deeside ready-mixed concrete plant



Key Facts

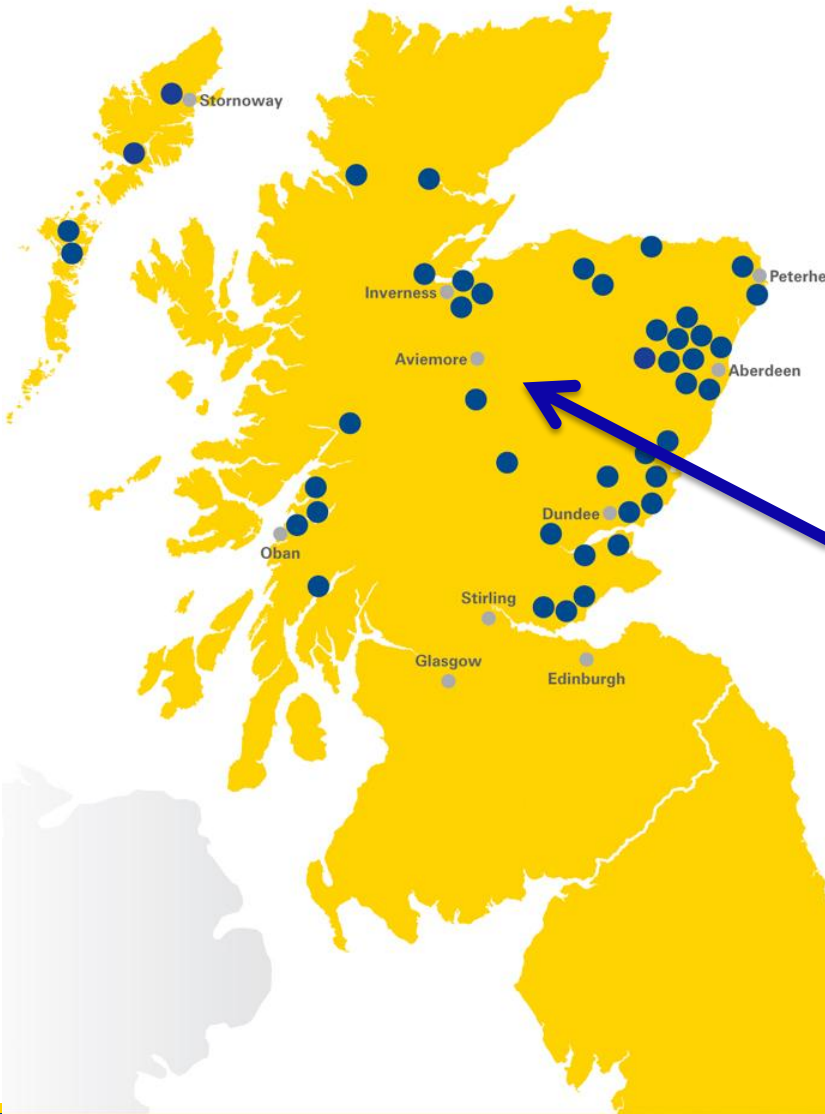
- **Perth to Inverness 177km: only 48km currently dualled**
- **129km / 80miles to be dualled**
- **12 projects**
- **3 projects currently at design stage**
- **Full completion by 2025**
- **Key Breedon assets:**
 - Shierglas Quarry, asphalt plant & ready-mixed Concrete Plant
 - Meadowside quarry
 - Perth ready-mixed concrete plant
 - Aviemore ready-mixed concrete plant
 - Daviot asphalt plant
 - Netherglen asphalt plant



Key Facts

- **Aberdeen to Inverness, 160km total length: only 18km currently dualled**
- **142km to be dualled**
- **To be completed by 2030**
- **Multiple projects including 30km Inverness to Nairn Bypass**
- **Key Breedon Assets**
 - Netherglen quarry, asphalt plant & ready-mixed concrete plant
 - Tom's Forest quarry, asphalt plant & ready-mixed concrete plant
 - Craiglenlow quarry, asphalt plant & ready-mixed concrete plant
 - Inverness ready-mixed concrete plant
 - Inverurie ready-mixed concrete plant



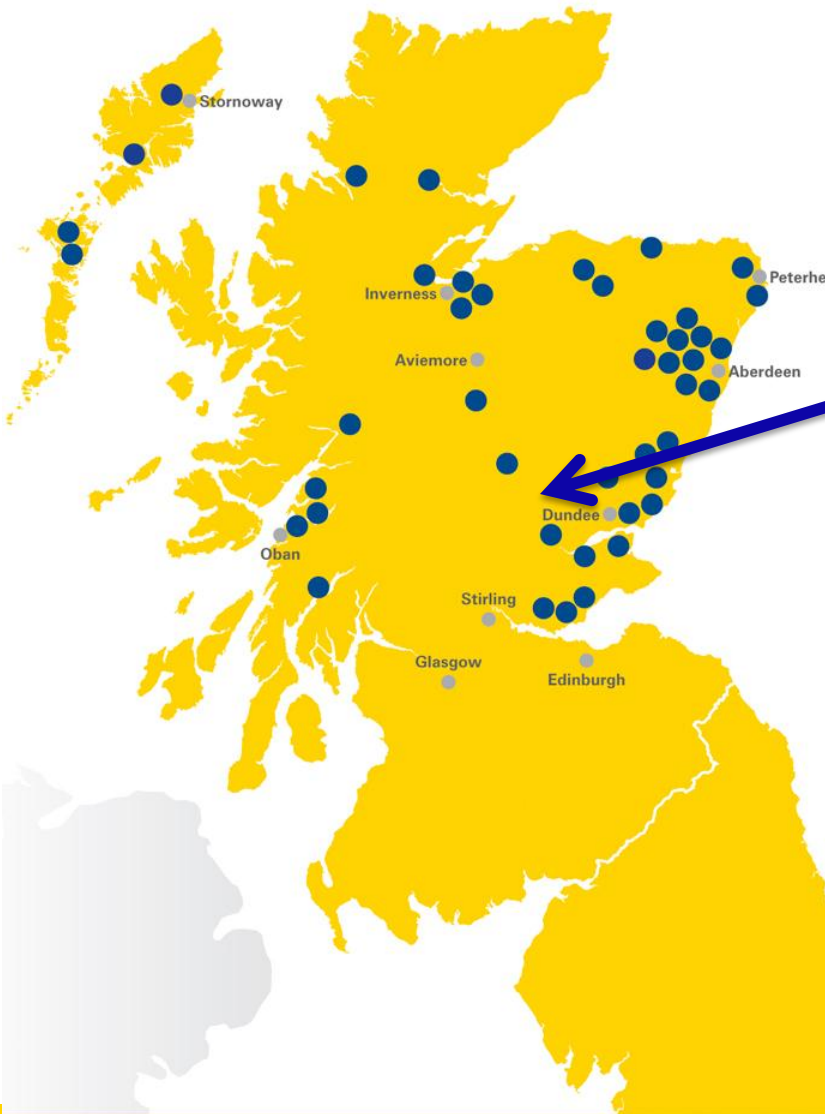


A9 Dualling

Kincraig to Dalraddy

- 7.45km Long
- 4 Underpasses to construct
- 2015 / 2016 Commencement
- Approx. 70,000 tonnes Asphalt; 30,000m³ lean mix



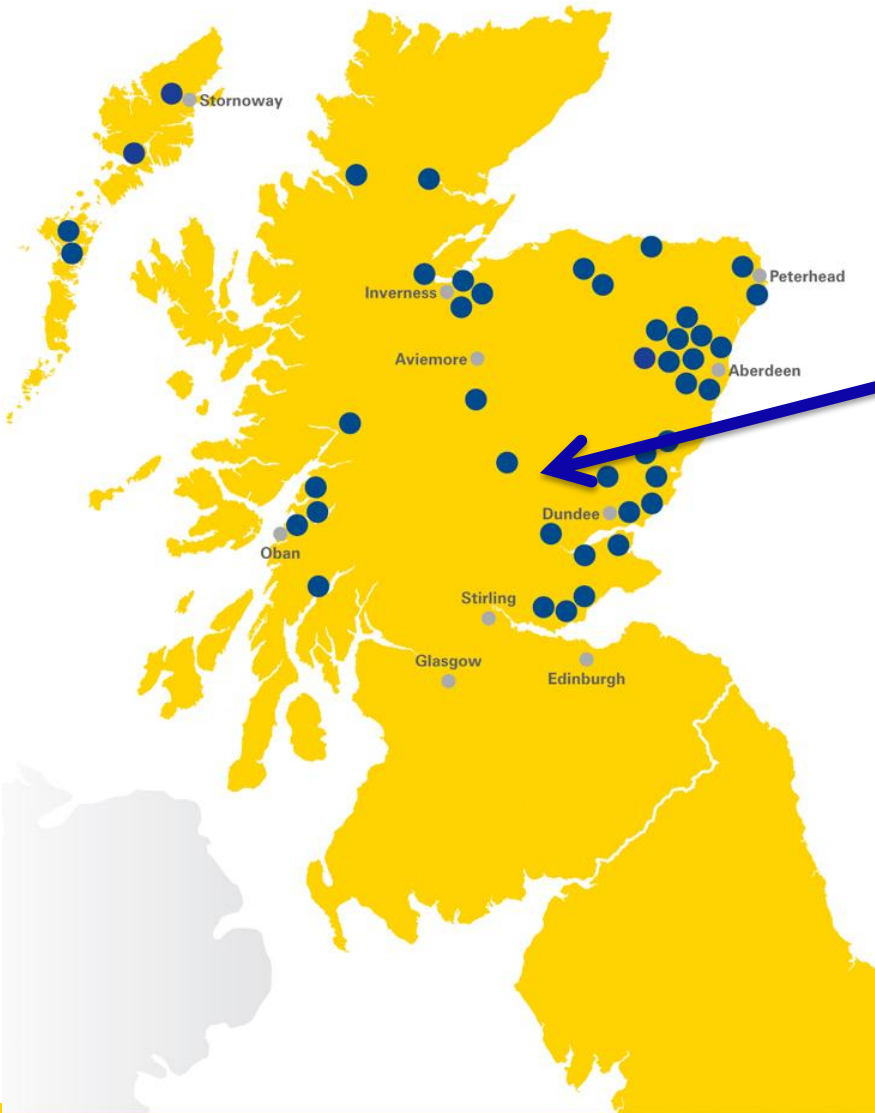


A9 Dualling

Luncarty to Pass of Birnham

- 9.5km Long
- 2017 Commencement
- Approx. 80,000 tonnes Asphalt; 35,000 m³ lean mix; significant volumes of aggregates/fill materials



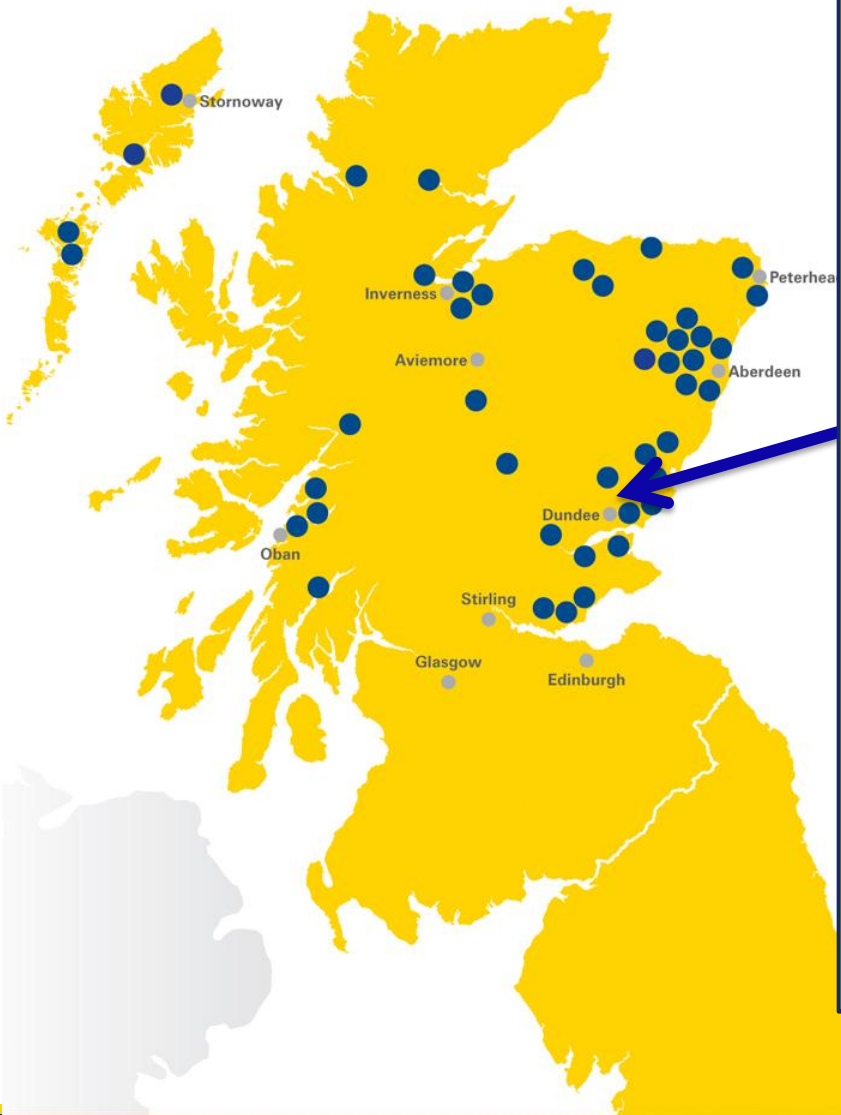


A9 Dualling

A9 Pass of Birnam to Tay Crossing

- 10.2km Long
- New Bridge over River Tay
- 2017 Commencement
- Approx. 90,000 tonnes Asphalt; 40,000 lean mix & significant volumes of aggregates/fill materials





V&A Museum, Dundee Waterfront

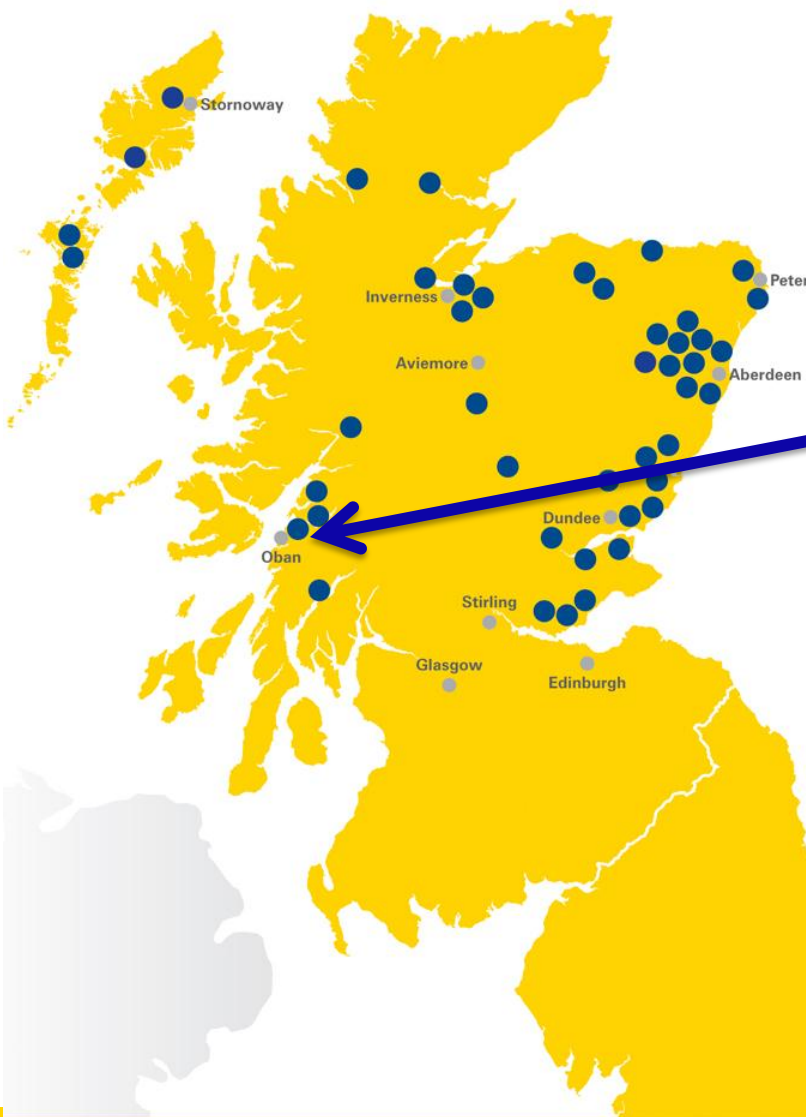
- New £45 million Museum
- 2014 Commencement
- Part of £1 billion Dundee Waterfront Redevelopment
- Circa 20,000m³ Structural Concrete
- Significant aggregates, etc.

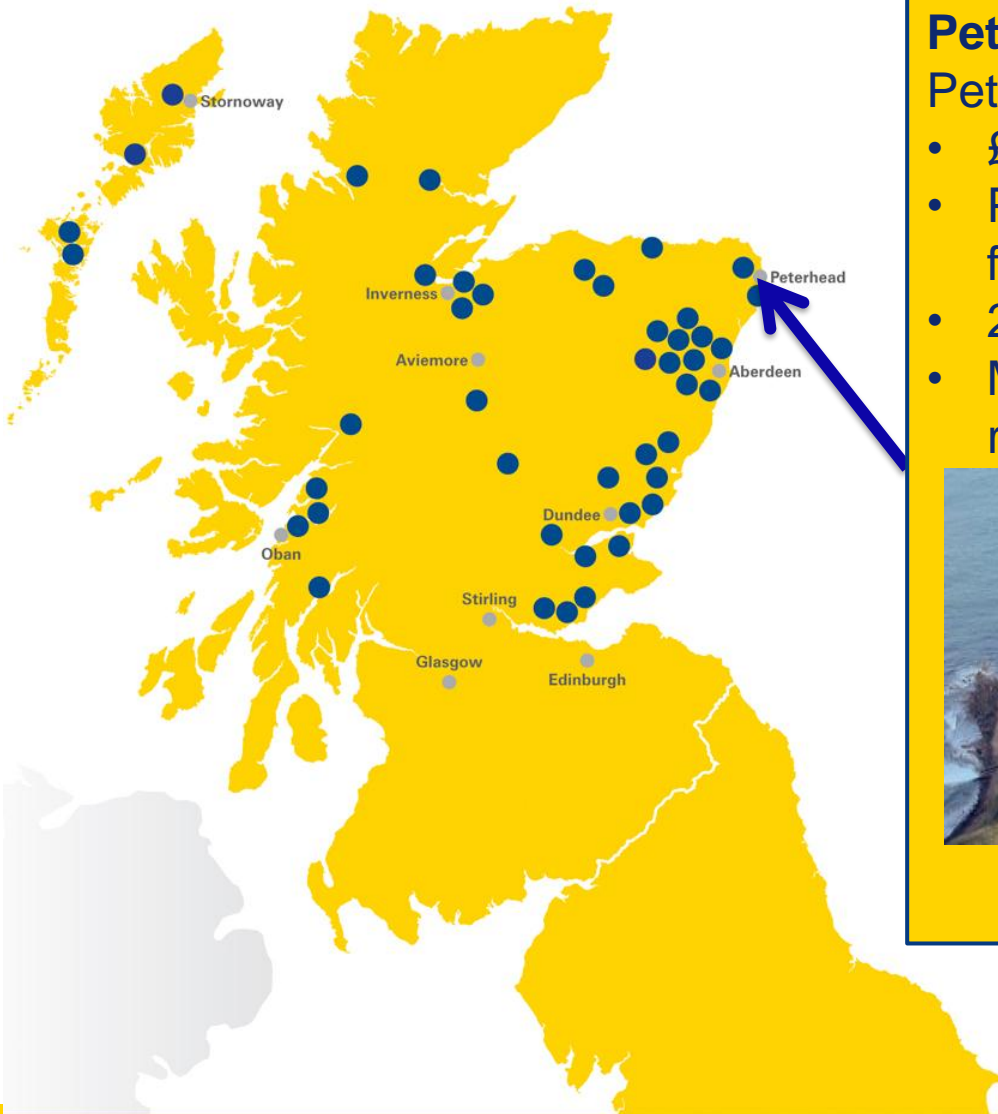


Oban Regeneration – The Lorn Arc

Oban, Dunstaffnage, Dunbeg, North Connel

- Regeneration Scheme
- £18.9 million Government Tax Incremental Finance (TIF), £125million Private Investment
- £2.75m Lorn Road / Kirk Road Project Infrastructure Works – Autumn 2014.
- £18.9m Dunbeg Gateway inc. Roundabout, Development Road & Oban Airport Infrastructure



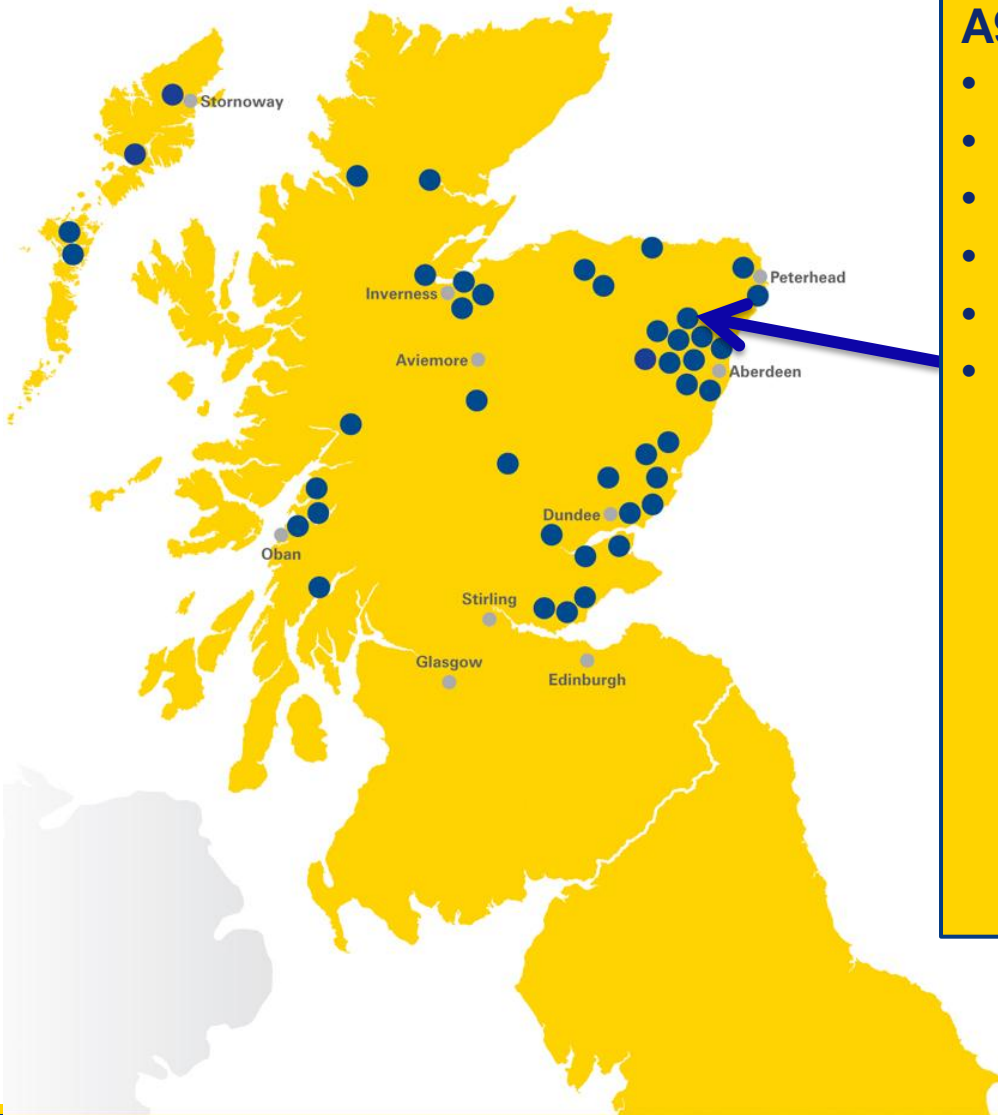


Peterhead Carbon Capture and Storage

Peterhead Power Station

- £100bn Project
- Preferred Bidder for Government funding, 2016 start likely.
- 2 miles from Stirlinghill Quarry
- Major Concrete & Aggregate requirement

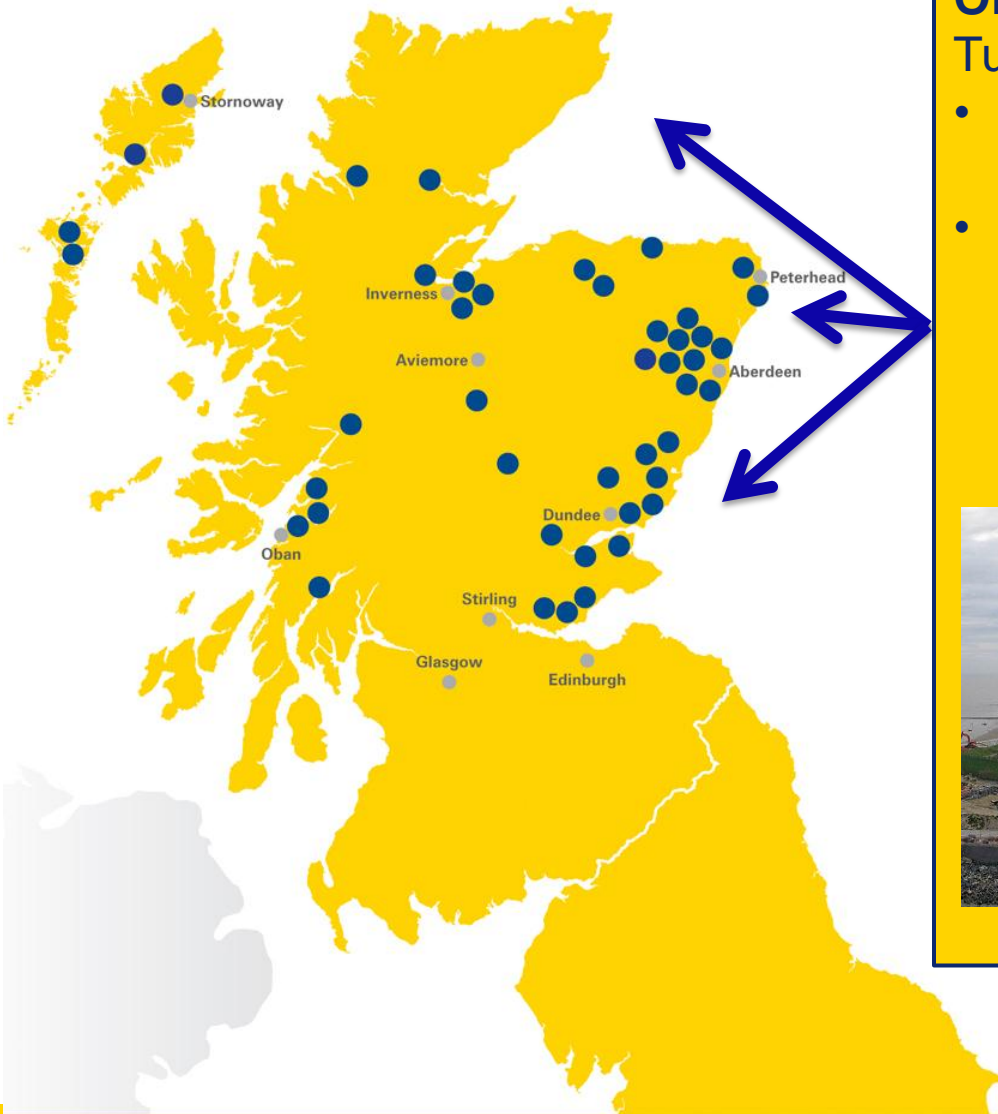




A96 Inveramsay Bridge Improvements

- £12 million project
- 1.45km road construction
- New Bridge construction
- Currently out to tender
- 100,000m³ Fill Materials required
- 15,000 tonnes of Bound pavement

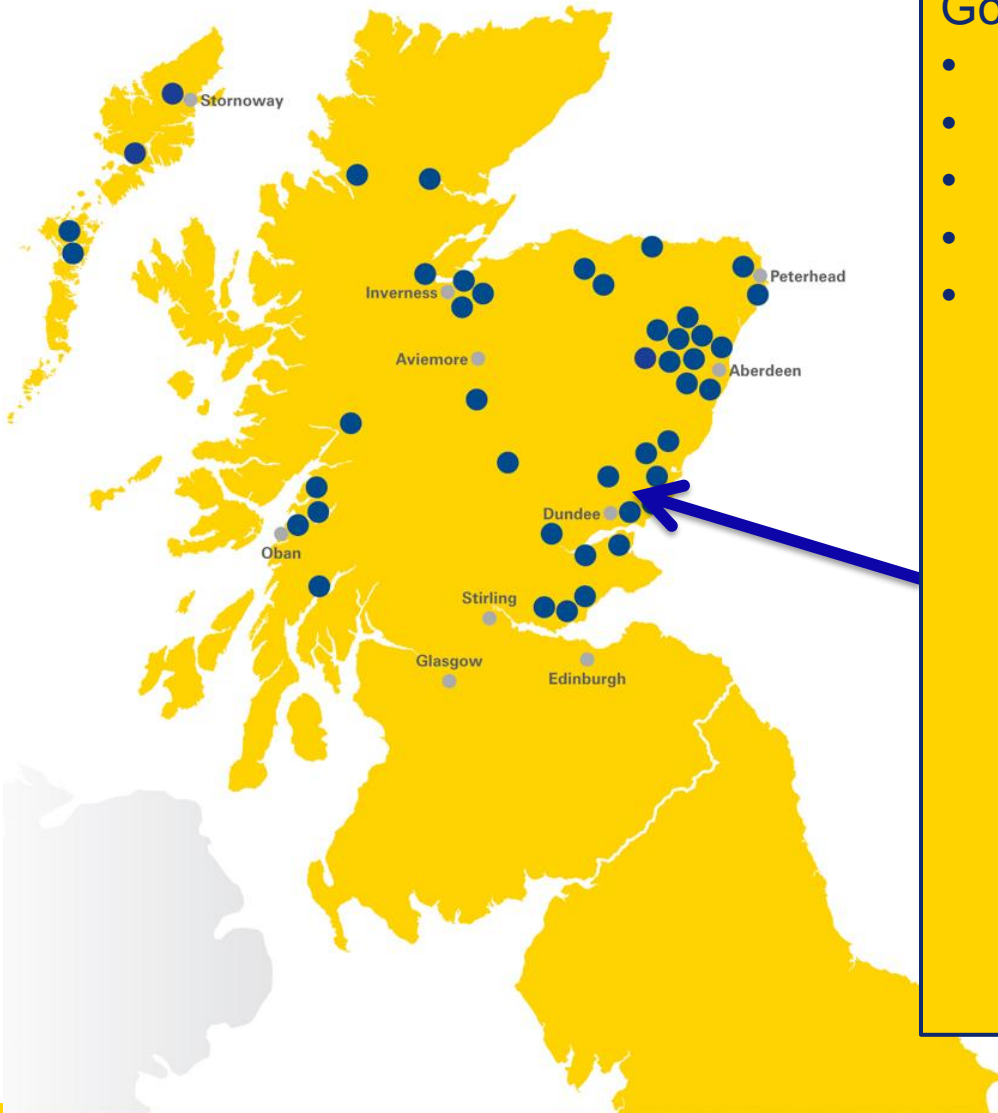




Offshore Wind Energy Turbine Construction

- Gravity base foundations – concrete construction, towed offshore by barge.
- Projects
 - Seagreen Alpha & Bravo - £1.5bn
 - Inch Cape - £1.5bn
 - Firth of Forth - £1.5bn
 - Moray Firth - £0.5bn

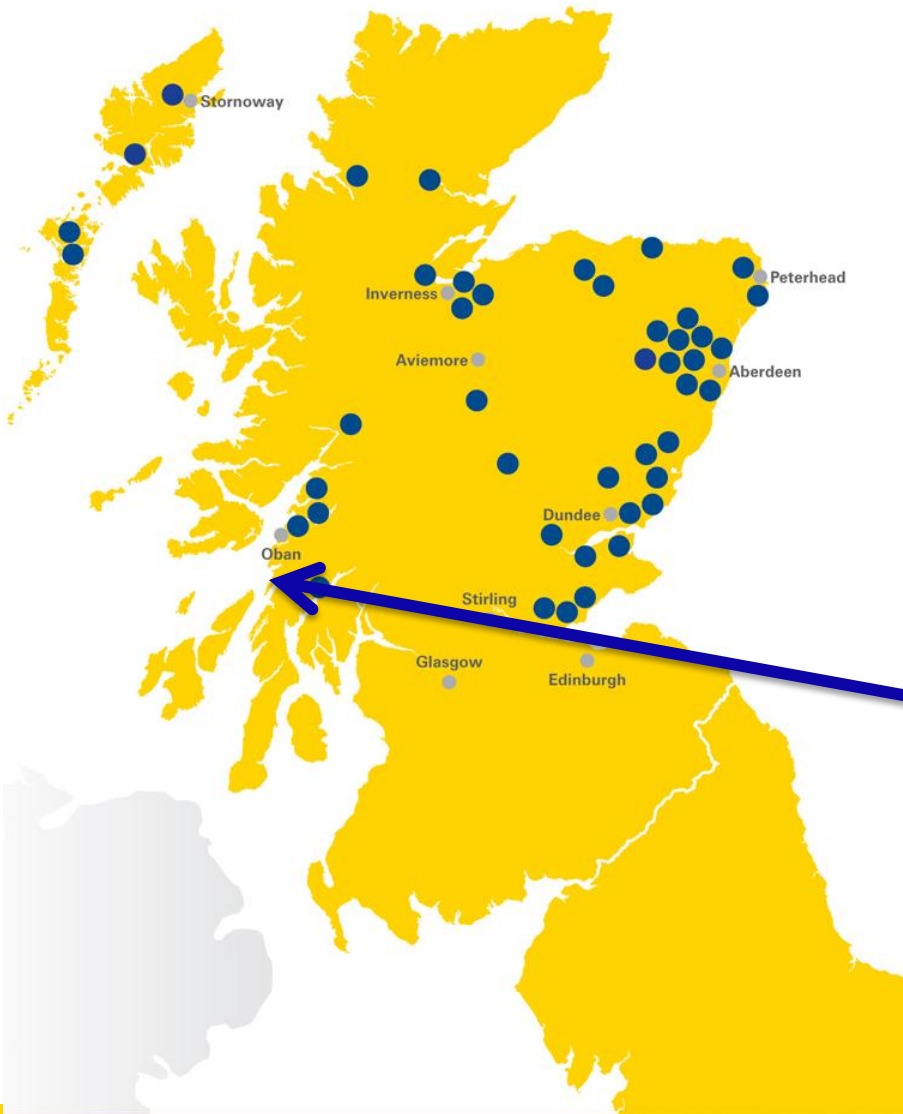




Kingennie Golf Development, Dundee Golf, Leisure & Residential Development

- Major Infrastructure requirement
- £60 million Project
- Site neighbours Cunmont Quarry
- <5miles from Ethiebeaton Quarry
- 2014 Start on Site

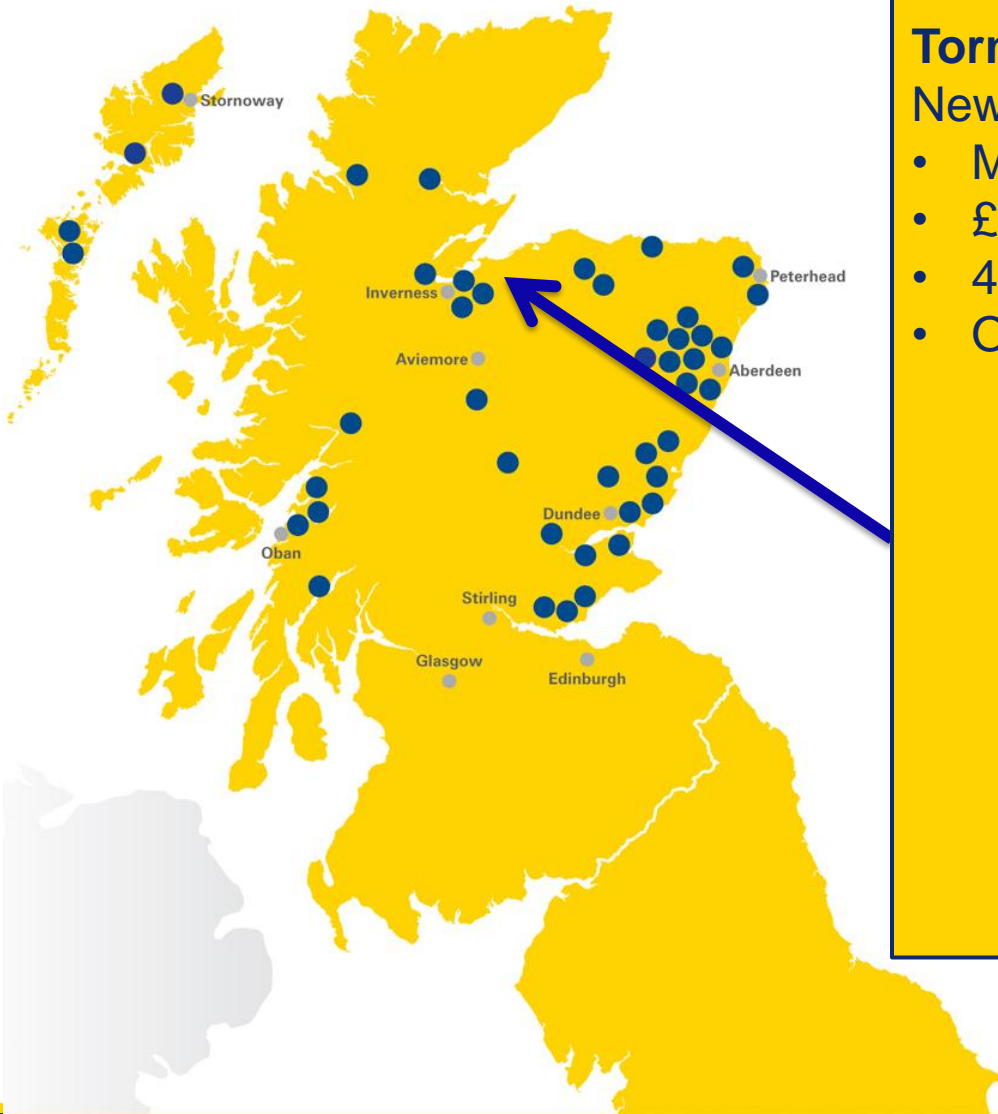




CHORD – Town Centre Regeneration

- £30 million committed investment
- 5 Waterfront Towns
- **Campeltown** - £6.5m
- **Helensburgh** - £6.9m
- **Oban** - £6.9m
- **Rothesay** - £2.4m
- **Dunoon** - £8.3m
- Significant Highway Improvements

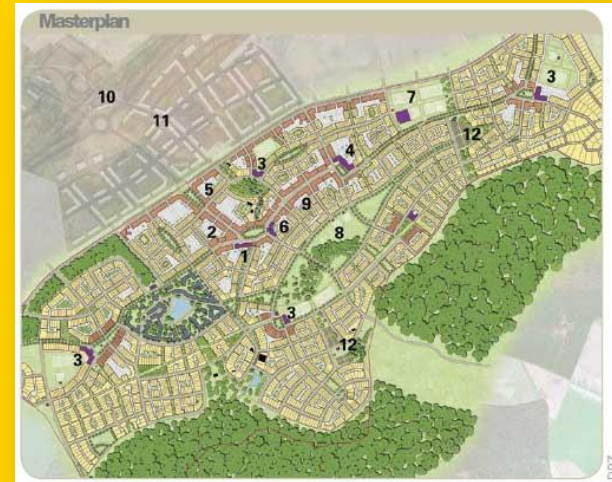


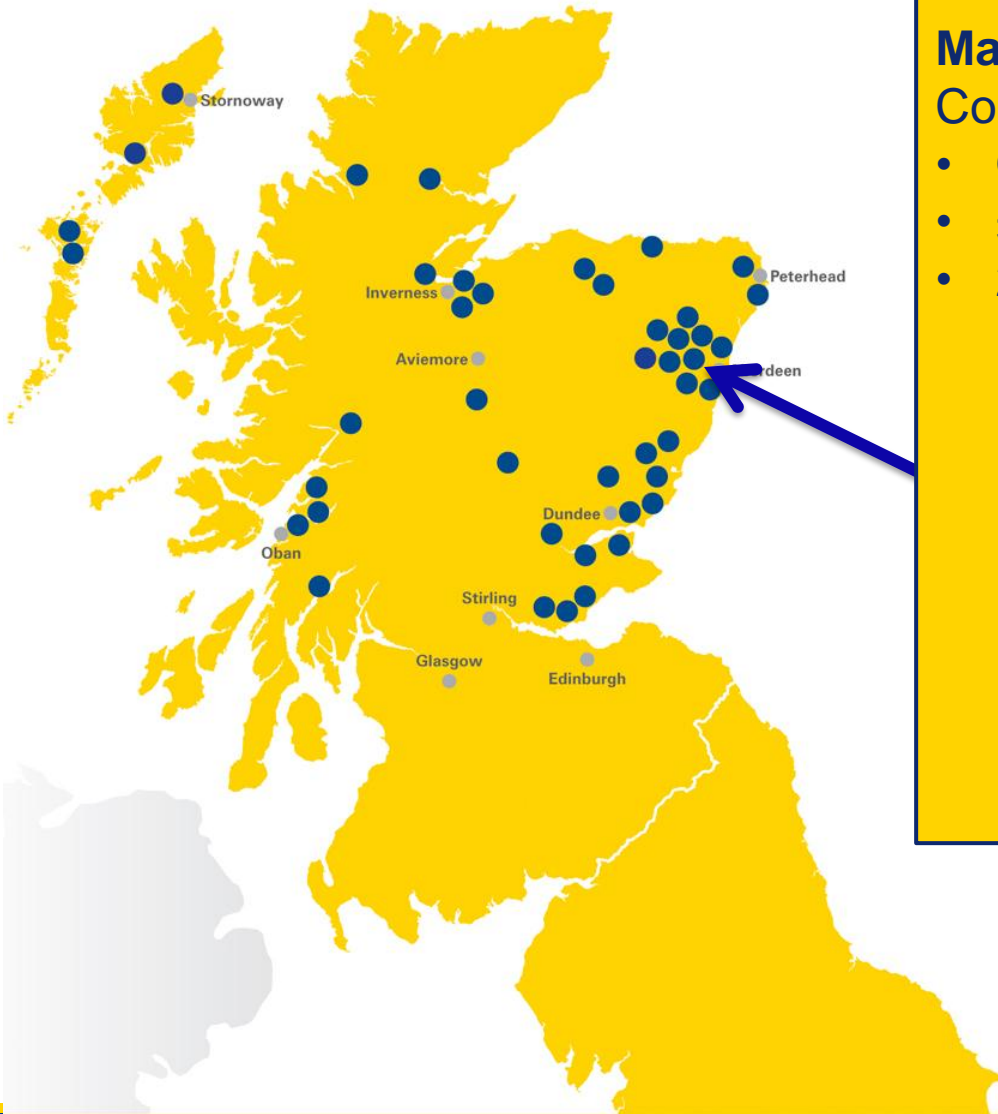


Tornagrain Village

New Town, West of Inverness

- Major Infrastructure requirement
- £400 million Project
- 4,960 Houses
- Outline Planning received



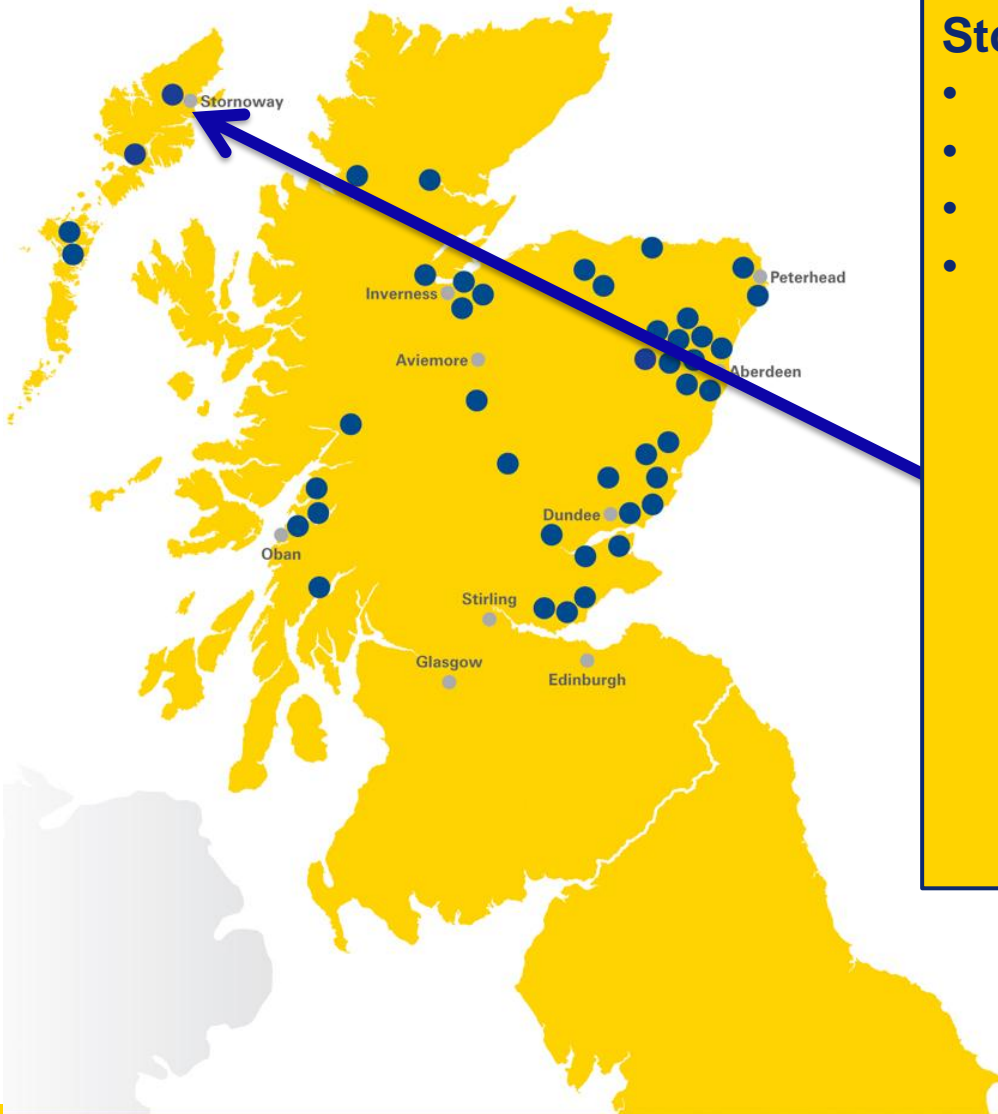


Marcliffe Hotel Redevelopment

Commercial Development

- Office, Restaurant & Spa construction
- £90 million Project
- 2015 Commencement

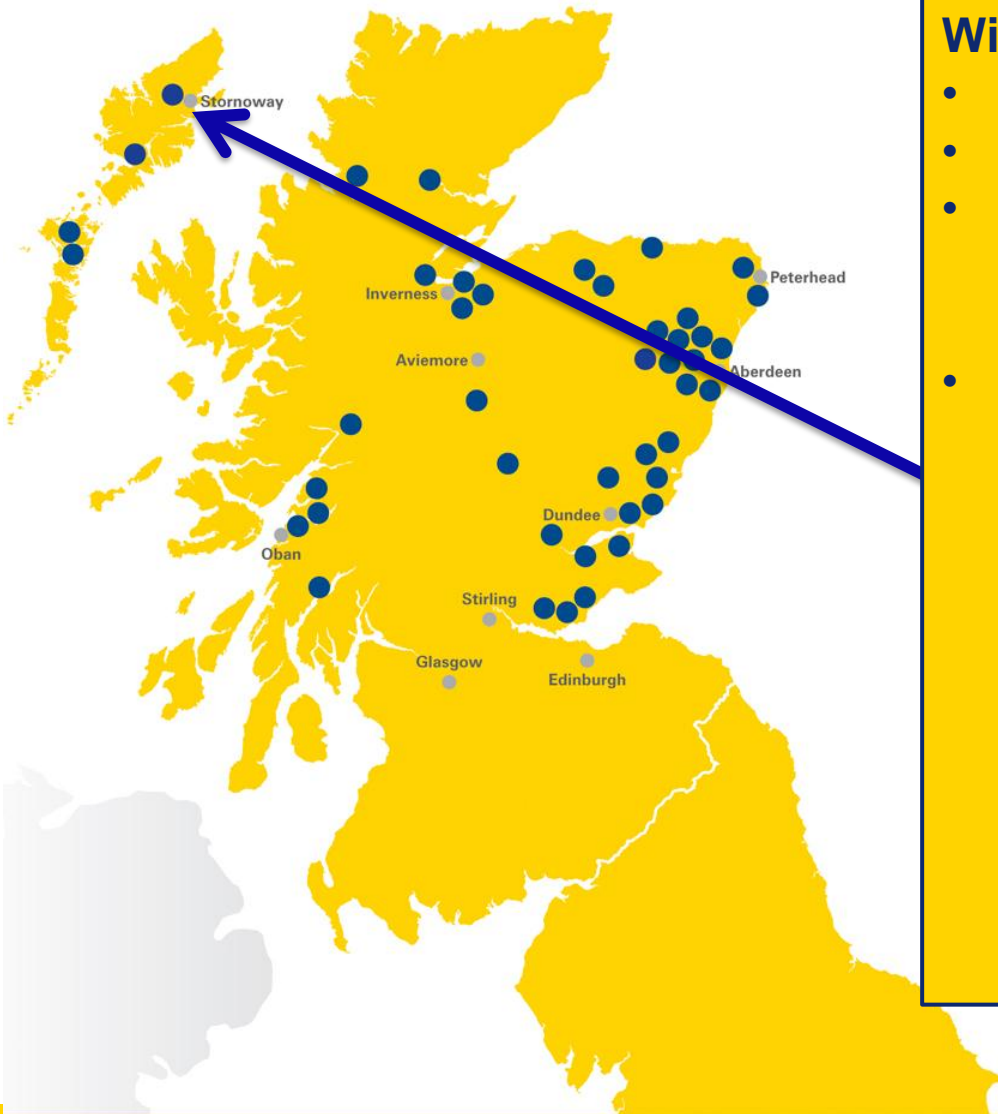




Stornoway Ferry Terminal

- Subcontract value £2.3 million
- Aggregate volume 60,000t
- Asphalt volume 3,500t
- Concrete volume 1,500m³





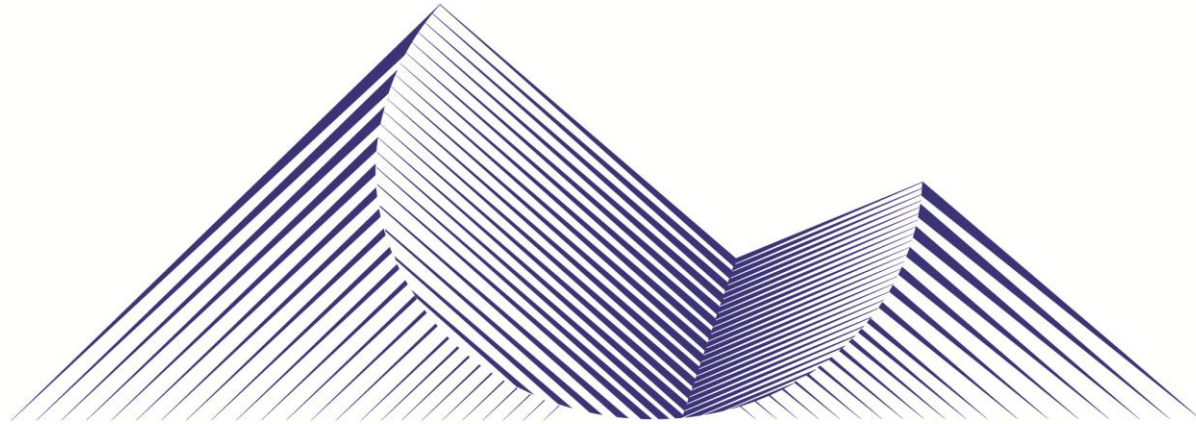
Windfarms on Isle of Lewis

- Lewis Windpower: 36 turbines
- Beinn Mhor Power: 36 turbines
- Concrete: 25,000m³ on each of the above 2 main projects + significant amount of roadworks required
- Various other small community type windfarms



Thank you

Questions



BREEDON

AGGREGATES

Craigenlow

Tom's Forest

Kemnay

Craigienlow



Long established granite quarry at Dunecht, 10 miles from Aberdeen

Reserves & resources > 10 million tonnes

- Site is part freehold, with leasehold for the minerals running to 2023 with opportunity to extend
- Planning consent for production to 2023 with extension anticipated
- Good prospect for lateral & depth extensions to increase permitted reserves
- Ideal location for serving active development on western side of Aberdeen
- Raw material fed via field conveyor to fixed crushing and screening plant with direct feed to on-site asphalt plant
- Asphalt and ready-mixed concrete plants on site

Tom's Forest



Tom's Forest

Extensive freehold mineral operation near Kintore, Aberdeenshire

Reserves & resources:

Granite	> 20 million tonnes
Metamorphic rock	> 50 million tonnes
Sand & gravel	1 million tonnes

- Favourable site geology enables production of wide range of construction materials
- No depth limit on extraction across area of over 100 hectares
- Dedicated access road and direct link to A96(T) route
- Planning consent for production to 2042
- Fixed crushing, screening and washing plants
- Asphalt and ready-mixed concrete plants on site
- Product testing laboratory and BEAR depot on site

Kemnay



Modern, high-capacity building materials factory

- Three operations produce high-quality concrete products for residential, commercial and industrial construction applications across north of Scotland
- Exceptionally strong Fyfestone brand dating back nearly 60 years
- Fyfestone Elite and Premier architectural masonry ranges available in variety of textures and colours
- Innovative approach to development of sustainable reconstituted building stone products, incorporating recycled materials
- Wider site includes once-famous but now dormant quarry containing up to 5mt of granite
- Kemnay Quarry opened in 1830 and its stone has been used in many high-profile projects, including: Forth Bridge supports; the Cenotaph in London; Scottish Parliament; Liver Building in Liverpool; Tower, Blackfriars, Southwark, Vauxhall, Kew and Putney bridges in London; and Queen Victoria Memorial outside Buckingham Palace
- Planning consent for continued operation to 2042
- Aggregates presently imported from Tom's Forest quarry only 1.5km to east along internal former railway line