



Hargreaves Services plc

INTERIM RESULTS 6 MONTHS ENDED 30 NOVEMBER 2009



Source > Process > Distribute

Creating an integrated
value chain

HIGHLIGHTS

Gordon Banham
Chief Executive Officer



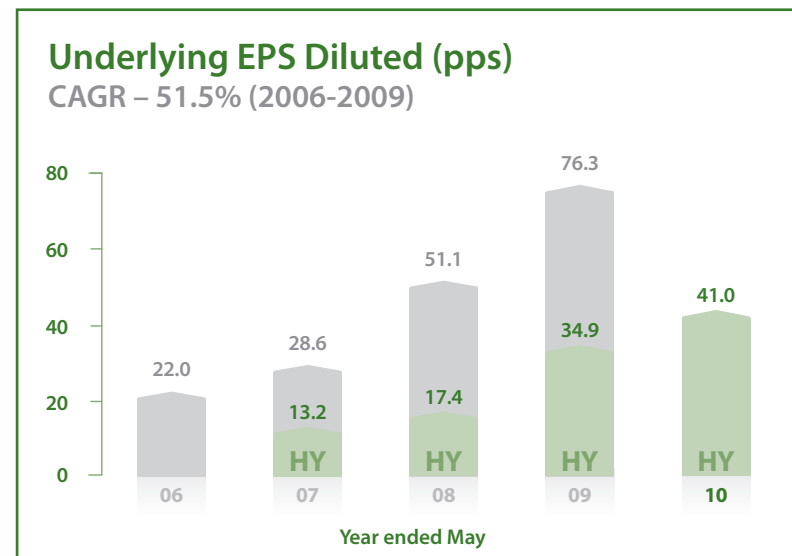
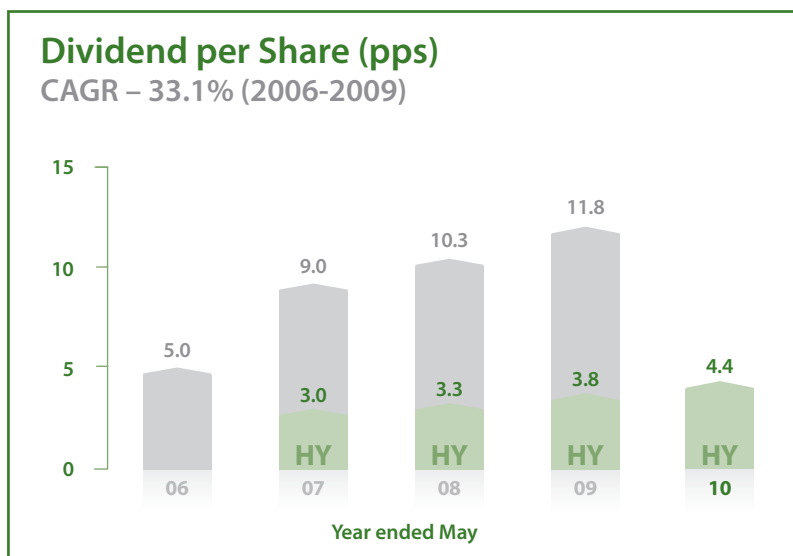
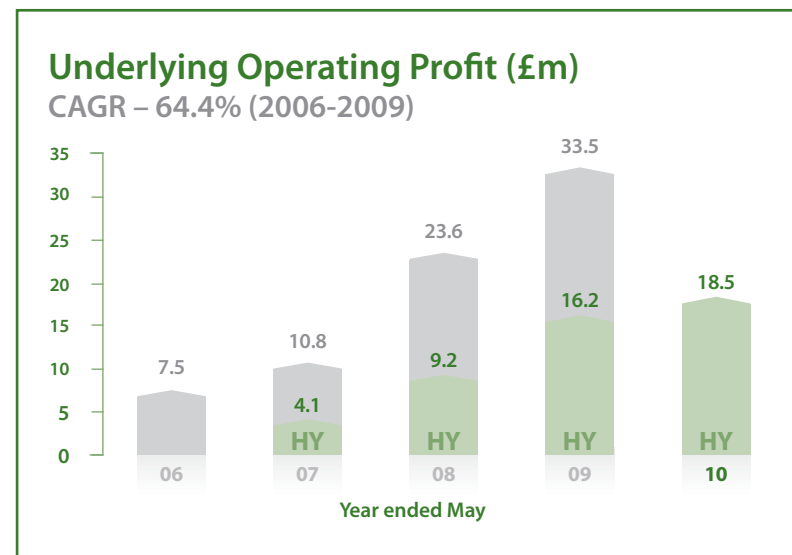
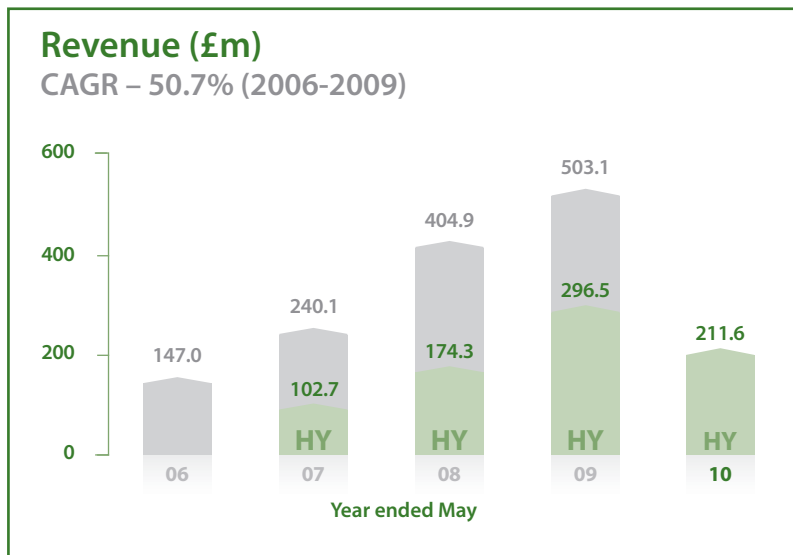
RESULTS HIGHLIGHTS

- Record profits
- Underlying operating profit increased £2.3m to £18.5m
- Underlying profit before tax increased from £13.9m to £16.5m
- Underlying EPS increased by 17.5% from 34.9p to 41.0p
- Dividend increased 15.8% to 4.4p
- Very strong growth in European business
- Planning preparations at Tower Colliery progressing satisfactorily
- New UK syndicated banking facility operating since September 2009

OPERATIONAL HIGHLIGHTS

- Production
 - First Rocpower site operational
 - Production problems at Maltby now resolved
 - Tower planning permission on target for submission
- Energy and Commodities
 - Strong margins in speciality coals
 - Rapid recovery in European trading volumes
- Transport
 - Strong performance from tanker business
 - Completed move to new tanker depot
 - New 3 year 500,000t generator contract signed
- Industrial
 - Steady progress
 - New contract – major utility – 5 years, value £15m

5 YEAR TRACK RECORD



FINANCIAL AND SEGMENTAL PERFORMANCE

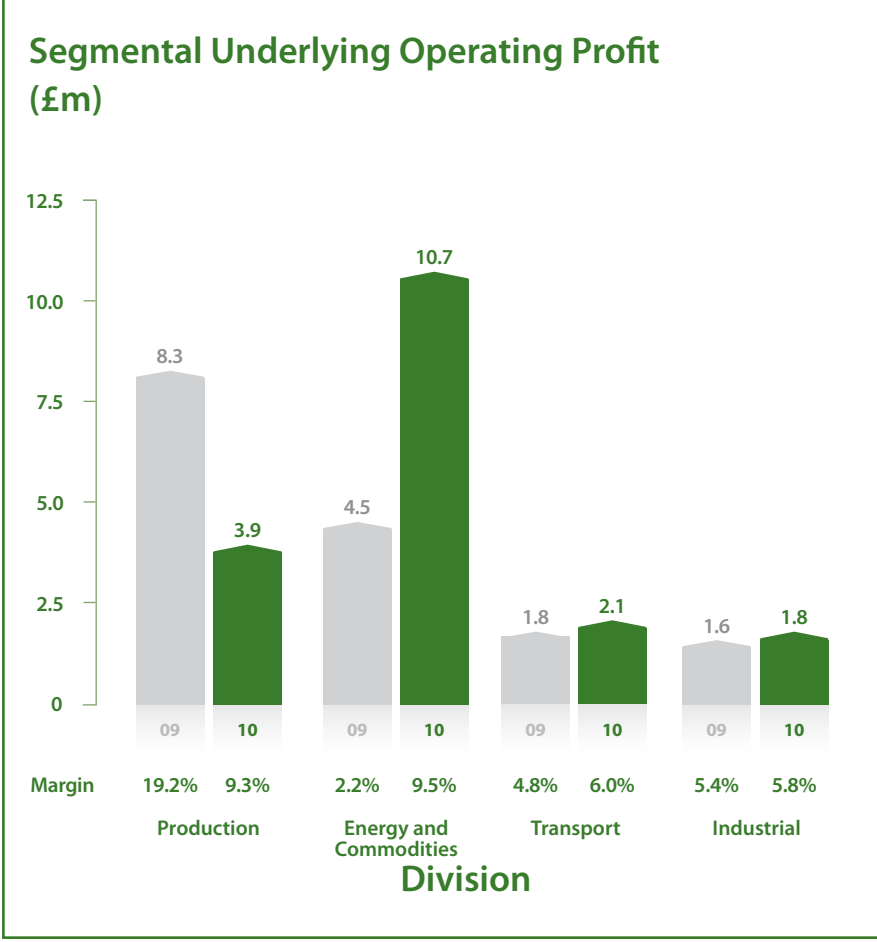
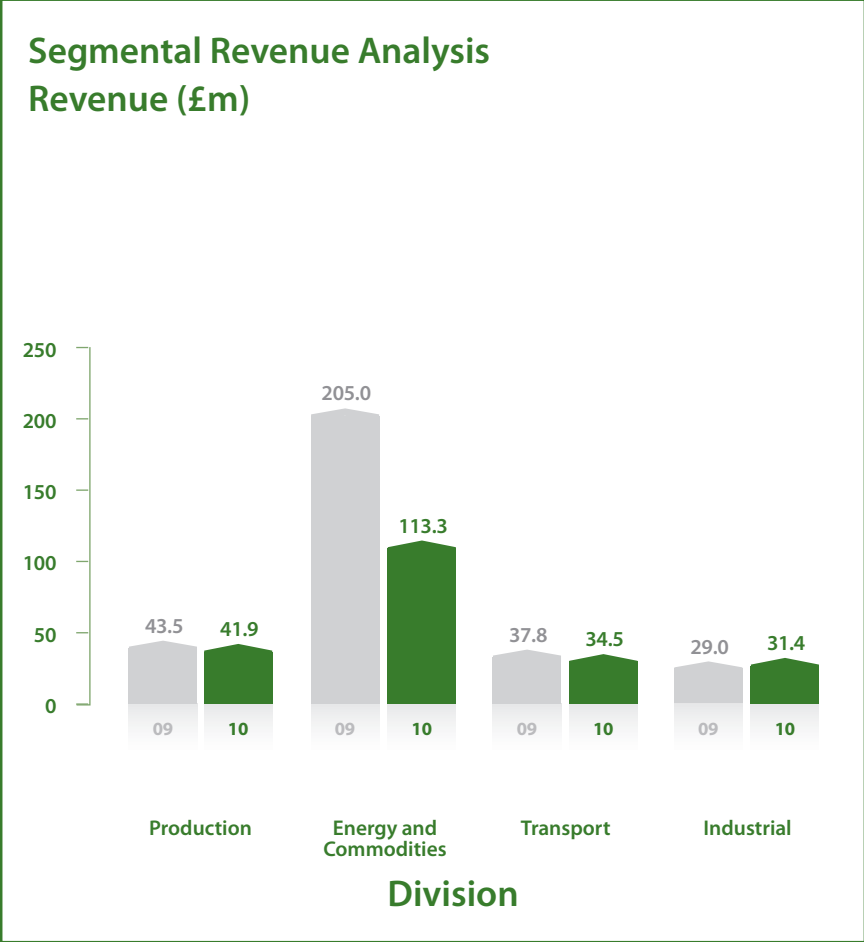
Iain Cockburn
Finance Director



INCOME STATEMENT HIGHLIGHTS

	Nov 09 £'m	Nov 08 £'m	% Movement
Revenue	211.6	296.5	-28.6%
Underlying Operating profit	18.5	16.2	14.1%
EBITDA	26.2	22.5	16.2%
Net Interest Expense	2.0	2.3	-13.9%
Underlying Profit Before Tax	16.5	13.9	18.7%
Underlying EPS	41.0	34.9	17.5%
Dividend per share	4.4p	3.8p	15.8%

SEGMENTAL PERFORMANCE



CASH FLOW HIGHLIGHTS

	Nov 09 £'m	Nov 08 £'m
EBITDA	26.2	22.5
Working Capital	(17.5)	(27.1)
Operating Cash Flow	8.7	(4.6)
Interest	(2.1)	(2.7)
Taxation	(5.9)	(4.3)
Acquisitions	(3.0)	(0.2)
Issue of shares	1.0	0.0
Capital Expenditure	(5.2)	(12.5)
Investment in fixed asset and trade	(1.7)	–
Dividends paid	(2.1)	(1.8)
Other	(0.8)	(0.6)
Movement in Net Debt in period	(10.9)	(26.7)

BALANCE SHEET HIGHLIGHTS

	Nov 09 £'m	May 09 £'m	Nov 08 £'m
Goodwill and Intangibles	36.3	36.7	3.0
Tangible Fixed Assets	70.9	71.2	72.2
Working Capital	81.1	61.4	69.5
Derivative financial instruments	(1.2)	(2.6)	(0.6)
Retirement benefit obligation	(3.9)	(4.4)	(5.4)
Provisions for liabilities and charges	(9.2)	(9.6)	(10.6)
Other net liabilities	(11.9)	(11.9)	(12.9)
Net Assets Before Borrowings	162.2	140.8	135.0
Net Debt	(80.1)	(69.2)	(72.9)
Net Assets	82.1	71.7	62.1

NET DEBT AND FACILITIES

	Facility Limit £'m	Nov 09 £'m	May 09 £'m	Nov 08 £'m
Term Loans		–	(21.4)	(15.9)
Hire Purchase		(14.6)	(16.7)	(17.5)
Revolving Credit Facility	80	(43.1)	–	–
IF Facility	35	(14.7)	(22.6)	(21.8)
Total UK Net Debt		(72.3)	(60.7)	(55.3)
Germany/Belgium working capital debt (€25M)	22	(7.8)	(8.5)	(17.6)
Total Group Net Debt		(80.1)	(69.2)	(72.9)
Gearing (Debt/Equity)		98%	97%	117%
Debt/EBITDA (annualised)		1.5	1.5	1.6
Interest Cover (times)		13.4	9.6	9.9

REVIEW AND OUTLOOK

Gordon Banham
Chief Executive Officer



PRODUCTION DIVISION

- Maltby
 - First half production challenges
 - 462k tonnes produced
 - Expect a strong finish to year
 - no face change
- Monckton
 - Coke prices recovering
 - Average coke price £170 per tonne
 - Sales 112k tonnes
 - Strong demand for product
 - All coke for next 12 months on track to be contracted

	Nov 09 £'m	Nov 08 £'m	May 09 £'m
Total Revenue	41.9	43.5	78.9
Intersegment revenue	(2.9)	(7.6)	(10.3)
Reported Revenue	39.0	35.8	68.7
Operating Profit	3.9	8.3	10.5
Operating Margin	9.3%	19.2%	13.3%

PRODUCTION DIVISION – ROCPOWER

- Commonside Lane site – construction completed
- OFGEM accreditation received
- 4 engines operational, 5th delivered
- Commission phase running to June 2010
 - Target capacity is 7.7 MW
- Revenue circa £130 per MWhr
 - Electricity price £25-£40 per MWhr
 - Regulatory (ROC & LEC) – £85 per MWhr
 - Other streams £7.50 per MWhr
- Sites 2 & 3 in planning process
- Banding – 1.5 ROC's per MW



ENERGY AND COMMODITIES DIVISION

- Strong margins in specialty coals markets
- No impact from drop in UK power station stock/import levels
- Belgium coal operation growing strongly
- Polish operation starting up
- Recent and rapid recovery in European coke and mineral volumes

	Nov 09 £'m	Nov 08 £'m	May 09 £'m
Total Revenue	113.3	205.0	322.4
Intersegment revenue	(1.9)	(3.4)	(1.2)
Reported Revenue	111.4	201.6	321.2
Operating Profit	10.7	4.5	16.2
Operating Margin	9.5%	2.2%	5.0%

TRANSPORT DIVISION

- Tanker business performing ahead of plan
- Depot/asset swap with Stiller Tanker completed successfully
- Dry bulk business still quiet but well positioned
- Waste performing well

	Nov 09 £'m	Nov 08 £'m	May 09 £'m
Total Revenue	34.5	37.8	67.6
Intersegment revenue	(4.6)	(5.9)	(9.0)
Reported Revenue	29.9	31.9	58.6
Operating Profit	2.1	1.8	3.4
Operating Margin	6.0%	4.8%	5.0%

INDUSTRIAL DIVISION

- Continued steady growth
- 5 year hard services contracts secured for 4 power stations
- Renewal of key Ferrybridge contracts
 - Ash plant
 - Coal plant
 - FGD operatives
- Key role in construction of first Rocpower site

	Nov 09 £'m	Nov 08 £'m	May 09 £'m
Total Revenue	31.4	29.0	56.4
Intersegment revenue	(0.1)	(1.7)	(1.8)
Reported Revenue	31.3	27.3	54.6
Operating Profit	1.8	1.6	3.4
Operating Margin	5.8%	5.4%	6.0%

KEY GROWTH OPPORTUNITIES

- Production
 - RocPower
 - Tower
- Energy & Commodities
 - Belgium and Poland offer platform to accelerate growth into mainland Europe specialty coal markets
 - Strong market position and opportunity in recovering European coke and mineral markets
- Transport
 - Assess opportunities for acquisition of distressed assets and businesses
 - Build on recent business development investment
- Industrial Services
 - Continue cross-selling and new contract wins
 - Small niche bolt-on businesses to broaden customer base and competencies
- Strategic Acquisitions
 - Continuing to review opportunities and price levels

SUMMARY AND OUTLOOK

- Profit growth demonstrates disciplined risk management
- Exciting growth opportunities
 - Organic
 - Acquisition
- Well placed to finance operations and investment
- Continued investment in significant growth opportunities
- Confident of strong second half

**HARGREAVES SERVICES PLC INTERIM RESULTS
6 MONTHS ENDED 30 NOVEMBER 2009**

APPENDICES – AN INTRODUCTION TO HARGREAVES



HARGREAVES BUSINESS MODEL IS A SIMPLE PROPOSITION

Adding Value and Extracting margin at each stage...

Source



Process



Distribute

- Buying Power and Scale
- Multi-Sourcing
 - National and International Product

- Separation of Size and Quality
- Blending
- Product Conversion

- Transport
- Material Handling
- Marketing

The Hargreaves Pipeline – well defended by strategic assets.

ANATOMY OF A CARGO

SCENARIO 1 – PSF ONLY

Product	Yield	Tonnes	£ Price per Tonne	£
ESI	97%	23,280	79	1,832,966
Discard	3%	720	–	–
PROCEEDS	100%	24,000		1,832,966
COAL CARGO COST				1,745,415
HAULAGE TO STATION				58,200
Gross profit				29,350
				1.6%

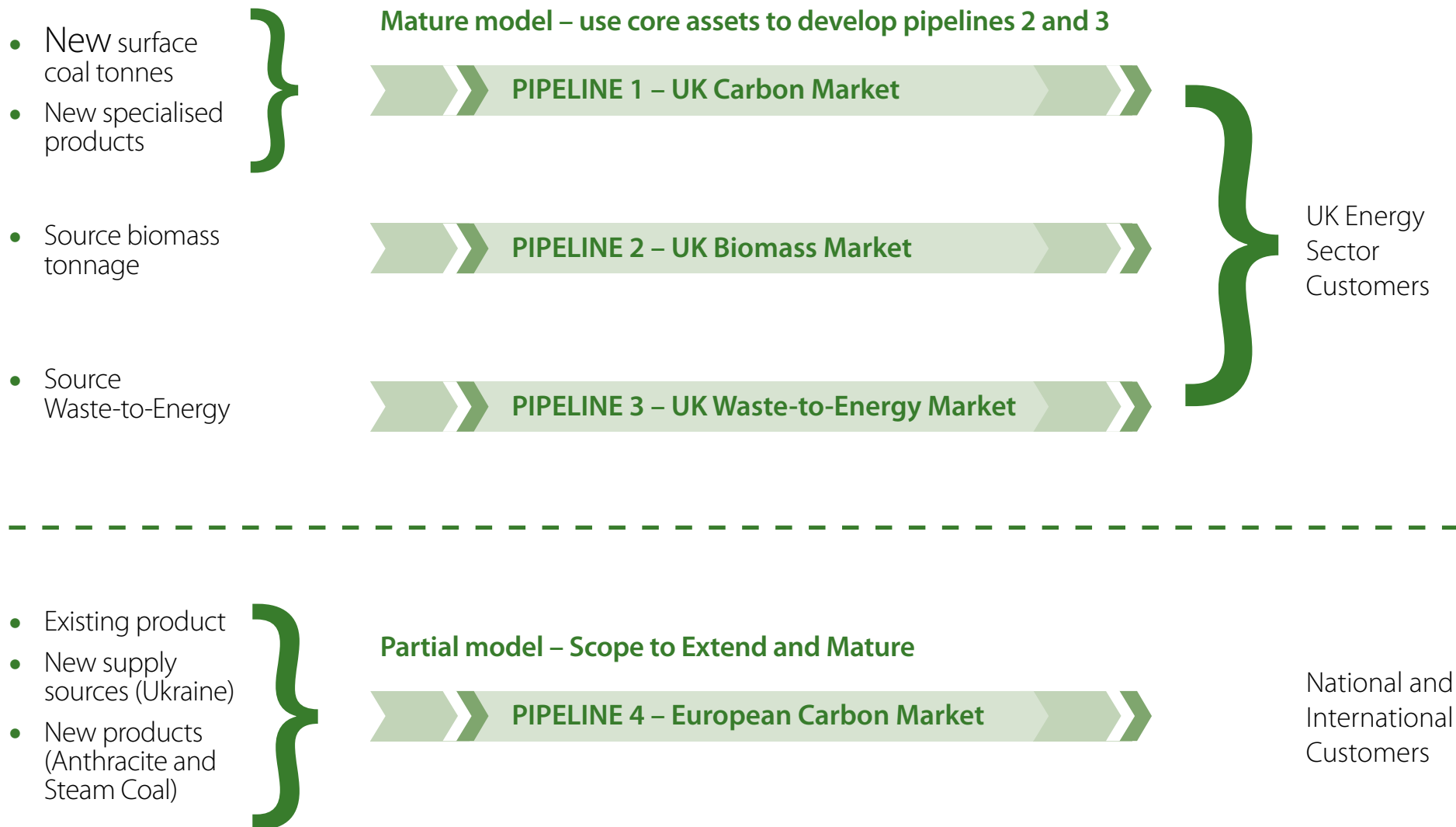
SCENARIO 2 – EXTRACT SIZED COALS

Product	Yield	Tonnes	£ Price per Tonne	£
ESI	48%	11,520	79	907,034
Pearls	10%	2,400	90	216,000
Singles	17%	4,080	105	428,400
Doubles	13%	3,000	125	375,000
Trebles	5%	1,200	155	186,000
Large	3%	600	153	91,800
Discard	5%	1,200	–	–
PROCEEDS	101%	24,000		2,204,234
COAL CARGO COST				1,745,415
SIZED COAL PREMIUM COST				248,276
PROCESSING COSTS				88,800
HAULAGE TO STATION				28,800
Gross margin				92,943
				4.2%

SCENARIO 3 – EXTRACT SIZED COALS AND BLEND

Product	Yield	Tonnes	£ Price per Tonne	£
ESI	56%	13,440	79	1,058,207
Pearls	10%	2,400	90	216,000
Singles	17%	4,080	105	428,400
Doubles	13%	3,000	125	375,000
Trebles	5%	1,200	155	186,000
Large	3%	600	153	91,800
Discard	5%	1,200	–	–
PROCEEDS	109%	25,920		2,355,407
COAL CARGO COST				1,745,415
SIZED COAL PREMIUM COST				248,276
PROCESSING COSTS				88,800
BLENDING COSTS (extra 1,520t)				67,200
HAULAGE TO STATION				33,600
Gross margin				172,116
				7.3%

POSITIVE OUTLOOK FOR GROWTH – 4 PIPELINES



INVESTMENT CASE

- Expertise in energy markets (carbon, waste and renewables)
- Key strategic assets – high barriers to entry
- Significant organic and acquisition growth opportunities
- Management alignment
- Risk averse approach
- Strong unique business model with proven track record