Norcros plc - Interim Results

Six months to 30th September, 2008

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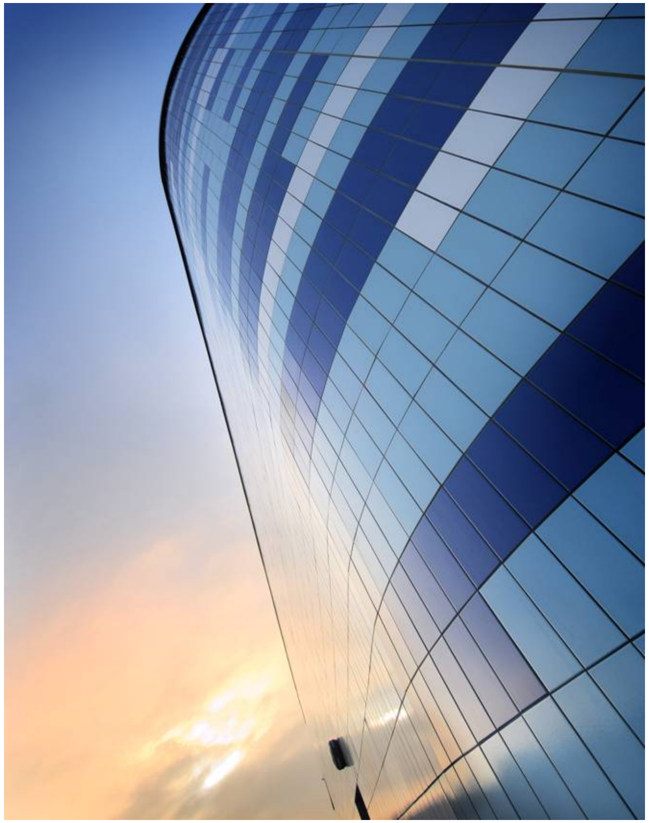
Introduction

John Brown

Chairman

2008 H1 : Highlights

- Difficult trading environment and sharp increase in energy costs
- Revenue lower – 6.8%
- Profit before tax and exceptionals of £3.8m (2007: £6.1m)
- Strong focus on cost base and debt reduction
- Management initiatives delivering planned benefits
- £3.7m realised from disposal of investment in HRJ India
- Net debt tightly controlled at £45.2m



Financial Review

Nick Kelsall

Group Finance Director

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Financial Highlights

- Revenue and profit
  - Revenue of £78.6m, -5.8% at constant currency (2007: £84.3m)
  - Trading profit of £4.7m, -48.4% at constant currency (2007: £9.2m)
  - Cost reduction measures implemented; benefits to be realised in H2
- Profit before tax and exceptionals of £3.8m (2007: £6.1m)
- Rigorous cash management
  - Cash generated from operations £4.1m (2007: £10.8m)
  - Disposal of investment in HRJ India generating £3.7m
  - Growth capex curtailed to take account of market conditions
  - Interim dividend prudently passed to conserve cash
  - Net cash raised from asset disposals less capex + £2.5m (2007: -£6.1m)
- Net debt and interest costs tightly controlled
  - Net debt £45.2m at 30 Sept 08 (2007: £44.5m)
  - Net debt / Ebitda of 2.6x
  - Interest cover of 3.6x
  - LIBOR hedge on £32m to March 2010

Summary Income Statement

	H1 2008	H1 2007	Change	
	£m	£m	£m	%
Revenue	78.6	84.3	- 5.7	- 6.8
Group trading profit	**4.7**	**9.2**	**- 4.5**	**- 48.9**
Exceptional operating income	0.4	-		
Other operating income	-	0.1		
Group operating profit	5.1	9.3	- 4.2	- 45.2
Share of (loss)/ profit from associates	(0.4)	0.1		
Net finance costs	(0.5)	(2.2)		
Less: exceptional operating income above	(0.4)	-		
Profit before tax - underlying	**3.8**	**7.2***	**-3.4**	**-47.2**
Legacy private equity interest costs	-	(1.1)		
Exceptional finance costs	-	(3.8)		
Profit before tax - reported	**3.8**	**2.3**	**+1.5**	**+82.6**
Interest cover	3.6x	4.6x		

*pro forma basis

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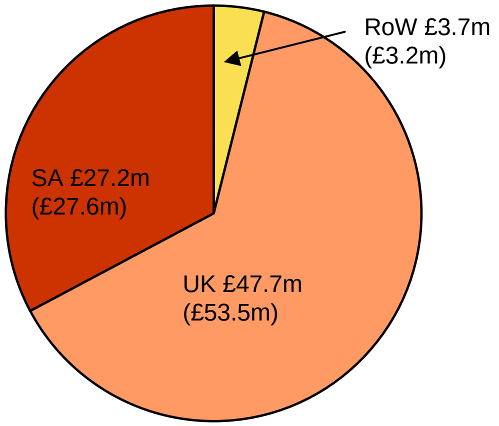
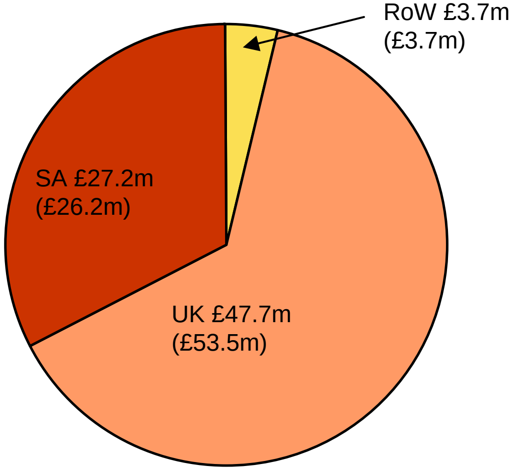
Revenue



As reported - 6.8%



At constant currency – 5.8%

- Overall - £4.8m*; -5.8%*
- UK - £5.8m; -10.8%
- SA + £1.0m*; +3.8%*
- RoW flat*

* At constant currency

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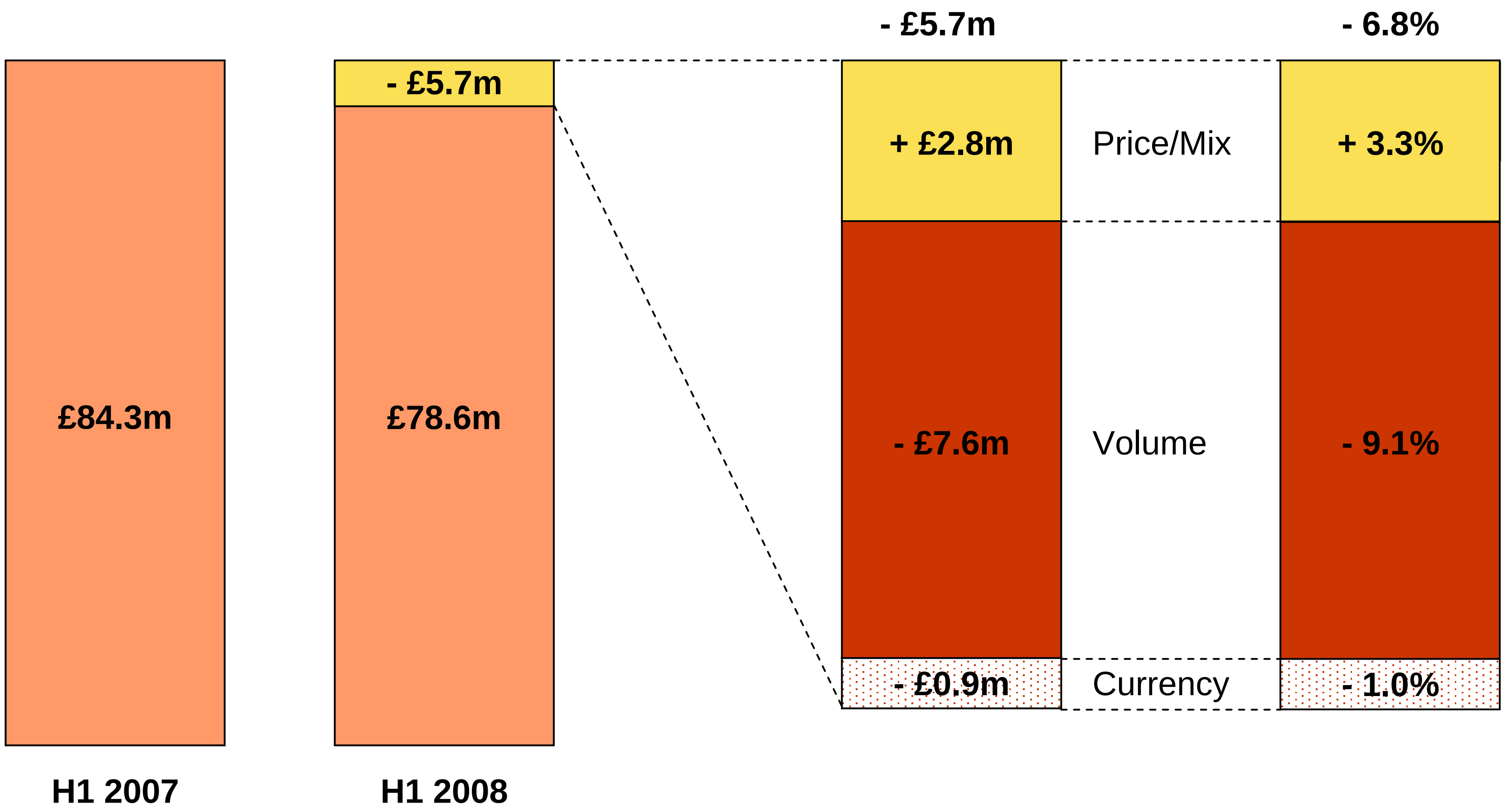
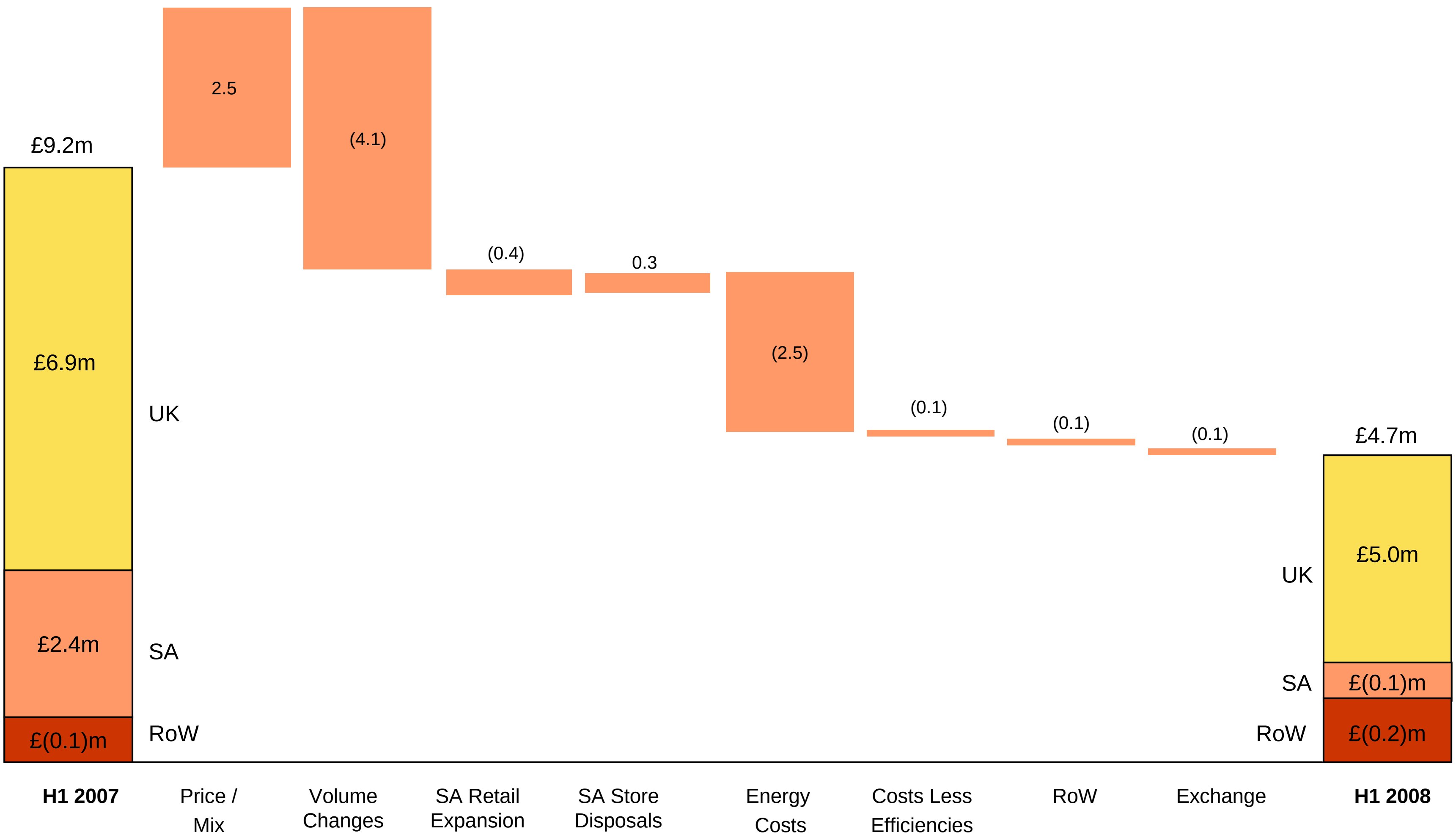
Analysis of Revenue



Trading Profit Bridge



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Summary Cash Flow

	6 months September 2008 £m	6 months September 2007 £m	12 months March 2008 £m
Cash generated from operations	4.1	10.8	13.7
Capex – Purchase of SA leaseholds	-	(3.8)	(3.8)
Capex - other	(2.5)	(2.6)	(6.6)
Disposal of businesses	4.0	-	-
Net asset disposals & Div's rec'd	1.0	0.3	0.1
Free cash flow, pre financing	6.6	4.7	3.4
Interest and tax	(1.1)	(3.7)	(4.5)
Dividends paid	(4.0)	-	(0.8)
Share issues	-	72.2	72.2
Net cash flow	1.5	73.2	70.3
Exchange + non cash changes	(0.2)	(4.8)	(3.9)
Decrease in net debt	1.3	68.4	66.4

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Cash conversion

	6 months September 2008 £m	6 months September 2007 £m	12 months March 2008 £m
Cash generated from operations	4.1	10.8	13.7
Trading profit	4.7	9.2	16.0
Cash conversion	87%	117%	86%

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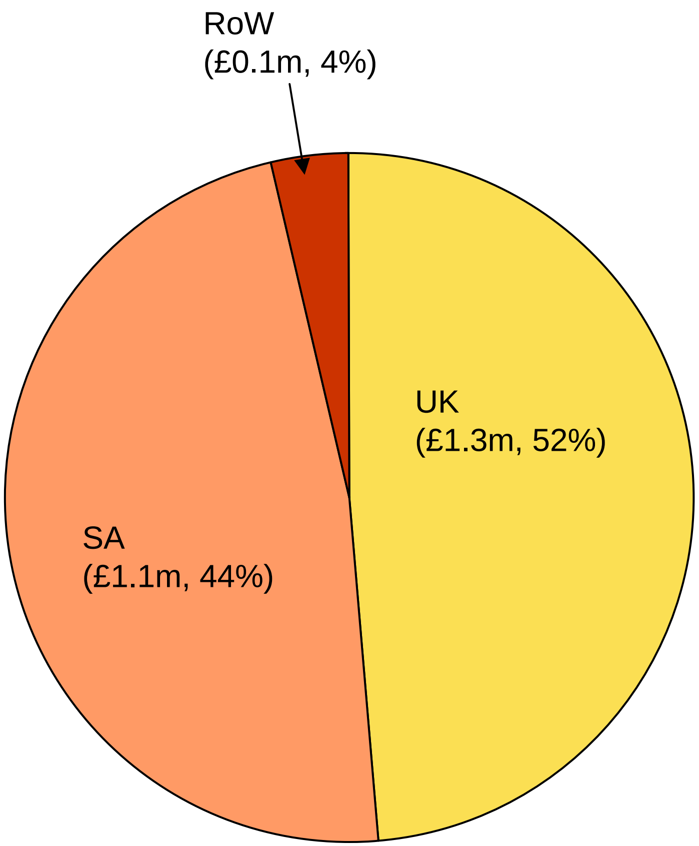
Capex H1 2008



- **Highlights**
- Investment in Inkjet technology - UK tiles
- Selective investment in new product tooling & efficiency improvements
- Fit out costs/ refurbishments for new & existing SA retail stores

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Balance Sheet Highlights

	September 2008	September 2007	March 2008
Capex *1	2.5	2.6	6.6
Depreciation	3.0	2.8	5.5
Capex / Depreciation *1	0.8x	0.9x	1.2x
Net bank debt (£m)	45.2	44.5	46.5
Net bank debt/ Ebitda	2.6x	2.0x	2.2x

*1 Excludes strategic purchase of SA leaseholds

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Summary

- Backdrop of very challenging market conditions and input cost increases
- Cost cutting programme and pricing actions implemented with increased benefits in H2
- Continued emphasis on selective revenue generating investment to strengthen market positions
- Ongoing focus on cost base management and debt reduction

Operating Review

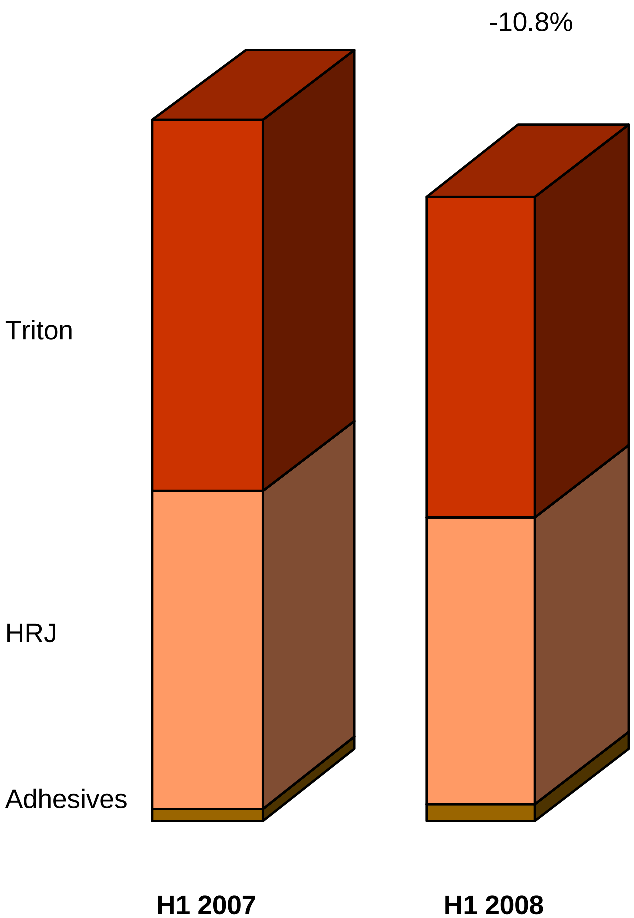
Joe Matthews

Group Chief Executive

Market Environment

- Shower Market
  - Retail destocking continued
  - Overall market –12.2%
  - Electric showers –2.1%
  - Mixer shower –24.9%
  - Irish market –15.1%
- Tile Market
  - Overall UK market –10.6%
  - Trade holding up better than retail
  - Substantial excess capacity impacting prices
- South Africa
  - Tile market –15%
  - Largest producer heavily overstocked

UK Revenue



- Triton
  - Overall revenue -13.7%
    UK -14%; Exports -12.7%
  - UK driven by volume decline in retail caused by destocking; trade more resilient
  - Leading position in electrics maintained. Mixer market share increased
- H&R Johnson
  - Overall tile revenues -9.5%
    UK -10.2%; Exports -5.6%
  - Increased specification activity/DIY gains offsetting retail weakness
- Norcros Adhesives
  - Revenue + 44.4%
  - New accounts and specification gains

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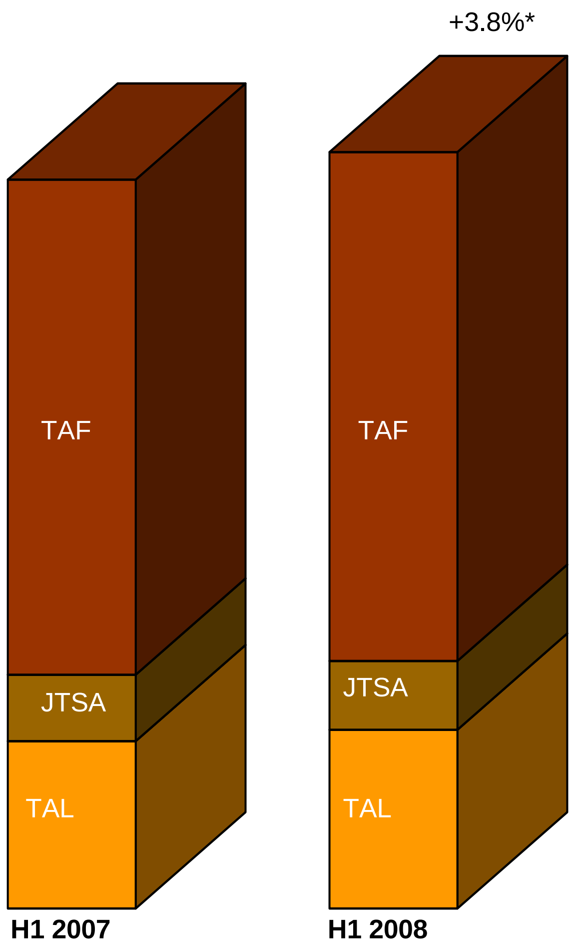
UK Profits

	Sept 08	Sept 07	Change %
Trading Profit (£m)	5.0	6.9	-27.5
ROS %	10.5	12.9	-18.6

- Triton able to mitigate profit effect of market decline
  - Flexing of cost structure
  - Cost reduction initiatives
  - New product programme
  - Price increases
- Profit margins in line with expectations and cash generation excellent
- UK Tiles at breakeven and operating cash neutral
  - Lower revenues
  - Near doubling in energy costs
  - Initial benefits of cost reduction programmes
  - Price increases
- UK Adhesives profitable
  - Increased revenues
  - Initial benefit of manufacturing investment

South Africa Revenue



- Tile Africa revenues +2.8%*
  - Like for like sales -8.4%
  - Benefits of new stores 2007/08
  - 2 new stores H1; 2 new stores H2
  - Disposal of Pietermaritzburg and Somerset West
- Johnson Tiles revenue +4.2%*
  - Lower volumes offset by price increases
  - Improved product offering
- Adhesive revenue +6.7%*
  - Extended and innovative product range
  - Market share gains

* Growth at constant currency

South Africa Profits

	Sept 08	Sept 07	Change %
Trading Profit (£m)	(0.1)	2.3*	-104.3
ROS %	-0.4	8.8*	-104.5

*at constant currency

- Tile Africa profits lower
  - Decline in like for like sales
  - Cost of new store openings
  - Higher distribution costs
- Johnson Tiles operated at a significant loss
  - Substantial increases in energy costs and raw materials
  - Operating problems / inefficiencies with new product introductions
  - Planned closure of wall tile facility in Q4
- Adhesive profits and margins largely maintained
  - Strong revenue growth
  - Tight cost control
  - Higher raw material and distribution costs

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Twin-Track Strategy

Price / Cost Initiatives

Triton

- Agency labour reduced: -45 employees
- Reduction in administrative staff: -15 employees
- Ongoing value analysis of sourced components
- Price increase October 2008

Johnson Tiles

- Price increases January 2008 & June 2008
- Further price increase announced January 2009
- Cost reduction programme: -50 employees
- Complexity reduction sizes / SKUs

South Africa

- Price increase April 2008 and August 2008
- Cost reduction programme: redeployment of 65 employees
- Closure of inefficient wall tile facility: -60 employees
- Restructuring of underperforming retail stores

Product Development

Triton

- Safeguard T100. Innovative care product (May 2008) – positive feed-back
- Inscriptions. Inspired designs. Affordable prices (May 2008) – successful launch + good sell in.
- Commercial Mixer Range (July 2008)
- T80Z electric shower – new generation T80 series (Sept 2008)

Johnson Tiles

- Concepts. Elegant, Chic, 400 x 300 Wall tiles (April 2008)
- Absolute Range. Specification market (September 2008) – very positive response
- Elegance – first Ink Jet range: decorated marbles and natural stones (October 2008) – encouraging customer reaction

South Africa

- Monocottura and Porcelain floor tiles 500 x 500 / 500 x 250
- New porcelain grouts, epoxy coating and screeds
- New hot-melt and PSA adhesives

Outlook

- Market outlook remains tough
  - Further softening in demand
  - Impact of weaker Pound and Rand
- Emphasis on operational efficiency and market opportunities
- Cost reduction actions delivering benefits; further measures in progress
- Capex adjusted to reflect lower demand environment
- Opportunities
  - Declining energy costs
  - Exciting new product programme at Triton, Johnson Tiles and Adhesives
  - SA store development
  - Diversified product and segment balance
- Intense focus on
  - Maintenance of strong market positions
  - Cash and financial flexibility
- Ensure well-positioned to capitalise when market improves

Q&A