Norcros plc

Preliminary Results

Year ended 31st March 2012


Introduction
John Brown
Chairman

2012 Highlights

- Strong performance from UK operations and South African retail & adhesive businesses
- Self help continuing to drive profits forward in difficult markets
- Good progress on key legacy property issues
  - Exited Springwood Drive legacy lease May 2011
  - Conditional sale of surplus land to WM Morrison Supermarkets plc August 2011
- £51m bank re-financing secured to Oct 2015
- Full year dividend up 16.7%

Revenue[1]

£200.3m +5.6% ▲

Underlying[2] operating profit[1]

£12.1m +5.7% ▲

Operating Cash

£17.7m +1.7% ▲

Dividend

0.42 pence +16.7% ▲

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[1] On a constant currency, LFL number of weeks [2] Underlying means before exceptionals and, where relevant, non cash finance costs

Financial Review

Martin Payne
Group Finance Director

Income Statement

	2012 £m	2011 £m	+/-	+/- LFL CC
Revenue	200.3	196.1	+2.1%	+5.6%
Underlying[1] operating profit	12.1	11.7	+3.5%	+5.7%
Margin	*6.0%*	*6.0%*		
Finance charges – cash	(1.4)	(1.5)	- 6.7%	
Underlying[1] PBT	10.7	10.2	+5.3%	+8.1%
Exceptional – operating items	-	(1.1)		
Exceptional – finance charges	(1.2)	-		
Non cash finance charges	(0.1)	(1.6)		
PBT as reported	9.4	7.5	+25.3%	

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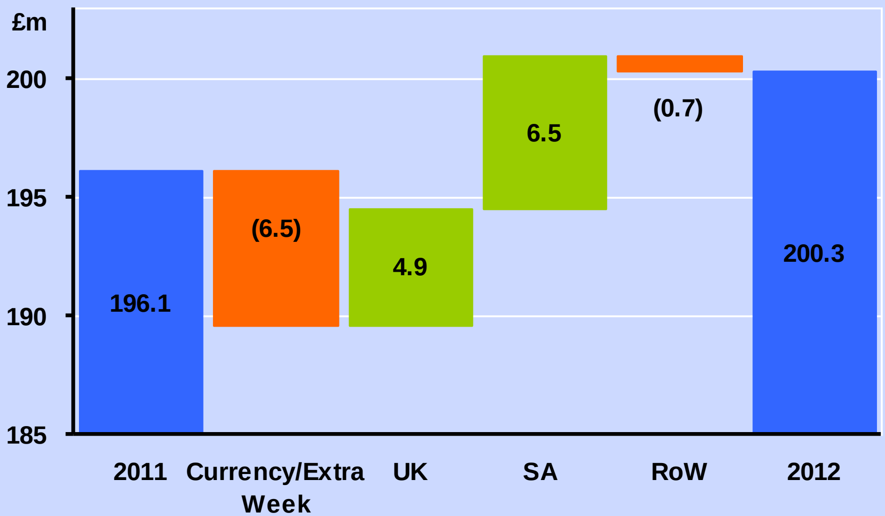
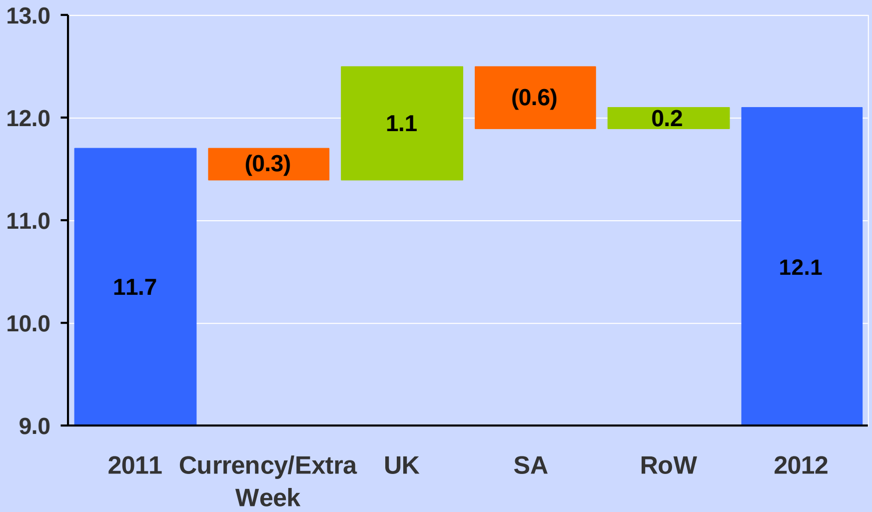
[1] Underlying means before exceptionals and, where relevant ,non cash finance costs

Income Statement – Key Bridges

Revenue



Underlying operating profit



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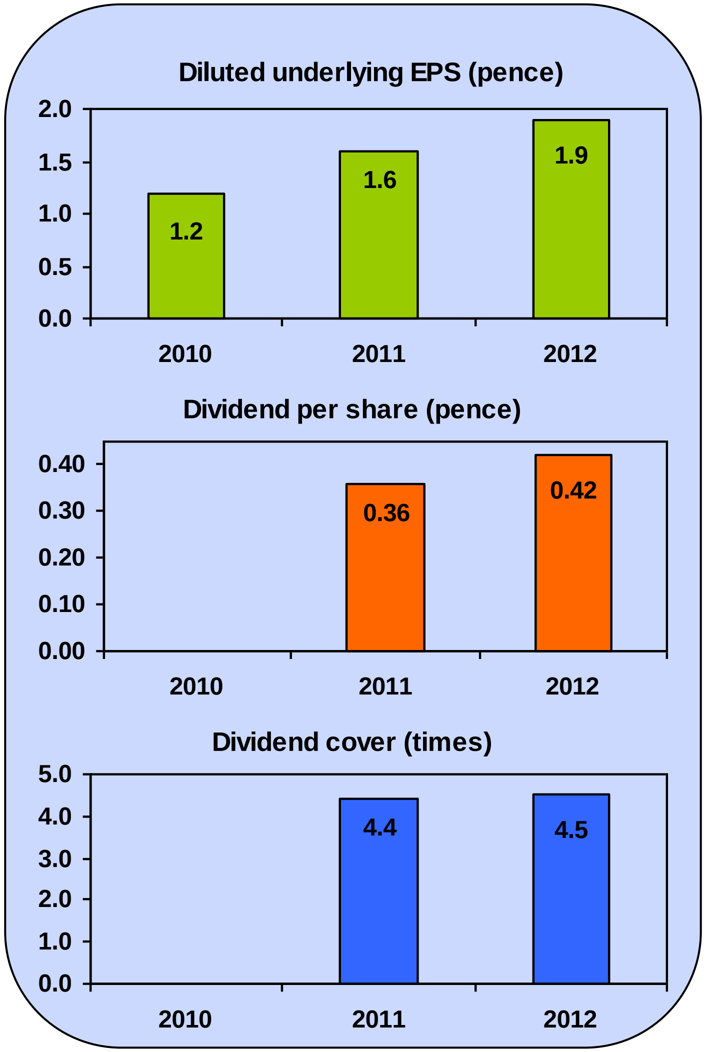
Tax, Earnings & Dividends

	2012 £m	2011 £m
PBT as reported	9.4	7.5
Taxation	-	(0.8)
Effective tax rate	*-*	*10.7%*
Earnings as reported	9.4	6.7

- Effective tax rate nil due to recognition of UK deferred tax losses not previously recognised
- Diluted underlying[1] EPS up 18.8%
- Dividend up 16.7%



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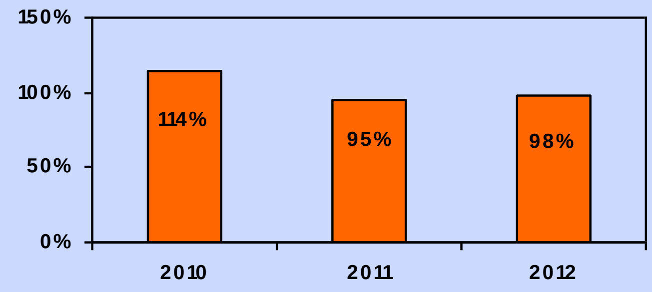
[1] Underlying means before exceptionals and, where relevant ,before non cash finance costs and after attributable tax

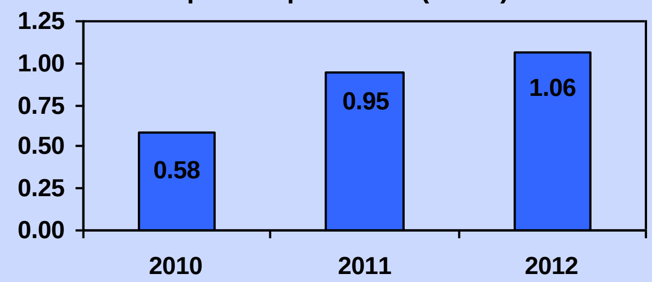
Cash Flow

	2012 £m	2011 £m
EBITDA pre exceptional	18.0	18.4
Working Capital	(0.3)	(1.0)
Operating cash flow	**17.7**	**17.4**
Capex	(6.7)	(6.3)
Pension deficit recovery	(1.0)	(1.0)
Tax & Other	(0.1)	(0.3)
Underlying free cash flow pre financing and dividends	**9.9**	**9.8**
Exceptional costs - lease buy out	(7.8)	-
Exceptional costs - other	(3.3)	(5.9)
Sale of investment	-	4.4
Interest	(1.7)	(1.0)
Dividends	(2.2)	(0.7)
Other	(0.6)	-
Free cash flow	**(5.7)**	**6.6**

Operating cash flow to EBITDA pre exceptional



Capex / Depreciation (times)



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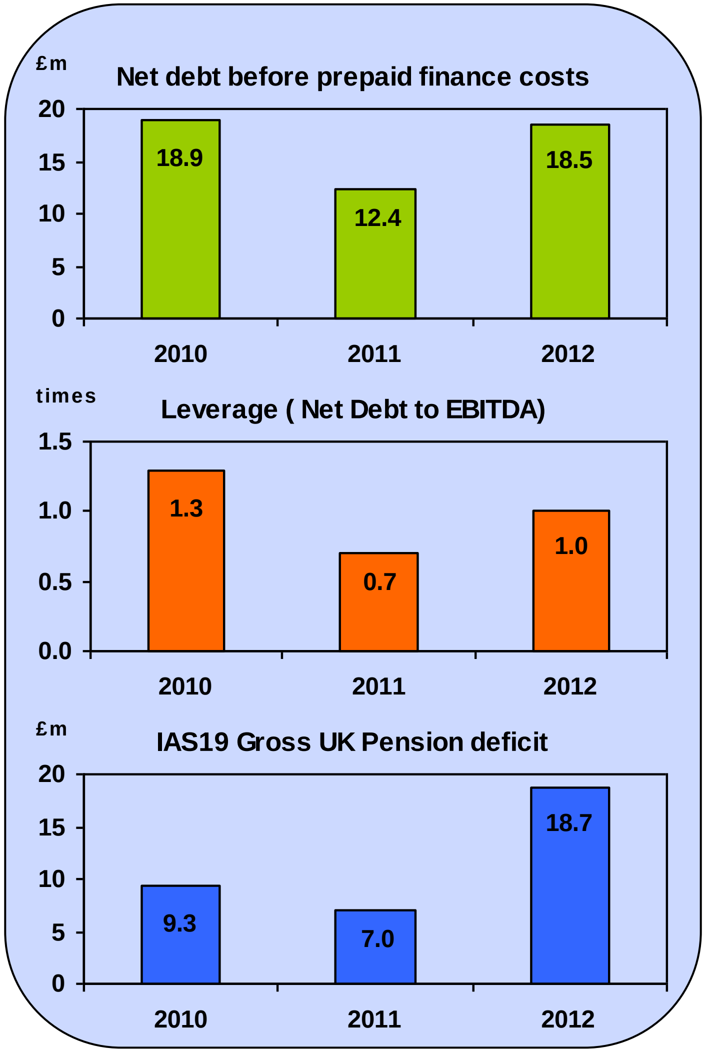
Balance Sheet

- Net debt well within 3x leverage covenant
- £51m bank re-financing through to Oct 2015
- Pension deficit increased
  - Liabilities still 95% funded
  - Abnormally low gilt yields driving increase
  - Very mature, well managed scheme
  - March 2012 triennial valuation in progress
- Conditional sale of surplus land to Morrison's August 2011
  - £2.6m net cash
  - Subject to planning permission



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Operating Review

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
    - Manufacturer 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

- Johnson Tiles Australia
    - Importer and distributor of ceramic tiles and related products

UK Operations – Strong performance in challenging markets

TRITON

- Overall revenues -0.9%[1]
  - UK -0.8%[1]; Exports -1.2%[1]
- Growth in UK retail; increased share in key accounts
- Market share gain in electric segment, success of thermostatic offer
- UK market decline estimated to be c. 1%
- Exports - robust performance despite weak Irish market
- Most significant product launch for over 10 years – T80Z Fast Fit
- Profits and margins ahead
- Excellent cash generation

[1] Adjusted for the current period of 52 weeks compared to 53 weeks last year

UK Operations – Strong performance in challenging markets

JOHNSON · TILES

- Overall revenues +8.7%[1]
  - UK +10.2%[1]; Exports -1.9%[1]
- Strong revenue growth despite market decline
- UK market share gains across all sectors, particularly retail
- Exports – supply issues in H1 largely resolved; H2 performance ahead of LY
- Underlying operating profits lower
  - Energy costs 23% higher
  - Start up issues following new kiln installation; now resolved
- Action taken to reduce costs and increase selling prices

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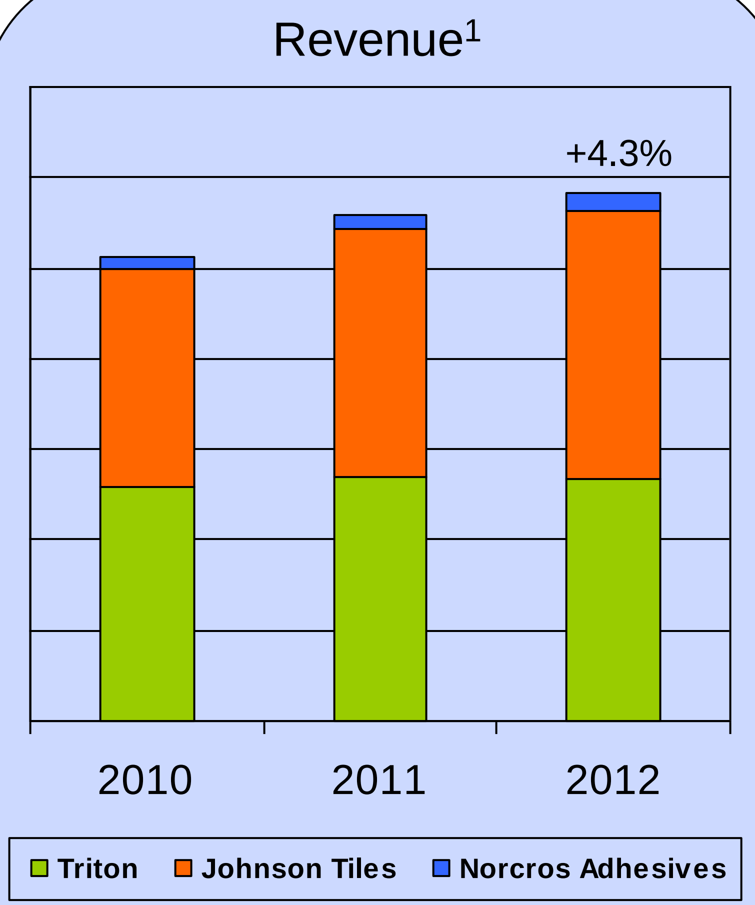
[1] Adjusted for the current period of 52 weeks compared to 53 weeks last year

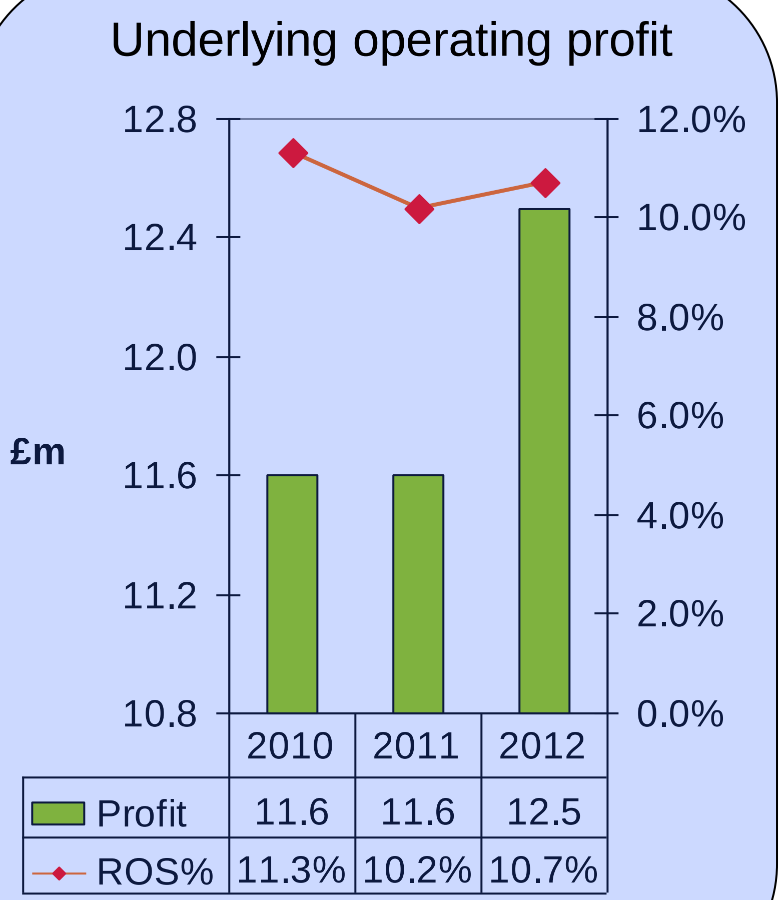
UK Operations – Strong performance in challenging markets

- Overall revenues +17.3%[1]
  - Full year effect of key accounts gained in H2 10/11
  - Growth in commercial refurbishment projects
  - National contract specification gains
  - Initial benefits of increased investment in new products and plant
- Profits marginally below last year
  - Margin pressure from higher input costs
  - Investment in sales and marketing and manufacturing facility
- Capacity in place to accommodate significant future growth
- Focus on leveraging Group retail relationships

[1] Adjusted for the current period of 52 weeks compared to 53 weeks last year

UK Operations – Strong performance in challenging markets





	2010	2011	2012
Profit	11.6	11.6	12.5
ROS%	11.3%	10.2%	10.7%

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[1] Adjusted for the current period of 52 weeks compared to 53 weeks last year

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

TILEAFRICA

- Overall revenues +4.8%[1]
- LFL same store retail sales +6.7%[1]
- Focused product offer and benefits from store refit programme
- 20 of our 31 owned stores now upgraded to Lifestyle format
- 2 new franchise stores opened bringing total to 6 stores
- Significant improvement in profitability

[1] At constant currency and adjusted for the current period of 52 weeks compared to 53 weeks last year

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

- Independent sector revenues +14.1%[1]
- Strong growth in Tile Adhesives and Building Products segments
- New products and new listing in key accounts
- Strong export growth into sub-Saharan countries
- New tile adhesive plant opened in Durban in September 2011
- Significant increase in investment in sales, marketing and new product development to drive medium term growth
- Resilient profit performance, marginally below last year

[1] At constant currency and adjusted for the current period of 52 weeks compared to 53 weeks last year

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

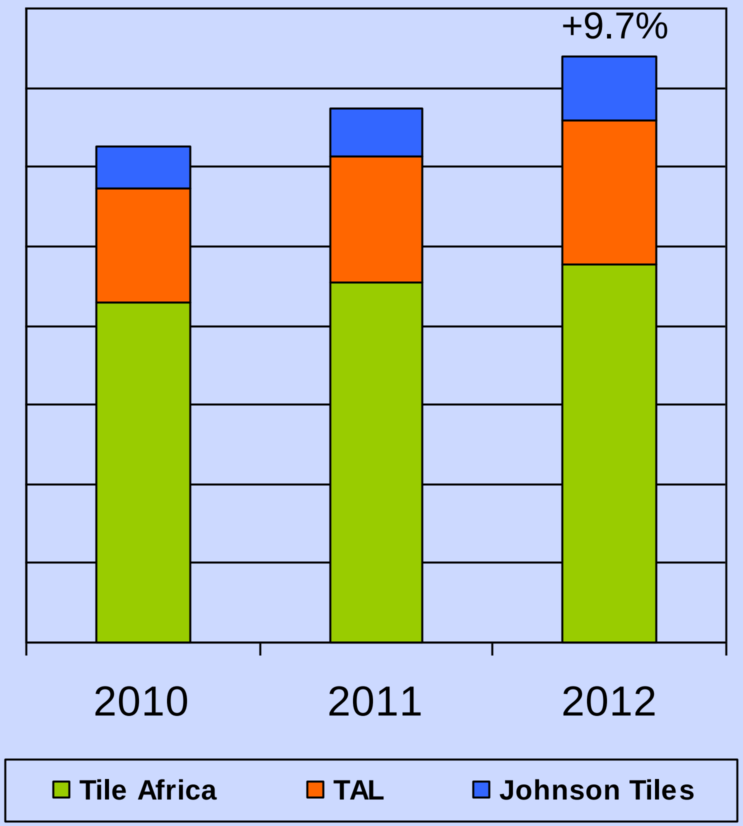
JOHNSON · TILES

- Independent sector revenues +34.7%[1]
- Continued success of sector focused sales resource
- Increased investment in new product development
- Trading loss higher than last year
  - Manufacturing change programme implemented in H1
  - Plant disruption to install new buffer equipment and commissioning issues in Q2
  - Significant strengthening of manufacturing management team in Q3
- Significant improvements in manufacturing performance in Q4
  - Traction sustained into current financial year
  - Plant upgrades to drive further improvement

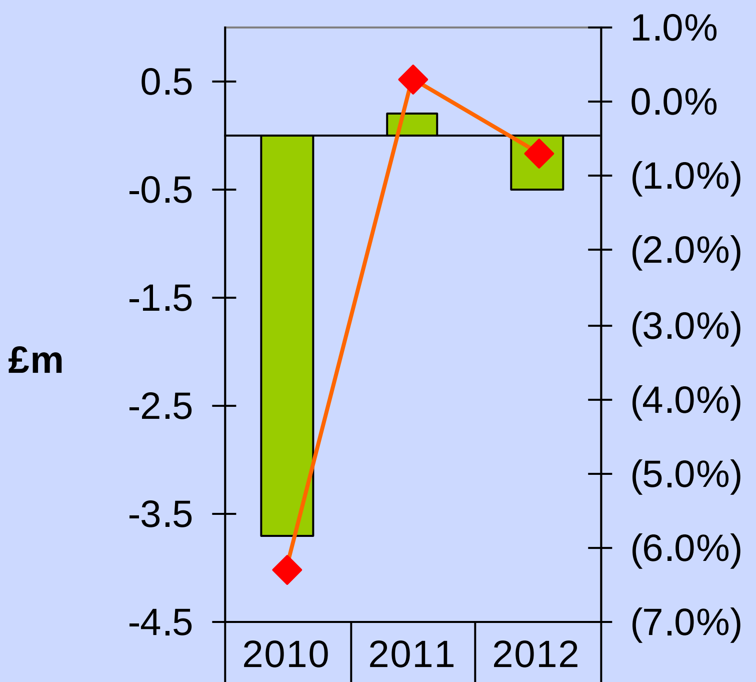
[1] At constant currency and adjusted for the current period of 52 weeks compared to 53 weeks last year

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

Revenue[1]



Underlying operating profit



	2010	2011	2012
Profit	(3.7)	0.2	(0.5)
ROS%	(6.3%)	0.3%	(0.7%)

[1] At constant currency and adjusted for the current period of 52 weeks compared to 53 weeks last year

Strategy

- Deliver organic growth
  - Drive further operational improvements in SA tile manufacturing
  - Continued investment in innovative new product, brand development and service offer
  - Increase share of UK and SA market and continue to develop export markets
  - Expand SA product offer into sub-Saharan Africa
  - Leverage UK DIY relationships in UK adhesives
- Bolt on acquisitions in existing and associated product markets

Summary & Outlook

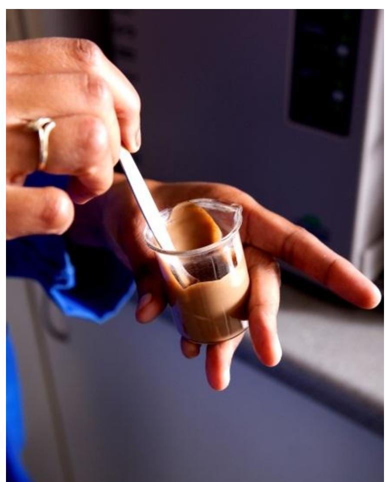
- Strong trading performance; revenue and profits ahead and margins maintained ; operating cash flow strong

- Strong financial position and new bank facility secured to October 2015

- Final dividend increased 16.7% to 0.28p / share

- Group revenue for first 2 months of the new year in line with expectations
  - Johnson Tiles UK and SA started well; Triton weaker

- Group well placed to capitalise on any recovery in our markets



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Analysis of Exceptional Items

Exceptional operating Items	2012 £m	2011 £m
Profit on disposal of investment (Beaumont Tiles)	-	2.7
IAS 19 past service credit (UK Pension Scheme)	-	0.4
Increase in legacy leasehold provision – Springwood Drive	-	(2.0)
Increase in legacy leasehold provision – Other	-	(2.2)
Impairment of investment and associated costs in Greek Associate	0.5	-
Business unit restructuring	(0.5)	-
Exceptional operating items	**-**	**(1.1)**

Exceptional finance costs	2012 £m	2011 £m
Write off of unamortised fees from previous bank re-financing	(1.2)	-
Exceptional finance costs	**(1.2)**	**-**

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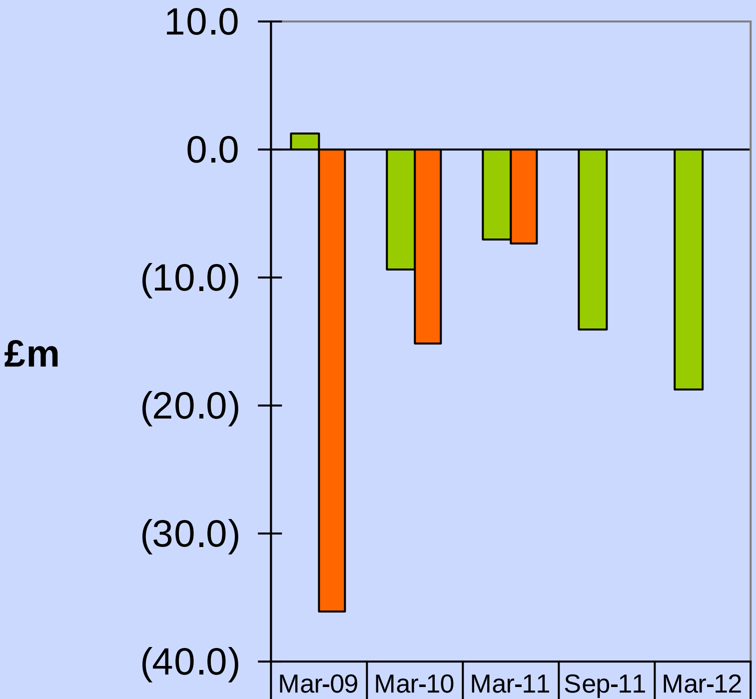
UK Pension Scheme

- Assets under management - £368m
- Mature Scheme; 10,229 members
  - Pensioners (62%), Deferred (34%), Actives (4%)
  - Average age of pensioners is 76
- Investment Strategy
  - Conservative asset allocation; 40% absolute return funds, 20% equities, 13% gilts, 27% corporate bonds
- March 12 IAS19 deficit of £18.7m based on:-
  - 4.95% discount rate
  - 3.2% RPI / 2.2% CPI
  - Abnormally low gilt yields driving deficit up
- March 12 triennial valuation ongoing
- 2009 Recovery Plan
  - £9.7m injection agreed; spread over 12 years
    - FY11 and FY12 : £1m p.a.
    - FY16 – FY22 : £1.1m p.a.

UK Pension surplus / (deficit)



	Mar-09	Mar-10	Mar-11	Sep-11	Mar-12
IAS19	1.3	(9.3)	(7.0)	(14.0)	(18.7)
Actuarial valuation	(36.1)	(15.1)	(7.4)	n/a	n/a

Legacy Leasehold Obligations

- Swindon – Light Industrial Units
  - Lease expiry 2014
  - Occupied to lease expiry
  - Current cash shortfall against rental income c. £0.5m p.a.

- Swindon – Warehousing / Distribution Unit
  - Lease expiry 2022
  - Vacant
  - Cash shortfall c. £0.9m p.a.

- Sheffield - Warehousing / Distribution Units
  - Lease expiry 2082
  - Vacant
  - Current cash shortfall c. £0.4m p.a.

Net Debt Reconciliation

	2012 £m	2011 £m
Net debt – statutory basis	(17.8)	(10.6)
Prepaid finance costs	(0.7)	(1.8)
Net debt before prepaid finance costs	(18.5)	(12.4)

	2012 £m	2011 £m
Net debt before prepaid finance costs - opening	(12.4)	(18.9)
Net cash flow	(5.7)	6.6
Foreign exchange	(0.4)	(0.1)
Net debt before prepaid finance costs	(18.5)	(12.4)

Re-financing – September 2011

- New £51m revolving credit facility secured 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 on like for like basis

- Net debt and covenant compliance
  - Net debt / Ebitda of 1.0x (covenant < 3x)
  - Interest cover of 13.4x (covenant > 4x)
  - No other financial covenants