AGGREGATES, CEMENT AND READY-MIX CONCRETE MARKET INVESTIGATION

Analysis of cost structures and profit margins

Glossary

**Aggregate Industries**
Aggregate Industries UK Limited.

**Breedon Aggregates**
Breedon Aggregates Limited.

**Brett Group**
Robert Brett & Sons Limited.

**Carbon allowance**
A European Union Allowance or EUA under the European Union ETS. One carbon allowance permits an ETS installation to emit one tonne of CO₂ or CO₂ equivalent emissions.

**Carbon emissions**
CO₂ emissions or any other greenhouse gas emission regulated by the ETS.

**Cemex**
Cemex UK Operations Limited.

**Central costs**
Fixed costs incurred at relevant GB operations or above, eg UK head office or ultimate parent company level.

**Consolidated**
Relating to the Majors’ combined relevant GB operations level. See also consolidated margin.

**Consolidated margin**
Calculated for the Majors’ combined relevant GB operations only, by dividing consolidated profit by the consolidated revenues.

**Consolidated profit**
The sum of each Division’s profits on total external and internal sales.

**Consolidated revenues**
The sum of each Division’s: (a) total external net revenues; and (b) internal revenues from its sale to downstream businesses other than the RMX Division.

**CPV**
Cementos Portland Valderrivas SA. CPV’s UK operations comprise the stand-alone cement importers: Dragon Alfa and Southern Cement.

**Depreciation and amortization**
Reported depreciation and amortization charges, but excluding mineral depletion charges in relation to aggregates production.

**Distribution costs**
Delivery charges paid by customers for delivery of goods from the seller to its jobsite.

**Division or Divisional**
A relevant operating entity representing a business division focusing on the production and/or sale of a single reference product, ie the Aggregates Division, Cement Division (or Cement Import Division) or RMX Division.
Divisional fixed costs: Fixed costs incurred at a Divisional level.

Dragon Alfa: Dragon Alfa Limited.

EBITDA: Earnings before interest, tax and depreciation and amortization or variable profit less fixed costs, but adding back depreciation and amortization.

ETS: The European Union Emissions Trading System. See also carbon allowances.

Fixed costs: Comprises site fixed costs, divisional fixed costs, central costs and depreciation and amortization. See also total costs.

FY: Financial year end.

GB: Great Britain.

GGBS: Ground granulated blast furnace slag.

Hanson: The UK heavy building materials operations of HeidelbergCement AG.

Kt: Kilo tonne or a thousand tonnes. See also Mt.

Lafarge: Both Lafarge Aggregates Limited and Lafarge Cement UK Limited.

Majors: Aggregate Industries, Cemex, Hanson, Lafarge and Tarmac.

Marshalls: Marshalls plc.

Materials costs: Part of variable costs which relate to the cost of raw material inputs used in the production process. See also variable production costs.

MEA: Modern equivalent asset.

Medium-tier independents: Breedon Aggregates, Brett Group, Southern Cement and Dragon Alfa (both part of CPV), Marshalls, Thomas Armstrong and Titan.

Mt: Mega tonnes or a million tonnes. See also Kt.

P&L data: The annual profit and loss account data provided by the relevant companies in response to our financial data request. P&L data was provided at a consolidated, divisional or site level covering the relevant period.

PFA: Pulverized fuel ash.

Relevant GB operations: A relevant operating entity representing the combination of at least one of the following production and/or sale activities in GB: aggregates, cement or RMX.
<table>
<thead>
<tr>
<th><strong>Relevant period</strong></th>
<th>The five-year period from 1 January 2007 to 31 December 2011.</th>
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<tbody>
<tr>
<td><strong>RMX</strong></td>
<td>Ready-mix concrete.</td>
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<tr>
<td><strong>Site</strong></td>
<td>A relevant operating entity which is either a centre of production, or a centre for storage, distribution and administrative functions.</td>
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<tr>
<td><strong>Site Fixed Costs</strong></td>
<td>Fixed costs directly incurred at a site level.</td>
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<tr>
<td><strong>Southern Cement</strong></td>
<td>Southern Cement Limited.</td>
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<tr>
<td><strong>Tarmac</strong></td>
<td>Tarmac Group Limited.</td>
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<tr>
<td><strong>Thomas Armstrong</strong></td>
<td>Thomas Armstrong (Holdings) Limited.</td>
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<tr>
<td><strong>Titan</strong></td>
<td>Titan Cement UK Limited.</td>
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<tr>
<td><strong>Total costs</strong></td>
<td>The sum of distribution costs, variable costs and fixed costs.</td>
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<td><strong>Transactions data</strong></td>
<td>The data containing each Major's individual sales transactions for the reference products.</td>
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<tr>
<td><strong>Unit cost</strong></td>
<td>Cost per unit sold, eg unit variable cost means variable cost per tonne sold of aggregates.</td>
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<tr>
<td><strong>Variable costs</strong></td>
<td>Costs that necessarily change in line with changes in production volumes, and to a lesser extent, sales volumes.</td>
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<tr>
<td><strong>Variable production costs</strong></td>
<td>Part of variable costs which directly relate to the production process. See also materials costs.</td>
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<tr>
<td><strong>Variable profit</strong></td>
<td>Gross revenues less distribution costs less variable costs.</td>
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