Norcros plc - Interim Results
Six months to 30th September 2011

Introduction

Nick Kelsall

Group Chief Executive

Business Overview

- Supplier of high quality and innovative showers, ceramic wall and floor tiles and adhesive products

- Three complementary UK businesses:
  - Triton Showers
    - Market leader in the manufacture and marketing of showers in the UK
  - Johnson Tiles
    - Leading manufacturer of ceramic tiles in the UK
  - Norcros Adhesives
    - Manufacturers of ceramic adhesives, grouts and related products

- Three complementary South African businesses:
  - Tile Africa
    - Chain of retail stores focussed on ceramic and porcelain tile, and associated products such as sanitaryware, showers and adhesives
  - Johnson Tiles South Africa
    - Manufacturer of ceramic and porcelain tiles
  - TAL
    - Market leading manufacturer of ceramic, industrial and building adhesives

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2011 H1 : Financial Highlights

- Revenue growth +8.6% (LFL[1] at constant currency)
- Trading profit of £6.3m (2010: £6.4m, £6.2m on LFL[1] basis)
- Benchmark PBT[2] of £5.4m (2010: £5.6m, £5.4m on LFL[1] basis)
- Benchmark EPS[3] of 0.9 p (2010: 0.9 p)
- Net debt (before prepaid finance costs) of £18.1m (2010: £13.0m)
- Interim dividend increased to 0.14p payable Jan 12 (2010: 0.12p)

[1] Adjusted for the current interim period of 26 weeks compared to 27 weeks last year

[2] Benchmark PBT is before exceptional items and non cash finance charges

[3] Benchmark EPS is based on Benchmark PBT less attributable taxation

2011 H1 : Key achievements

- Solid performance from UK operations and South African Retail & Adhesive businesses
- Resolved Springwood Drive legacy lease; cost £7.8m, cash saving £3.3m p.a
- Sale of surplus land to Morrisons subject to planning consent, anticipated net proceeds £2.6m
- New £51m bank re-financing through to Oct 2015

Financial Review

Martin Payne

Group Finance Director

Financial Summary

- Revenue
  - Revenue of £102.4m, +5.3% (2010: £97.3m) – as reported
  - Revenue of £102.4m, +8.6% (2010: £94.3m) – LFL at constant currency

- Profit
  - Trading profit of £6.3m, -1.6% (2010: £6.4m) – as reported
  - Trading profit of £6.3m, +2.2% (2010: £6.2m) – LFL at constant currency
  - Benchmark PBT of £5.4m, -4.0% (2010: £5.6m) – as reported
  - Benchmark PBT of £5.4m, (2010: £5.4m) – LFL at constant currency

- Cash
  - Cash generated from operations £8.4m before Springwood Drive onerous lease exit payment
  - Onerous lease exit at Springwood Drive; cost £7.8m, cash saving £3.3m p.a.

Summary Income Statement

	26 weeks September 2011 £m	27 weeks September 2010 £m	Change %	26 weeks March 2011 £m	Change %
Revenue	102.4	97.3	+5.3	98.8	+3.6
Group trading profit	**6.3**	**6.4**	**-1.6**	**5.3**	**+22.1**
Finance charges – cash	(0.9)	(0.8)		(0.7)	
Benchmark PBT	**5.4**	**5.6**	**-4.0**	**4.6**	**+20.5**
Exceptional operating items	-	2.7		(3.8)	
Finance income / (charges) – non cash	0.1	(1.5)		(0.1)	
Exceptional finance charges – non cash	(1.2)	-		-	
Profit / (loss) before tax – statutory	**4.3**	**6.8**		**0.7**	

- On LFL[1] constant currency basis, sales +8.6%, Group trading profit +2.2%

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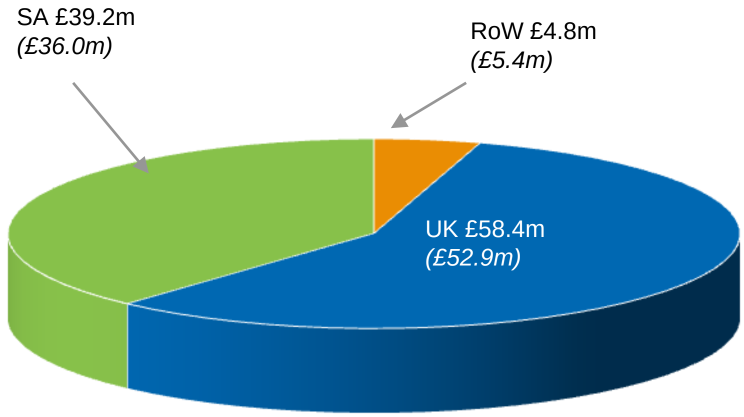
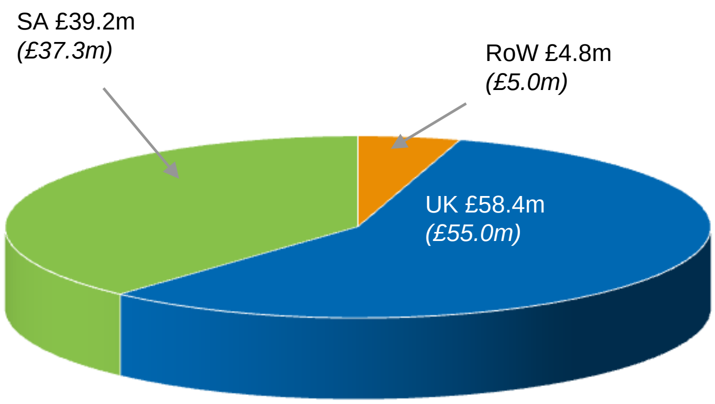
[1] Adjusted for the current interim period of 26 weeks compared to 27 weeks last year

Revenue by Geographic Segment

At constant currency, like for like basis[1] +8.6%



As reported + 5.3%



- LFL revenue growth in constant currency
  - Group +£8.1m; +8.6%
  - UK +£5.5m; +10.3%
  - SA +£3.2m; +9.0%
  - RoW -£0.6m; -9.6%
- Reconciliation to reported growth

	£m
H1 10/11 - as reported	**97.3**
FX effect	0.6
Extra week effect	(3.6)
H1 10/11 – LFL[1] at constant currency	**94.3**
Underlying growth	8.1
H1 11/12	**102.4**

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[1] Adjusted for the current interim period of 26 weeks compared to 27 weeks last year

Summary Cash Flow

	26 weeks September 2011 £m	27 weeks September 2010 £m	26 weeks March 2011 £m	53 weeks March 2011 £m
Cash generated before lease exit costs	**8.4**	**3.8**	**7.0**	**10.8**
Springwood Drive Lease exit costs	(7.8)	-	-	-
Cash generated from operations	**0.6**	**3.8**	**7.0**	**10.8**
Capex	(3.1)	(2.0)	(4.3)	(6.3)
Disposal of businesses	-	4.4	-	4.4
Free cash flow, pre financing	**(2.5)**	**6.2**	**2.7**	**8.9**
Interest and tax	(0.7)	(0.3)	(1.3)	(1.6)
Dividends paid	(1.4)	-	(0.7)	(0.7)
Bank refinancing costs	(0.8)	-	-	-
Net cash flow	**(5.4)**	**5.9**	**0.7**	**6.6**
Exchange	(0.3)	-	(0.1)	(0.1)
(Increase) / decrease in net debt - before prepaid finance costs	**(5.7)**	**5.9**	**0.6**	**6.5**

Balance Sheet Highlights

	26 weeks September 2011	27 weeks September 2010	26 weeks March 2011	53 Weeks March 2011
Capex (£m)	3.1	2.0	4.3	6.3
Depreciation (£m)	3.2	3.2	3.4	6.6
Capex / Depreciation	0.98x	0.63x	1.26x	0.95x
Net bank debt - before prepaid finance costs (£m)	18.1	13.0	12.4	12.4
Net bank debt/ Ebitda	1.0x	0.8x	0.7x	0.7x

- Net bank debt increase includes £7.8m Springwood Drive lease exit cost which generates £3.3m p.a. cash savings
- Mature and well funded UK pension scheme – further details in Appendix
- UK scheme IAS 19 position at 30 Sept 11
  - £14.6m deficit (2010: £25.3m deficit)
  - 96% funded (2010: 93%)

Re-financing

- New £51m revolving credit facility through to October 2015

- Flexible and lower cost terms
  - Leverage < 3x EBITDA, reducing to 2.75x from March 15 onwards
  - Interest cover > 4x EBITDA
  - Semi annual testing
  - £0.5m p.a. lower borrowing costs

- Net debt and covenant compliance
  - Net debt (before prepaid finance costs) of £18.1m at 30 Sept 11 (2010: £13.0m)
  - Net debt / Ebitda of 1.0x (covenant < 3x)
  - Interest cover of 11.4x (covenant > 4x)

Operating Review

Nick Kelsall

Group Chief Executive

UK Operations – Strong revenue growth reflecting market share gains

TRITON

- Overall revenues +2.2%[1]
  - UK +1.5%[1]; Exports +6.4%[1]
- Strong growth in UK retail; share gains in key accounts
- Market share gain in electric showers, particularly in the thermostatic sector
- Export growth - robust performance despite weak Irish market
- Revenue growth despite declining markets; resilience of electrics
- Profits & margins higher
  - Strength of product offering in all channels
  - Continued investment and success of new product programmes
  - Ongoing cost reduction initiatives and tight control
- Strong cash generation

[1] Adjusted for the current interim period of 26 weeks compared to 27 weeks last year

UK Operations – Strong revenue growth reflecting market share gains

JOHNSON • TILES

- Overall revenues +17.4%[1]
  - UK +21.2%[1]; Exports -5.6%[1]
- UK overall – market share gains across all sectors
- UK retail – substantial revenue growth; ink-jet product, service and financial strength
- UK trade – market share gains driven by success of tailored product ranges
- Revenue growth despite market decline
- Focus on product, service and account relationships
- Trading profits lower
  - Energy costs 37% higher
  - Teething issues following new kiln installation
- Action taken to reduce costs and increase selling prices

[1] Adjusted for the current interim period of 26 weeks compared to 27 weeks last year

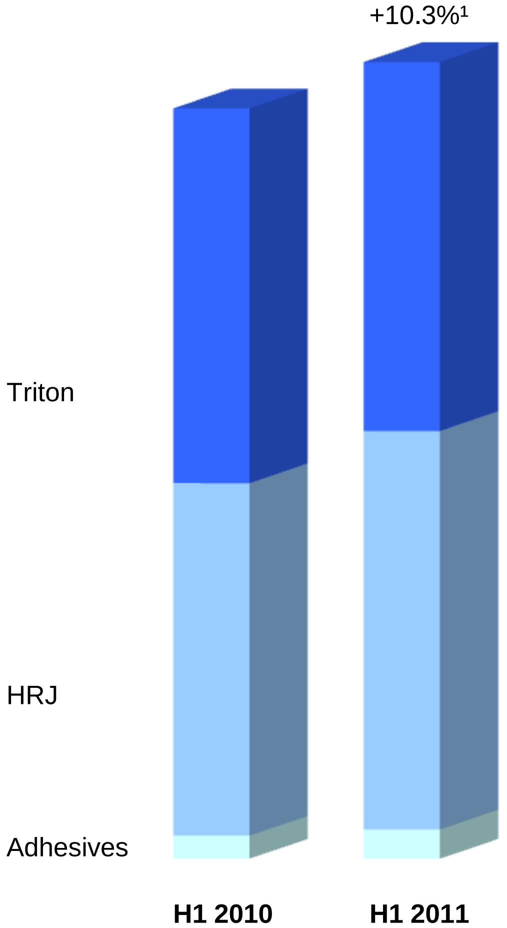
UK Operations – Strong revenue growth reflecting market share gains

- Overall revenues +32.0%[1]
  - Full period effect of key accounts gained in H2 10/11
  - National contract specification gains
  - Benefit of increased sales and marketing investment
- Profits maintained
  - Margin pressure from higher input costs addressed
  - Investment in increased sales & marketing resource driving revenue growth

[1] Adjusted for the current interim period of 26 weeks compared to 27 weeks last year

UK – Strong performance; Trading profit increased

Revenue Growth



Trading Profit

	27 weeks Sept 2010	26 weeks March 2011	26 weeks Sept 2011
Trading Profit (£m)	5.9	5.7	6.5
ROS %	10.7	8.9	11.1

[1] Adjusted for the current interim period of 26 weeks compared to 27 weeks last year

South Africa – Revenue and market share growth driven by sector focus

TILEAFRICA

- Overall revenues +4.5%[1]
- LFL same store retail sales +6.8%[1]
- Focussed product offer & refinement of store operating model
- 20 stores now upgraded to Lifestyle format; target to convert remaining 11 by FY 2014
- Return to small profit v small trading loss last year
  - Benefit of share gains and higher revenues
  - Gross margins maintained despite tough market
  - Tight control of cost base

[1] At constant currency and adjusted for the current interim period of 26 weeks compared to 27 weeks last year

South Africa – Revenue and market share growth driven by sector focus

JOHNSON • TILES

- Revenues +43.1%[1] in independent sector
- Success of sector, focussed sales resource
  - Revenue growth in the independent merchant segment
  - Strong export growth
- Increased investment in new product development
- Trading loss higher than last year
  - Manufacturing change programme implemented in H1
  - Plant interruption to install new buffer equipment
  - Significant strengthening of manufacturing management team
  - Further operational improvement initiatives being implemented in H2

[1] At constant currency and adjusted for the current interim period of 26 weeks compared to 27 weeks last year

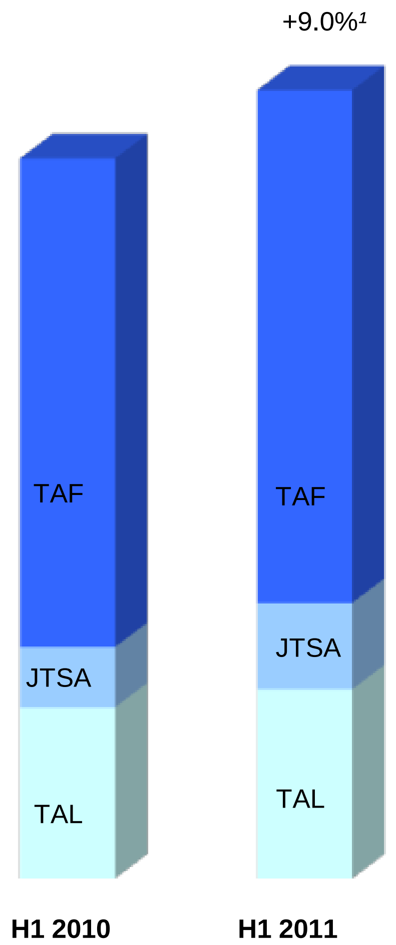
South Africa – Revenue and market share growth driven by sector focus

- Adhesives revenues +9.7%[1]
- Strong growth in Tile Adhesives and Building Products segments
- Driven by new products & new listings
- Significant growth into Namibia & other sub-Saharan countries
- Trading profits marginally below last year
  - Reflects investment to drive medium – long term growth
  - Set-up costs relating to new construction products range (H2 launch)
  - New satellite tile adhesive plant opened in Durban in September; benefits to flow in H2

[1] At constant currency and adjusted for the current interim period of 26 weeks compared to 27 weeks last year

South Africa – Improvement initiatives in JTSA impact short term profit

Revenue Growth



Trading Profit

	27 weeks Sept 2010	26 weeks March 2011	26 weeks Sept 2011
Trading Profit (£m)	0.5	(0.3)	(0.3)
ROS %	1.3	(0.9)	(0.8)

[1] At constant currency and adjusted for the current interim period of 26 weeks compared to 27 weeks last year

Growth Drivers

- Long term growth in UK shower market
  - Penetration only c.70%
  - Electric shower replacement cycle strong
- UK tile penetration low by European standards

- Long term growth in South African tile market
  - Current penetration is significantly below comparable climates
  - Emerging middle class will drive demand
- Sub-Saharan Africa growth

Growth Strategy

- Increase share of UK shower market
- Expand SA product offer into sub-Saharan Africa
- Increase revenues and profitability through ongoing self help and operational improvement programmes in UK and South Africa
- Continue investment in product and brand development
- Build on strong customer relationships and broad distribution base

UK - Operational Initiatives

Triton

- Continue to drive share gains across all product segments and customer channels
- Comprehensive new product programme in Trade, Retail and Exports
- Drive share growth in specification sector
- Continue to offset commodity price increases and inflation through value analysis and engineering, and product innovation

Johnson Tiles

- Maintain leading UK position in ink jet products through NPD and technology
- Mitigate input cost increase through cost reduction initiatives and sales price increases in H2
- Resolve teething problems with new kiln installation
- Drive further growth of Absolute product range in specification market

Norcros Adhesives

- Increase business scale through new key account wins
- Expand product offer into related areas; one stop shop

South Africa - Operational Initiatives

South Africa

- New tile manufacturing management team to drive efficiency and cost improvements
- Continue to improve retail product offer, store upgrade and improvement programme
- Deliver benefits of new Adhesive facility in Durban
- Broaden building and construction adhesives offer
- Drive opportunities in sub-Saharan Africa – Tiles and Adhesives

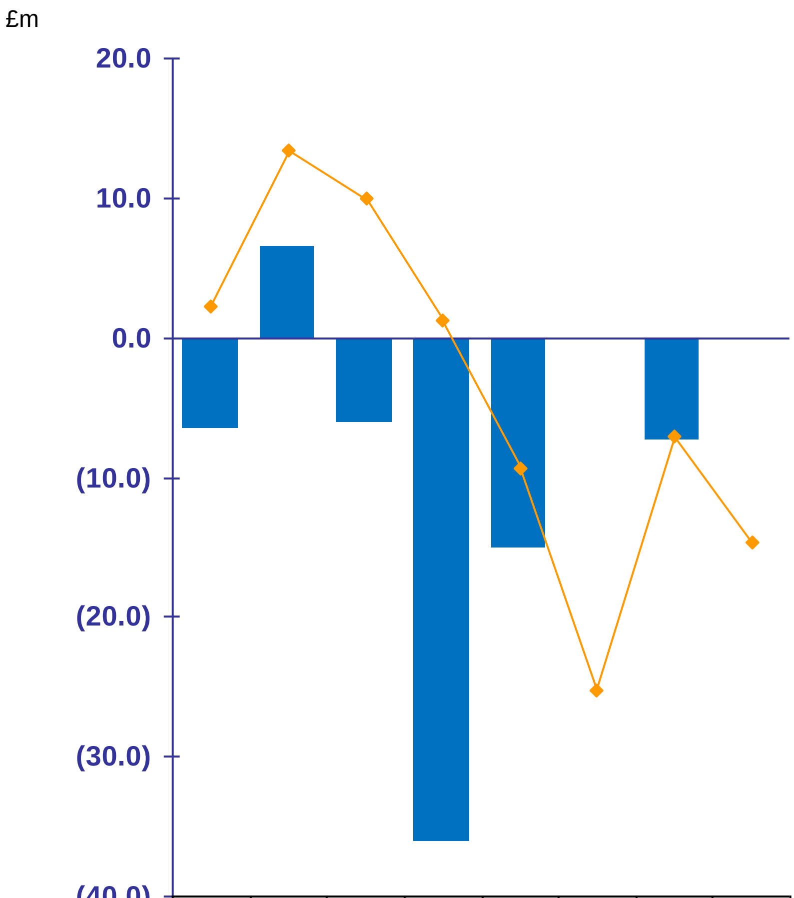
Summary & Outlook

- Solid trading performance
- Strong financial position and new bank facility through to October 2015
- Significant increase in free cash flow following legacy lease exit
- Interim dividend increased 16% to 0.14p / share
- Market conditions expected to remain challenging in both UK & SA
- Focus on
  - Market share gains in all businesses
  - Increasing scale in UK and SA Adhesives business (sub-Saharan Africa)
  - Driving opportunities for Triton & UK Tiles in specification sector
  - Improving manufacturing performance in SA and UK tiles
  - Further operational improvements in SA retail business
- Group well positioned to make further progress

Appendices

UK Pension Scheme

- Assets under management - £350m
- Mature Scheme; 10,400 members
  - Pensioners (62%), Deferred (34%), Actives (4%)
  - Average age of pensioners is 75
- Investment Strategy
  - Conservative asset allocation; 39% absolute return funds, 20% equities, 21% gilts, 20% corporate bonds
- Valuations
  - Sept 11 IAS 19 valuation reflects 5.3% discount rate, CPI on automatic changes, RPI on remainder
  - CPI discount to RPI 0.7%
- 2009 Recovery Plan
  - £9.7m injection agreed; spread over 12 years
    - FY11 and FY12 : £1m p.a.
    - FY16 – FY22 : £1.1m p.a.



	Mar-06	Mar-07	Mar-08	Mar-09	Mar-10	Sep-10	Mar-11	Sep-11
Actuarial Valuation	(6.5)	6.6	(6.1)	(36.1)	(15.1)		(7.4)	
IAS19 Valuation	2.3	13.4	10.0	13	(9.3)	(25.3)	(7.0)	(14.6)

Net Debt Reconciliation

	September 2011 £m	September 2010 £m	March 2011 £m
Net debt – statutory	(17.3)	(10.6)	(10.6)
Prepaid finance costs	(0.8)	(2.4)	(1.8)
Net debt before prepaid finance costs	(18.1)	(13.0)	(12.4)