

## Business unit overview continued

**“Tarmac recently increased to 100% its ownership of United Marine Holdings, a significant UK marine dredged aggregates business”**



**Right:** National Contracting is part of Tarmac's Aggregates Products business, which saw profits rise 21% on 2006.

Mortar and screeds consist of sand, cement and various admixtures dependent on their application and performance requirements. Mortar is predominantly used for masonry applications such as bricklaying and will often contain lime to improve working properties.

Asphalt, which is manufactured by coating graded, crushed rock with bitumen, is the main product used for surfacing roads. Applied hot or cold to road foundations, asphalt is either supplied to site or collected by contractors from strategically located plants.

Using extracted materials, Tarmac's concrete products sector provides the construction industry with a variety of pre-fabricated products, including blocks for walling, pre-stressed structural flooring and engineered pre-cast elements.

Tarmac's lime and cement, which employ similar production processes, are added value materials used widely within construction. Lime is also an important product in the environmental and industrial sectors.

The aggregates, asphalt and ready-mix markets in which Tarmac participate are consolidated in the UK, with the top five players accounting for more than 70% of each market. The cement market is also consolidated, with the leading five companies making up nearly 90% of the market. The main aggregates players also compete, though to a lesser extent, in the more fragmented concrete products market.

## Strategy and growth

Tarmac's strategy is to maximise shareholder value by exploiting its core competitive advantage of maintaining reserves in established territories and continuing acquisitive and organic growth in selected regions. In January 2008, Tarmac increased to 100% its ownership of United Marine Holdings, a significant UK marine dredged aggregates business. Tarmac will focus on the UK and Europe, with increasing emphasis on central and eastern Europe, where it can develop businesses of scale. It will also concentrate on aggregates and downstream activities where the latter provide routes to market for aggregates. Tarmac aims to be the supplier of choice across its full product range.

Several programmes are under way across the UK and international businesses which will deliver improvements in business performance and lay the foundations of a culture of continuous improvement in all businesses. Within Tarmac as a whole, there remains significant upside potential from operational and commercial business improvements and focused growth, with initiatives planned to deliver that upside by 2010.

Tarmac's management team combines significant industry experience with new perspectives from complementary industries. During 2007, changes were made to the management teams and accountability and delivery ownership were clarified.

## TARMAC OPERATING PROFIT BY PRODUCT 2007

Product	%
Aggregates	44
Asphalt	9
Ready-mixed concrete	7
Cement	7
Lime	5
Mortar	4
Concrete products	6
Other	18

