



Hargreaves Services plc

Interim Results 6 Months Ended 30 November 2010

Leaders in Solid Fuel Supply & Bulk Material Logistics



Source > **Process** > **Distribute**
Creating an integrated value chain

Results Highlights

Leaders in Solid Fuel Supply & Bulk Material Logistics

- Successful H1
- Underlying operating profit increased by 13.3% to £20.9m
- Profit before tax increased by 9.6% to £16.1m
- Cash generation on target for year end
- Interim dividend increased 15.9% to 5.1 pence

Note: Operating profit, profit before tax and EPS are all stated before amortisation of intangibles and including share of profits and losses in jointly controlled entities.

Operating Highlights

Leaders in Solid Fuel Supply & Bulk Material Logistics

Production

- Maltby – challenging geology in H1
– New working practices agreed
- Monckton fully contracted for 2011

Transport

- Solid performance in Waste and Tanker units
- Bulk unit challenging
- Minor weather disruption

Industrial

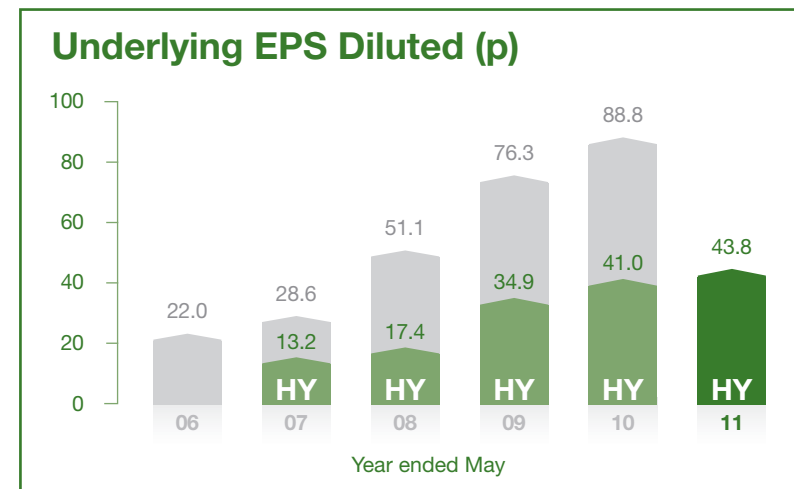
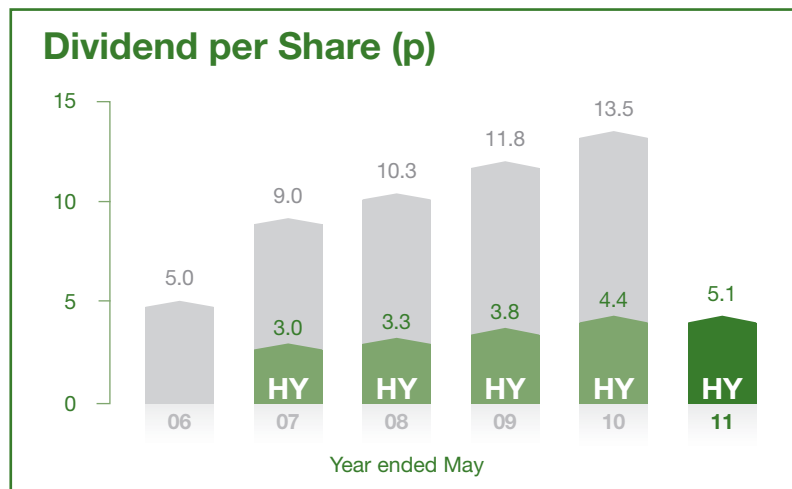
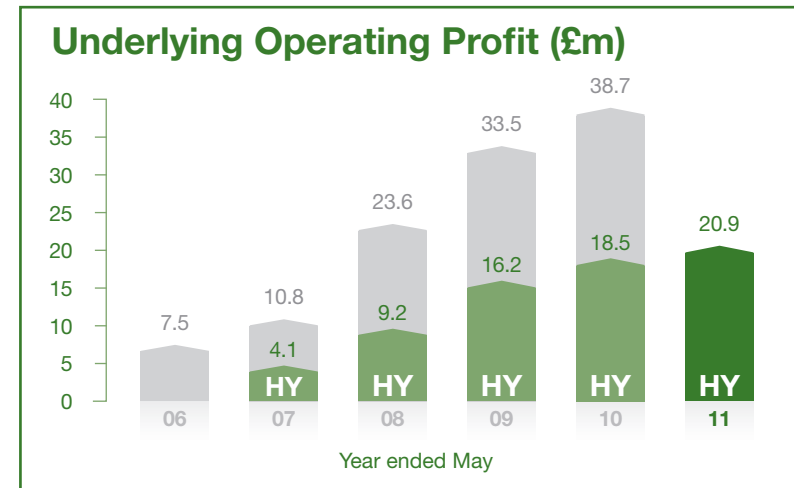
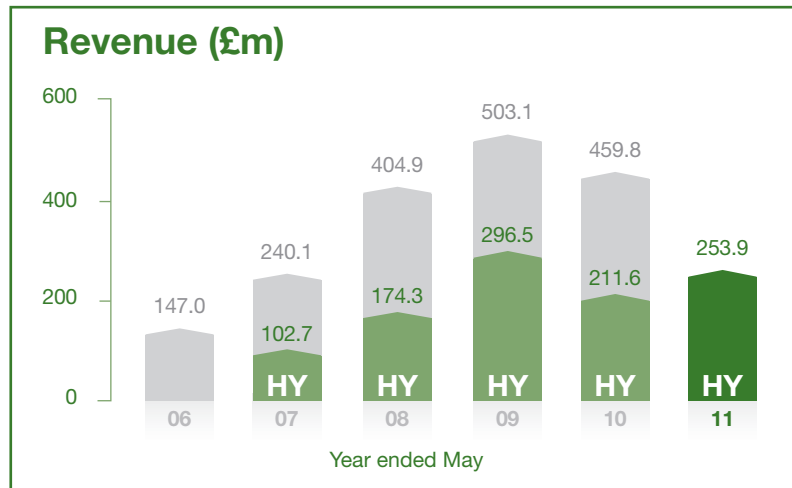
- Solid performance from contract base
- Focus on tendering new UK and International opportunities

Energy and Commodities

- Strong volumes and margin in the UK and Europe
- New joint venture in Europe with major Russian coal supplier

5 Year Track Record

Leaders in Solid Fuel Supply & Bulk Material Logistics



Income Statement Highlights

Leaders in Solid Fuel Supply & Bulk Material Logistics

| | Nov 2010 £'m | Nov 2009 £'m | Movement £'m | % |
|------------------------------|--------------------|--------------------|-----------------|-------|
| Revenue | 253.9 | 211.6 | +42.3 | 20.0% |
| Underlying Operating Profit | 20.9 | 18.5 | +2.4 | 13.3% |
| EBITDA | 29.7 | 26.2 | +3.5 | 13.4% |
| Net Interest Expense | 3.0 | 2.0 | +1.0 | 53.0% |
| Underlying Profit Before Tax | 17.9 | 16.5 | +1.4 | 8.6% |
| Underlying Diluted EPS | 43.8p | 41.0p | +2.8p | 6.9% |
| Dividend Per Share (pence) | 5.1p | 4.4p | +0.7p | 15.9% |

Segmental Performance

Leaders in Solid Fuel Supply & Bulk Material Logistics

| | 2010 £'m | 2009 £'m | £'m | % |
|----------------------------|--------------|-------------|------|-------|
| Production Division | | | | |
| Total Revenue | 50.4 | 41.9 | +8.5 | 20.2% |
| Inter Segment Revenue | (8.8) | (2.9) | | |
| Reported Revenue | 41.5 | 39.0 | | |
| Operating Profit | 4.6 | 3.9 | +0.7 | 17.4% |
| Operating Margin | 9.1% | 9.3% | | |

| | 2010 £'m | 2009 £'m | £'m | % |
|--|--------------|-------------|-------|-------|
| Energy & Commodities Division | | | | |
| Total Revenue | 149.5 | 113.3 | +36.3 | 32.0% |
| Inter Segment Revenue | (5.0) | (1.9) | | |
| Reported Revenue | 144.6 | 111.4 | | |
| Operating Profit | 12.1 | 10.7 | +1.4 | 13.2% |
| Operating Margin | 8.1% | 9.5% | | |

| | 2010 £'m | 2009 £'m | £'m | % |
|---------------------------|--------------|-------------|------|-------|
| Transport Division | | | | |
| Total Revenue | 38.5 | 34.5 | +4.0 | 11.7% |
| Inter Segment Revenue | (5.3) | (4.6) | | |
| Reported Revenue | 33.2 | 29.9 | | |
| Operating Profit | 2.2 | 2.1 | +0.1 | 6.0% |
| Operating Margin | 5.7% | 6.0% | | |

| | 2010 £'m | 2009 £'m | £'m | % |
|----------------------------|--------------|-------------|------|-------|
| Industrial Division | | | | |
| Total Revenue | 36.0 | 31.4 | +4.6 | 14.6% |
| Inter Segment Revenue | (1.4) | (0.1) | | |
| Reported Revenue | 34.6 | 31.3 | | |
| Operating Profit | 2.1 | 1.8 | +0.2 | 13.4% |
| Operating Margin | 5.7% | 5.8% | | |



Cash Flow Highlights

Leaders in Solid Fuel Supply & Bulk Material Logistics

| | 2010 £'m | 2009 £'m |
|---------------------------------------|---------------|-------------|
| EBITDA | 29.7 | 26.2 |
| Working Capital | (26.1) | (17.5) |
| Operating Cash Flow | 3.6 | 8.7 |
| Interest | (3.0) | (2.1) |
| Taxation | (3.4) | (5.9) |
| Acquisitions | - | (4.7) |
| Net Capital Expenditure | (7.2) | (5.2) |
| Dividends Paid | (2.4) | (2.1) |
| Issue of Shares | 1.0 | 1.0 |
| Other | (0.1) | (0.8) |
| Increase in Net Debt in period | (11.4) | (11.0) |

Balance Sheet Highlights

Leaders in Solid Fuel Supply & Bulk Material Logistics

| | Nov 2010 £'m | Nov 2009 £'m |
|-------------------------------------|--------------------|--------------------|
| Goodwill and Intangibles | 32.8 | 36.3 |
| Tangible Fixed Assets | 84.4 | 70.9 |
| Working Capital (Appendix 1) | 109.5 | 81.1 |
| Derivative Financial Instruments | (3.4) | (1.2) |
| Retirement Benefit Obligations | (5.7) | (3.9) |
| Provisions | (8.8) | (9.2) |
| Other Net Liabilities | (10.9) | (11.9) |
| Net Assets Before Borrowings | 197.9 | 162.2 |
| Net Debt (Appendix 2) | (99.6) | (80.1) |
| Net Assets | 98.3 | 82.1 |
| Gearing (Debt/Equity) | 101% | 98% |
| Net Debt/EBITDA (times) | 1.7 | 1.5 |
| Interest Cover (times) | 9.9 | 13.4 |

Outlook

Leaders in Solid Fuel Supply & Bulk Material Logistics

Production

- Maltby new working practices and improving geology
- All legacy sales contracts completed in the next 30 months
- Rocpower awaiting legislative certainty
- Tower planning result expected March 2011

Transport

- Organic growth Tankers and Waste
- Stable in Bulk

Industrial

- Core business secure and stable
- Targeting development in Asia
- Tenders in process in steel, mining and electricity sectors (UK)

Energy and Commodities

- UK – England and Wales established
- Europe – developing very well

Summary

Leaders in Solid Fuel Supply & Bulk Material Logistics

- Successful H1 – well positioned H2
- Remain focused on cash generation
- Continued growth in Europe – targeted opportunities in Asia
- Excited by Tower project prospects

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Appendices



Appendix 1 – Working Capital

Leaders in Solid Fuel Supply & Bulk Material Logistics

| | UK £'m | Nov 2010 Europe £'m | Total £'m | UK £'m | May 2010 Europe £'m | Total £'m | UK £'m | Nov 2009 Europe £'m | Total £'m |
|-----------------------|-----------|---------------------------|---------------|-----------|---------------------------|---------------|-----------|---------------------------|---------------|
| Stock | 60.0 | 24.4 | 84.4 | 55.3 | 26.7 | 82.0 | 54.3 | 13.3 | 67.7 |
| Trade Debtors | 51.3 | 16.3 | 67.7 | 36.2 | 13.2 | 49.5 | 40.9 | 13.0 | 53.9 |
| Trade Creditors | (28.9) | (9.4) | (38.2) | (31.6) | (7.4) | (39.0) | (26.2) | (7.0) | (33.2) |
| Trade Working Capital | 82.4 | 31.4 | 113.8 | 59.9 | 32.5 | 92.4 | 69.1 | 19.3 | 88.4 |
| Other | (7.4) | 3.0 | (4.4) | (5.7) | (2.3) | (8.0) | (8.8) | 1.5 | (7.3) |
| Total Working Capital | 75.0 | 34.4 | 109.5 | 54.2 | 30.2 | 84.4 | 60.2 | 20.8 | 81.1 |

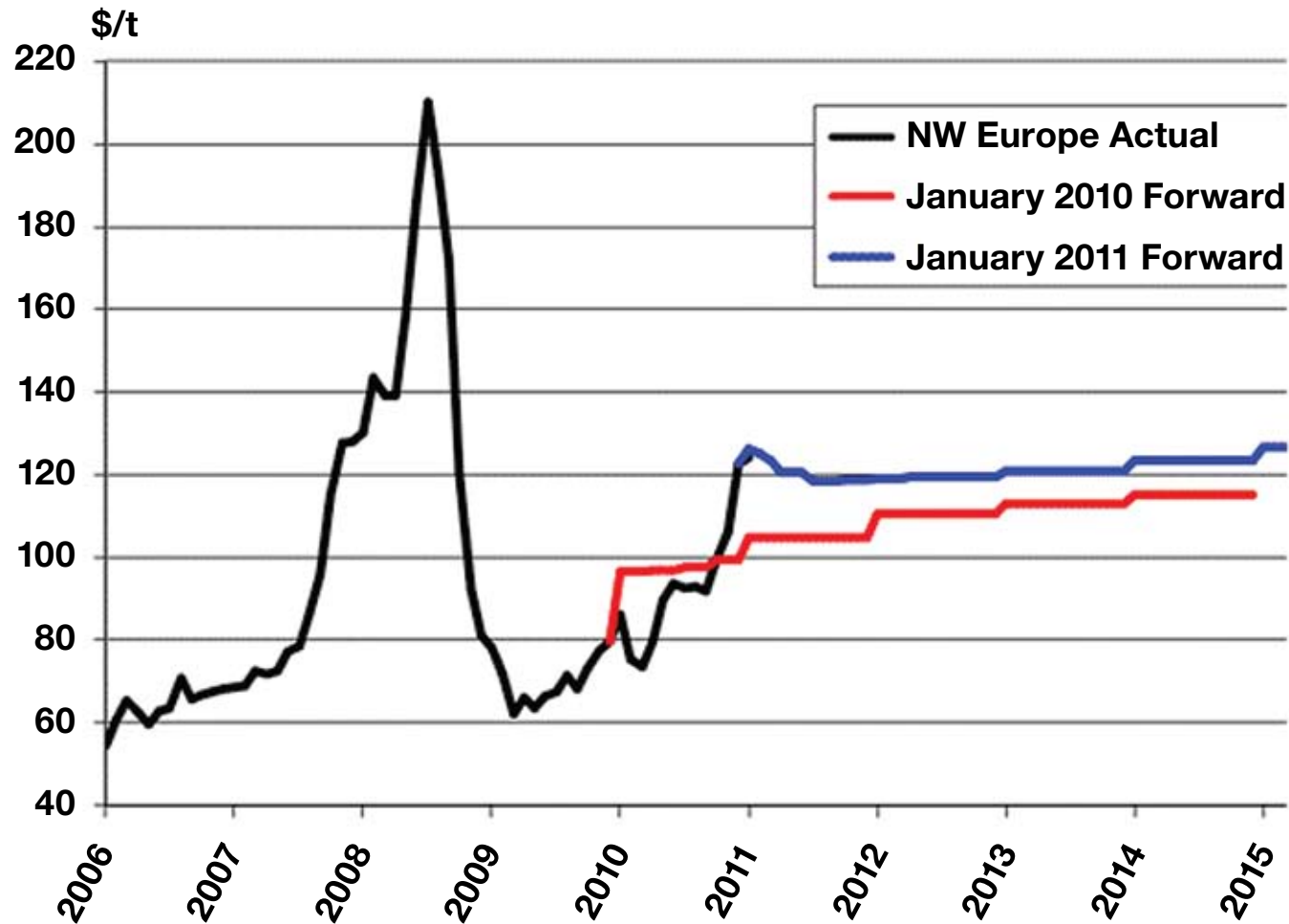
Appendix 2 – Net Debt

Leaders in Solid Fuel Supply & Bulk Material Logistics

| | UK £'m | Nov 2010 Europe £'m | Total £'m | UK £'m | May 2010 Europe £'m | Total £'m | UK £'m | Nov 2009 Europe £'m | Total £'m |
|------------------------------|-----------|---------------------------|---------------|-----------|---------------------------|---------------|-----------|---------------------------|---------------|
| RCF | (63.6) | – | (63.6) | (53.1) | – | (53.1) | (43.1) | – | (43.1) |
| Finance Lease Liabilities | (15.7) | – | (15.7) | (18.0) | – | (18.0) | (14.6) | – | (14.6) |
| Invoice Discounting Facility | (9.5) | – | (9.5) | (9.8) | – | (9.8) | (10.4) | – | (10.4) |
| Cash and Cash Equivalents | 3.2 | 10.5 | 13.7 | 6.0 | 11.0 | 17.0 | 0.1 | 7.5 | 7.7 |
| Overdraft | – | (24.4) | (24.4) | – | (24.2) | (24.2) | – | (15.3) | (15.3) |
| Other | – | – | – | – | – | – | (4.5) | – | (4.5) |
| Intergroup Loan | 7.9 | (7.9) | – | 8.1 | (8.1) | – | 5.4 | (5.4) | – |
| Net Debt | (77.8) | (21.8) | (99.6) | (66.9) | (21.3) | (88.2) | (67.0) | (13.2) | (80.1) |

Appendix 3 – Coal price

Leaders in Solid Fuel Supply & Bulk Material Logistics



Source: IHS McCloskey

Please note: Prices shown in US Dollars

