



2012 HALF-YEARLY RESULTS REVIEW AND OUTLOOK



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	Half year ended 30 June 2012	Half year ended 30 June 2011
Revenue*	£167.5 m	£177.2m
EBITDA*	£18.1 m	£22.9m
Operating profit*	£9.5 m	£13.7m
Profit before tax*	£7.6 m	£12.2m
Basic EPS*	3.63p	5.47p
Basic EPS (total operations)	(3.82)p	2.96p
Net debt	£ 83.8m	£70.4m

*Continuing operations before operational restructuring costs and asset impairments of £18.5m (2011: Nil)



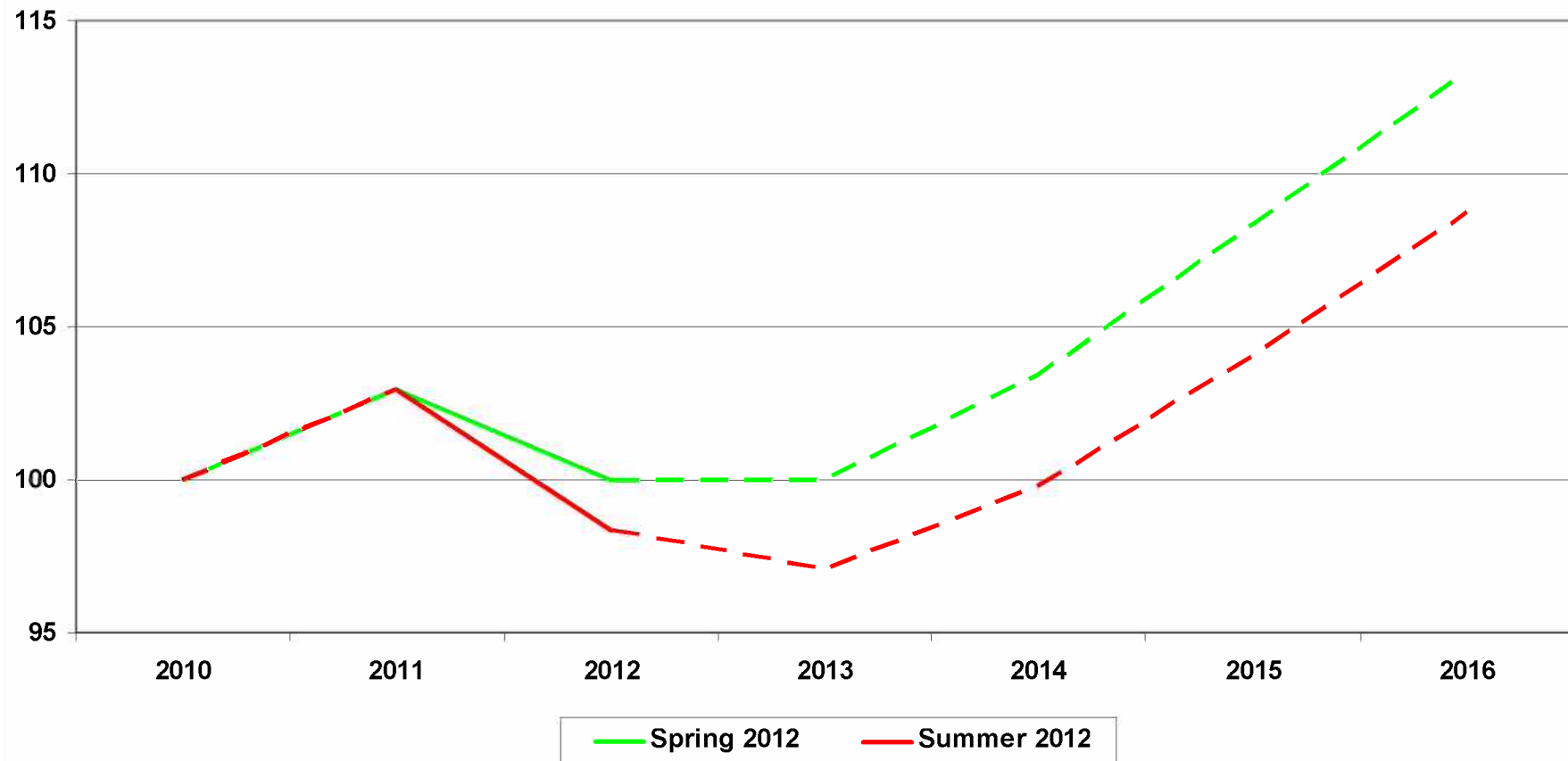
- Deterioration in economic outlook
- Exceptionally wet weather for prolonged period
- Improvement in underlying trading margins
- Decisive action to reduce output, release cash and reduce cost base



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Market Forecasts

Construction Products Association Forecast for Construction Output
Index 2010 = 100





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Revenue

Revenue £167.5m

Revenue Movement

H1 2011

Exceptional weather in UK

UK

International

H1 2012

Revenue

£m

177.2

(10.0)

167.2

(1.2)

1.5

167.5

£m

162.6

177.2

167.5

2010

2011

2012

-5%

-1%

+1%

-5%



Public Sector and Commercial Revenue

- 62% of Group
- Revenue lower by 2%
- Price up 4%, weather impact down 3% and volume down 3%

Domestic UK Revenue

- 34% of Group
- Revenue lower by 14%
- Price up 4%, weather impact down 11%, UK volume down 7%

International Revenue

- Approaching 5% of Group
- Growth rate 24%



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Operating Profit

	2012 £m	2011 £m
Before operational restructuring costs and asset impairments		
EBITDA	18.1	22.9
Depreciation/Amortisation	(8.6)	(9.2)
Operating profit	9.5	13.7

Net gain on property disposals included in operating profits:

- H1 2011 : £2.0m
- H1 2012 : £0.6m



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Margin Reconciliation

	Movement in Revenue	Operating Profit	Impact on Margin
	£m	£m	%
H1 2011	177.2	13.7	7.7
Property disposals	-	(1.4)	(0.7)
Weather impact	(10.0)	(2.5)	(1.1)
	<u>167.2</u>	<u>9.8</u>	<u>5.9</u>
Price increases to recover costs	7.1	1.7	0.7
Volume	(8.3)	(2.0)	(0.9)
Organic International expansion	1.5	-	(0.1)
	<u>167.5</u>	<u>9.5</u>	<u>5.6</u>
H1 2012*	<u>167.5</u>	<u>9.5</u>	<u>5.6</u>

* Excluding operational restructuring costs and asset impairments



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Restructuring Costs and Asset Impairments

	Cash £m	Non-Cash £m	Total £m		
H1 Restructuring costs	6.6	-	6.6		
H1 Asset impairments					
• Intangible	-	2.7	2.7	Business Area:	£m
• Tangible	-	9.2	9.2	Landscape Products	8.5
				Natural Stone Walling	7.7
H1 2012	6.6	11.9	18.5	Scottish Operations	4.8
H2 Restructuring costs	2.5	-	2.5		
	9.1	11.9	21.0		

Profit improvement:

Annualised savings of £7m pa (£1m in 2012)



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Cash Actions

	H2 2012 £m	Year 2013 £m
Cash actions		
Profit improvement	1.0	6.0
Inventory reduction	2.0	8.0
Property and asset sales	9.0	1.0
Reduced capital expenditure	2.0	2.0
Pension recovery payments	3.0	1.0
	17.0	18.0
Cash cost of actions	(7.0)	(2.0)
Net cash benefit	10.0	16.0



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Cash Flow from Operating Activities

Cash inflow arising from:	2012	2011
	£m	£m
Operating profit	9.5	13.7
Depreciation and amortisation	8.6	9.2
EBITDA (continuing operations)	18.1	22.9
Discontinued operations	-	(0.6)
EBITDA (total operations)	18.1	22.3
Net financial expenses paid	(2.2)	(1.6)
Taxation paid	(1.1)	(0.7)
Pensions paid	(3.3)	(3.3)
Net gain on sale of property, plant and equipment	(0.6)	(2.1)
Receivables / payables*	(13.1)	(13.1)
Inventory*	(1.3)	(0.8)
Works closure costs paid and other items	(1.2)	0.3
Net cash flow from operating activities	(4.7)	1.0

* Excluding working capital relating to International expansion in 2011



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Cash Flow

	2012	2011
	£m	£m
Net cash flow from operating activities	(4.7)	1.0
Capital expenditure	(4.5)	(5.7)
Proceeds from sale of surplus assets	2.2	5.3
Investments and International expansion*	-	(4.5)
Disposals	0.1	0.5
	<u> </u>	<u> </u>
Sub-total	(6.9)	(3.4)
Finance leases / exchange differences	0.2	(0.2)
	<u> </u>	<u> </u>
Movement in net debt	(6.7)	(3.6)
Net debt at 1 January	(77.1)	(66.8)
	<u> </u>	<u> </u>
Net debt at 30 June	(83.8)	(70.4)
	<u> </u>	<u> </u>
Gearing (%)	46.7%	35.4%
	<u> </u>	<u> </u>

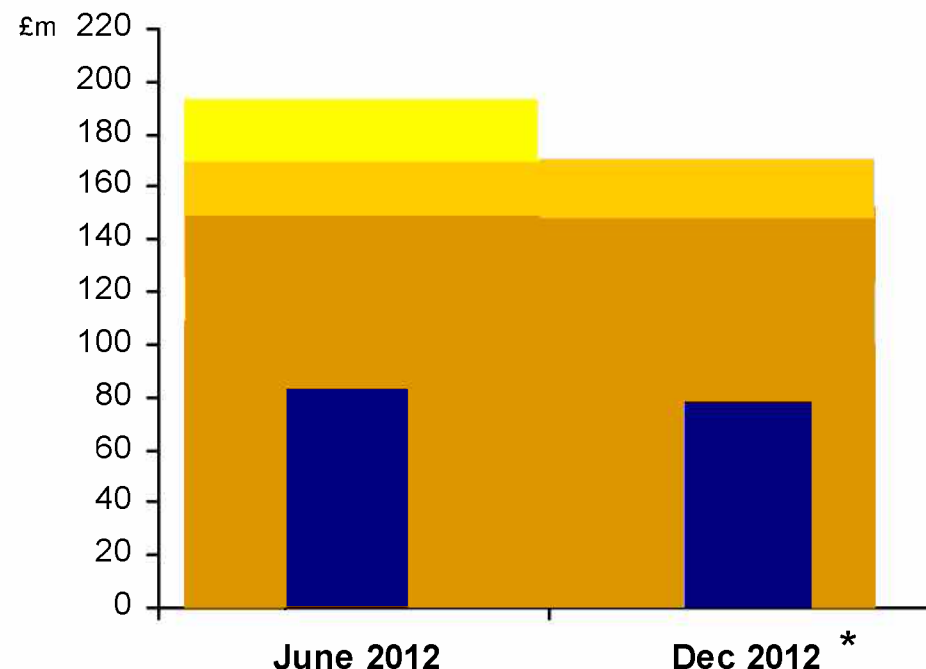
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Significant Borrowing Facilities

Expiry Date	Facility	Cumulative Facility
	£m	£m
Committed facilities:		
Q3 2016	50	50
Q3 2015	75	125
Q3 2014	20	145
On demand facilities:		
Available all year	25	170
Seasonal (February to August inclusive)	20	190



- On demand: Seasonal (Feb to Aug)
- On demand: Overdrafts (all year)
- Committed
- Net debt

* Note: 2012 based on consensus information



Risk Management

- 2000 closed to new members
- 2006 closed to future service accrual
- 2007 investment strategy

Investment Strategy

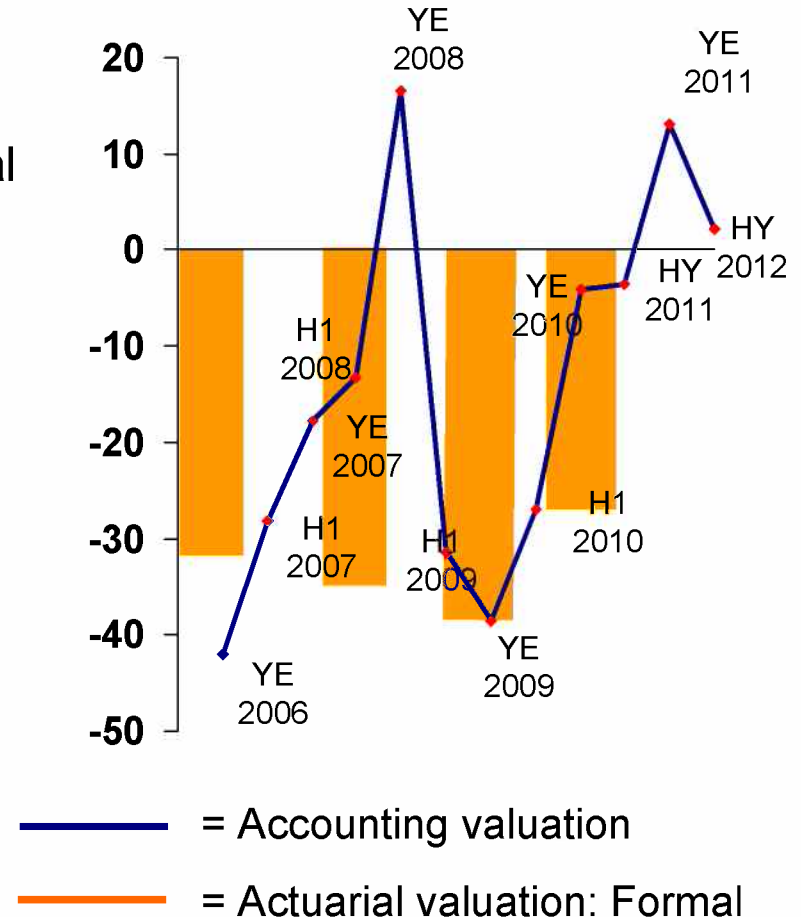
- Moved from equities to LDIs
- Closer matching to liability profile of pension scheme

Balance Sheet Values

- HYE 2012 surplus £2.1m
 - Net of deferred tax £1.6m
- YE 2011 surplus £13.0m
 - Net of deferred tax £9.7m

Movements

- AA Corporate Bond Rate
- Inflation expectations
- Asset values



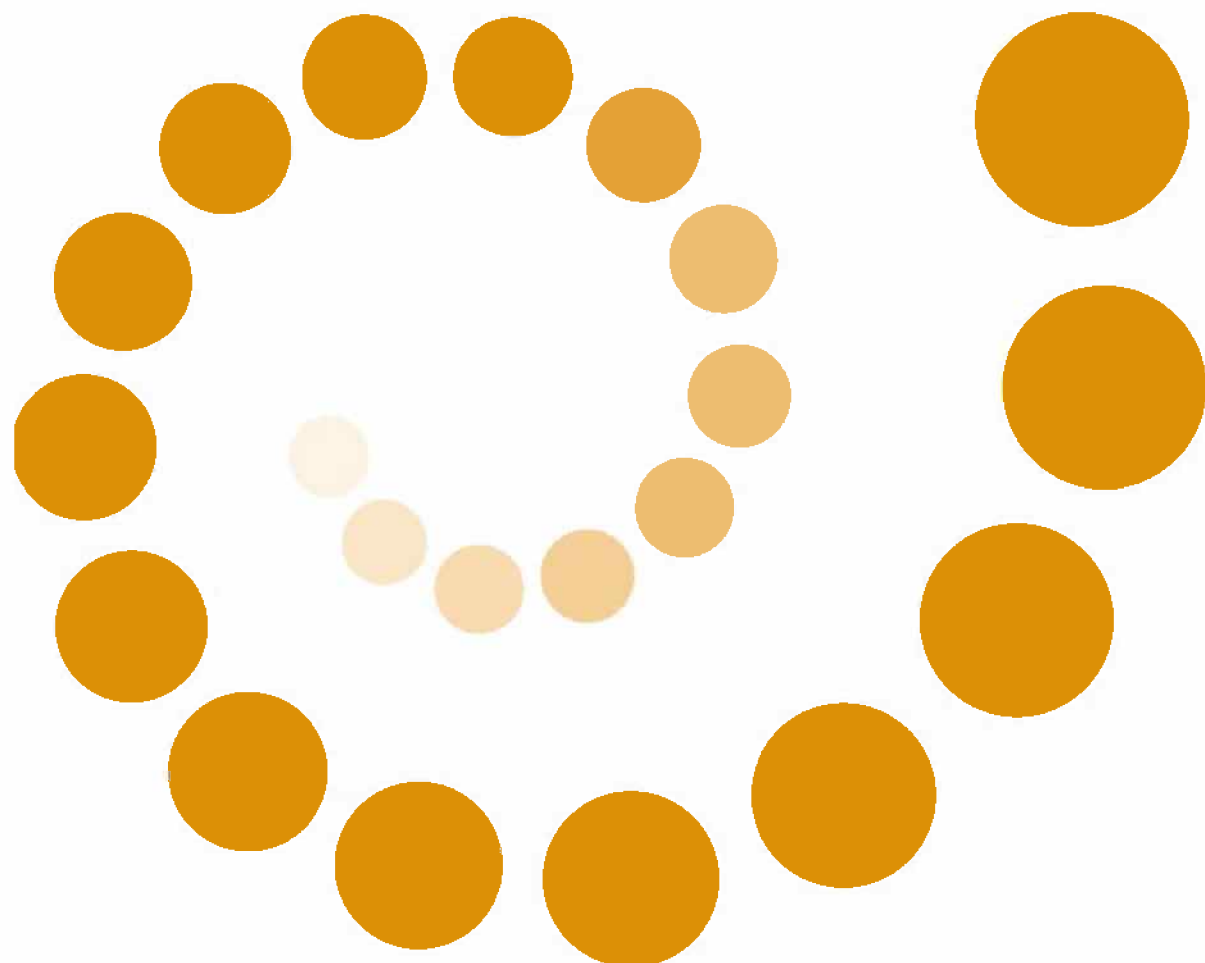


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Additional Information and Ratios

	2012	2011
Interest charge:		
Charge	£1.8 m	£1.4 m
Cover*	5.2 times	9.5 times
Tax rate*	7.4%	12.4%
EPS:		
Adjusted*	3.63p	5.47p
Total operations	(3.82)p	2.96p
Weighted average number of shares	195.4m	195.4m
Net asset value	£179.5m	£199.0m

*Continuing operations before operational restructuring costs and asset impairments



Creating Our Own Certainty



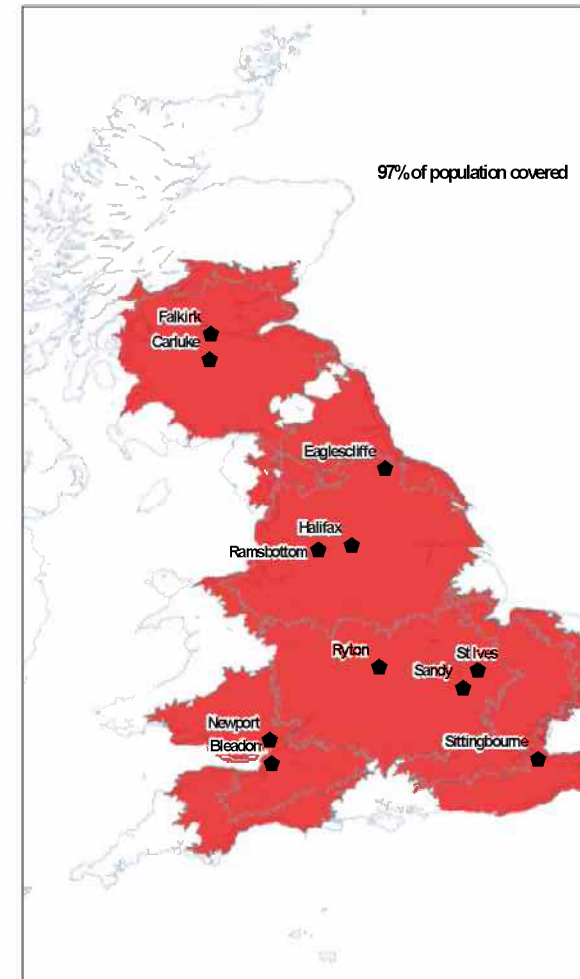
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Operating Flexibility

Managing Capacity

- Excellent geographic coverage
- Modern, efficient well invested factories
- Over 97% of our customers within a 2 hour drive time
- Capacity reduced to release inventory of £10m by the end of 2013
- Fixed cost reductions of £5m pa and efficiency savings of £2m pa
- Output can be increased by at least 25% without significant capital expenditure

Geographic Coverage Maintained



 = 2 hours driving time



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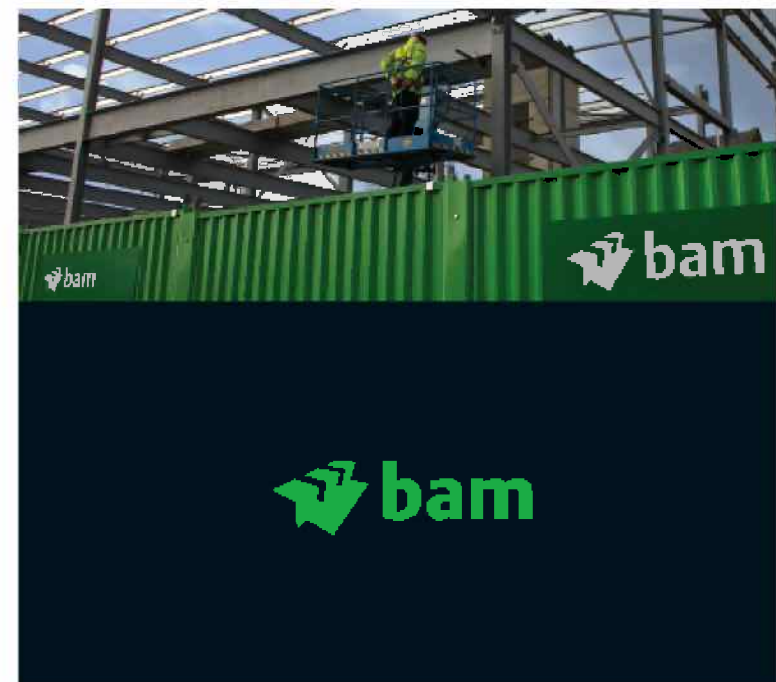
Sustainable Growth Initiatives

- Public Sector and Commercial - targeted marketing and partnerships, investment in street furniture, security products, water management and sustainable urban drainage (“SUDS”), internal paving
- Domestic - installer initiatives and distributor merchandising, next generation of driveway paving, internal paving
- International - specialist landscape products into selected markets



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Public Sector and Commercial Targeted Marketing and Partnering





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Olympics - Early Engagement and the Legacy Opportunity





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Olympics - Early Engagement and the Legacy Opportunity

Athletes' Village

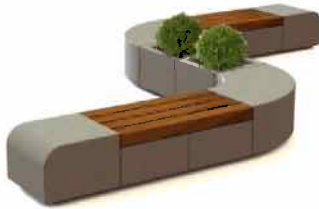




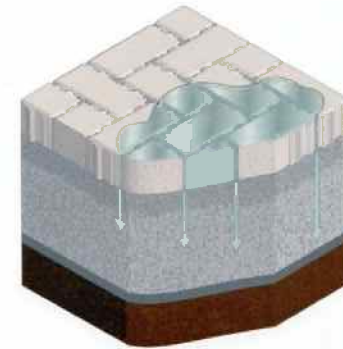
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Product Innovation

- Integrated Street Furniture



- Water Management and SUDS



- Commercial Internal Natural Stone



- Domestic Internal Natural Stone

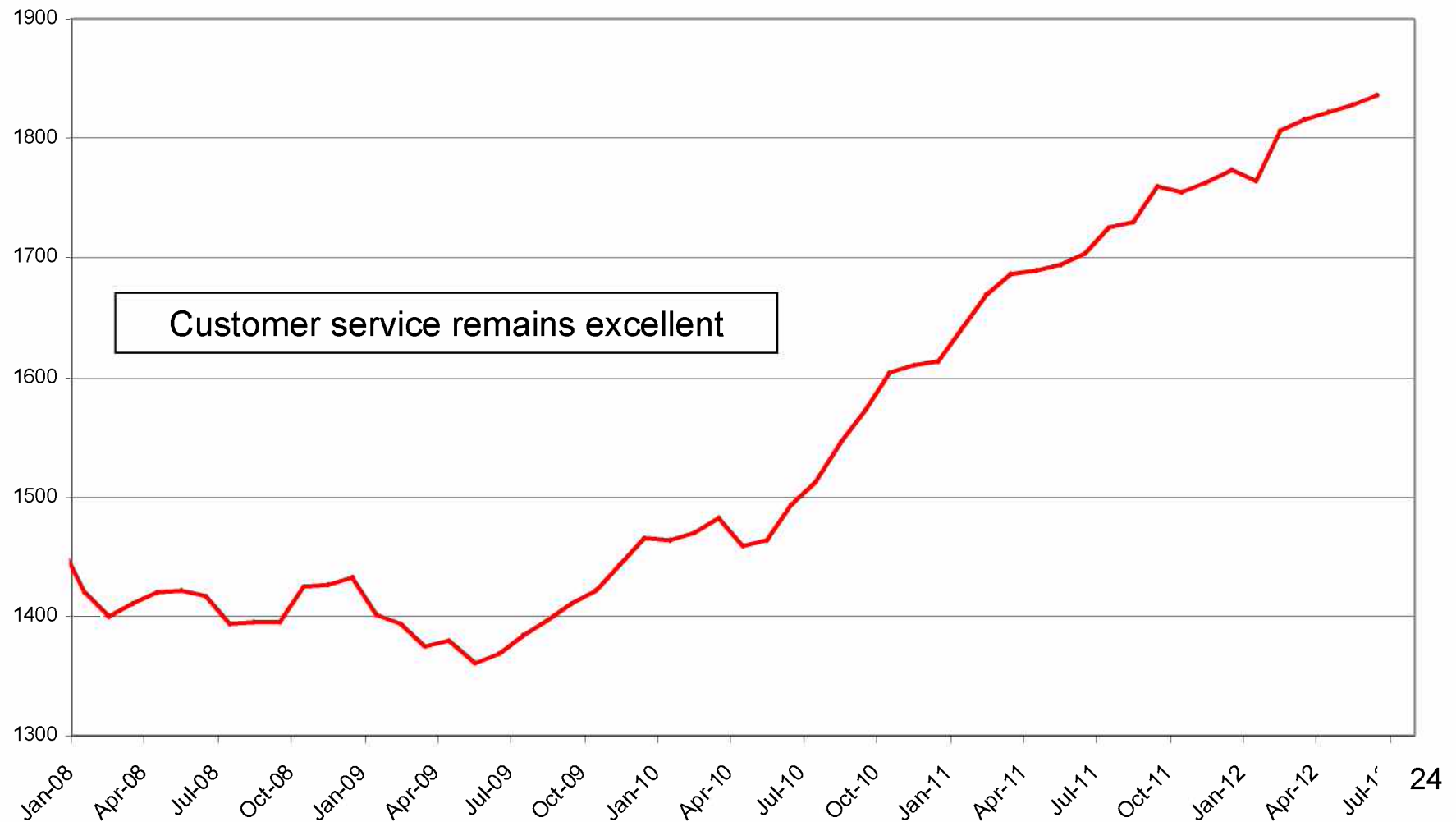




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Domestic Market Installers

Marshalls Register - Growth in number of Installer Teams





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Product Innovation Cobbletech Driveway System

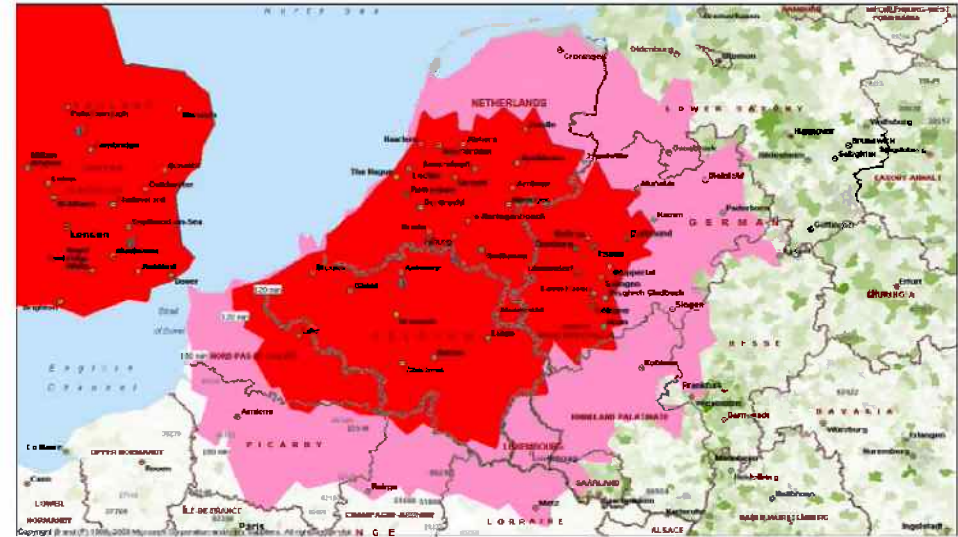




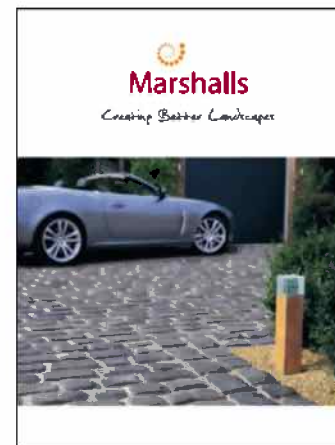
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International Opportunity

- Two operating sites, 40 million people within a 2 hour drive time
- Natural sandstone, granite and limestone from India and China
- Specialist manufactured products and street furniture from the UK
- Key synergies – marketing and sales collateral, sales processes and systems, broader range of products, manufacturing and technical expertise
- Organic development. Sales increase in local currency of 50%, approaching 5% of Group in 2012, target 10% by 2015.



Drive Zones = 2 hours = 3 hours

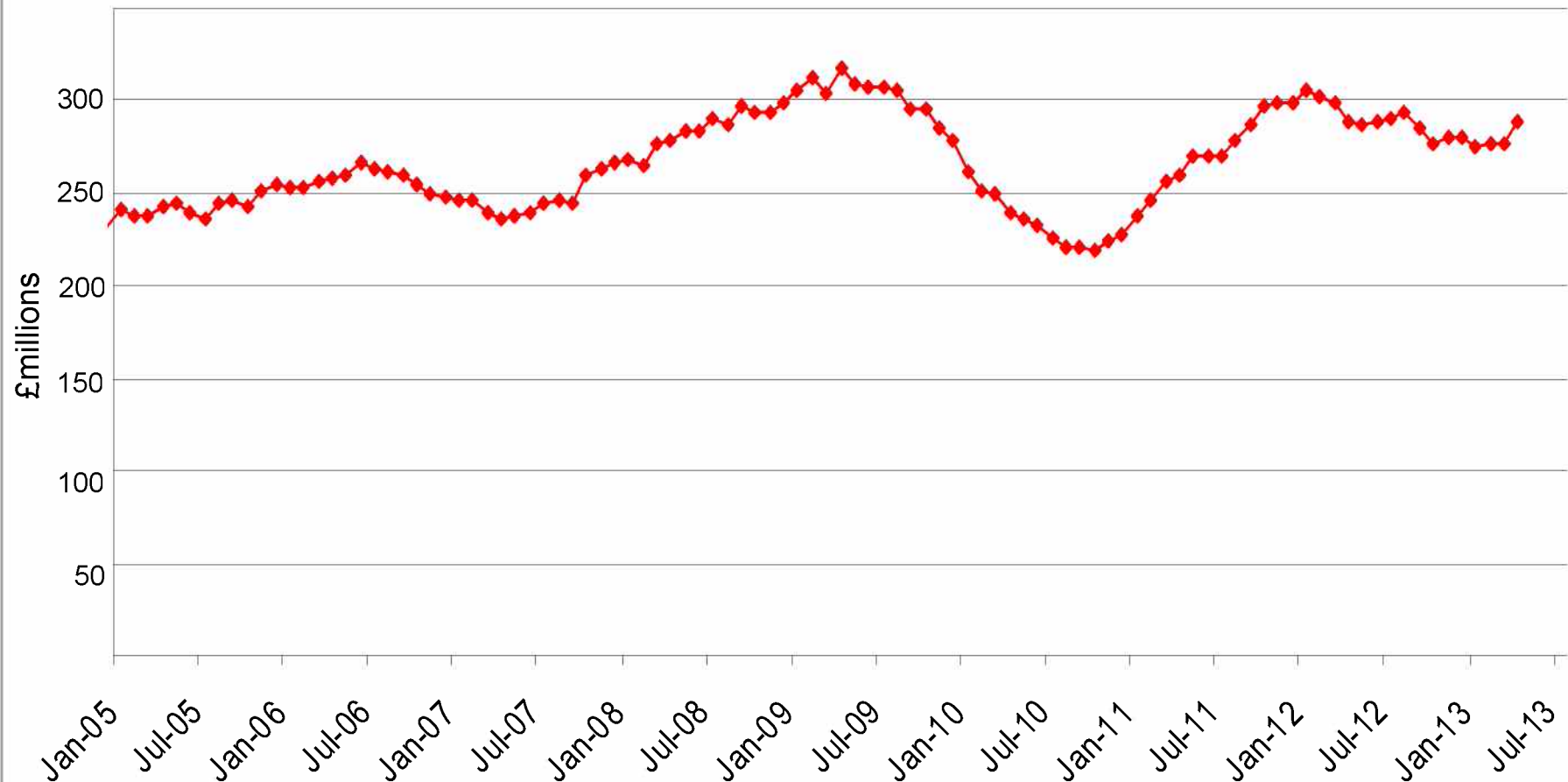




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Public Sector and Commercial New Work Sales Lead Indicator

Contract Awarded 12 Month Rolling Average of Hard Landscape Value Adjusted
(ABI with 12 Month Lag)

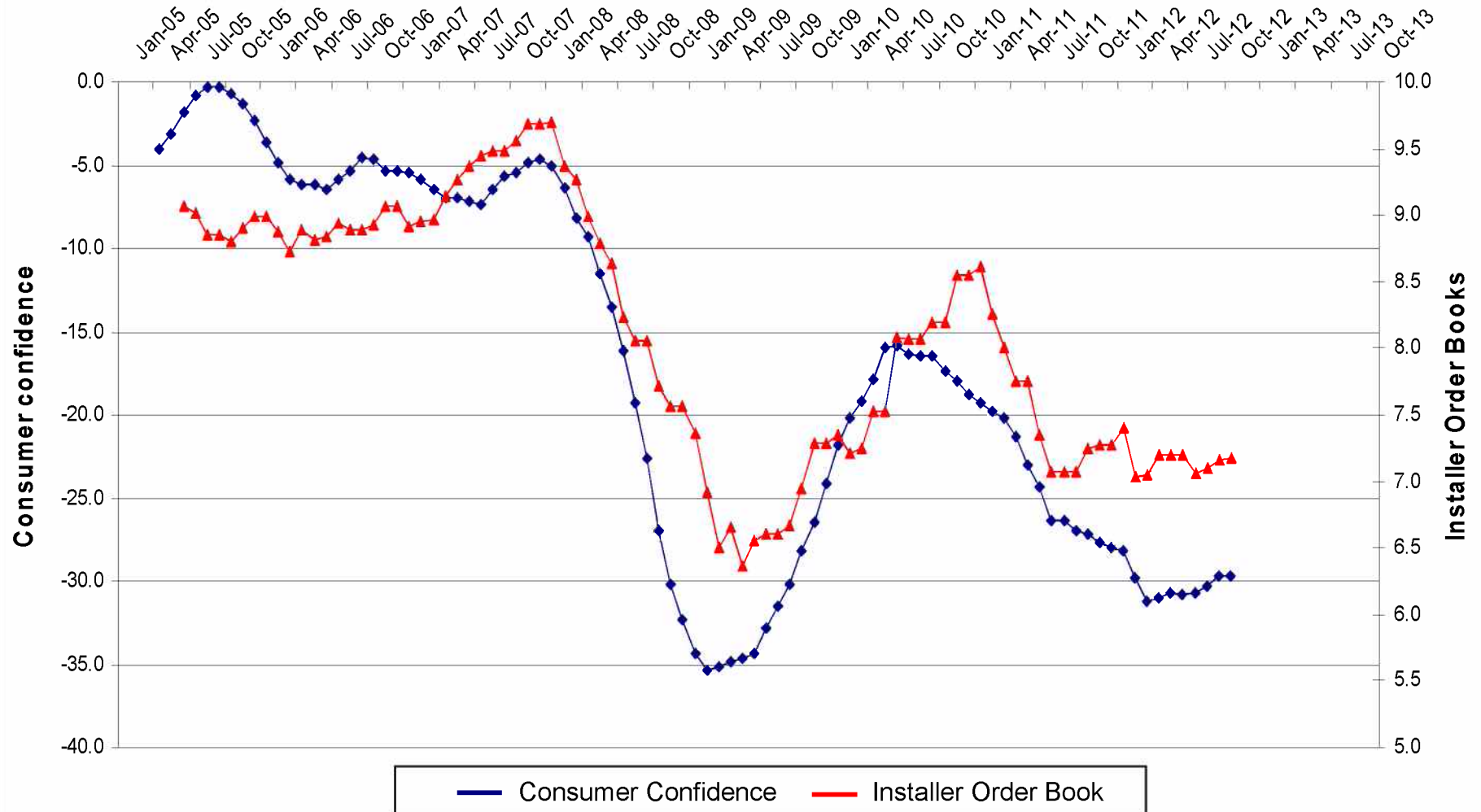




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Domestic Market Consumer Confidence and Installer Order Books

Rolling 6 Months Consumer Confidence v Installer Order Book (3 Month Lag)





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Market Outlook

	Revenue Proportions 2011	2012	First Half 2013
Commercial	35%	↗	↗
Public	23%	↓	↓
Do it for me	28%	↓	↘
DIY	5%	↓	→
New build	6%	↑	↑
International	3%	↑	↑
	100%	↘	↘



- Continuing uncertainty about the market environment
- Decisive action to reduce output, release cash and reduce fixed costs
- Excellent brand, market position and geographical coverage
- Growth initiatives and product innovation are delivering
- Operating flexibility – significant capacity available, experienced, skilled and committed workforce
- Financial flexibility – medium term facilities, range of actions will reduce net debt
- Creating our own certainty in an uncertain World



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Appendices



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Construction Products Association

	2009	2010	2011	2012	2013	2014	2015	2016
£m/% change	Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast
Housing								
	13,721	17,181	18,453	17,757	17,809	18,554	19,741	21,600
	-26.3%	25.2%	7.7%	-3.8%	0.3%	4.2%	6.4%	9.4%
Other New Work								
	46,772	52,435	53,123	49,785	48,434	49,721	51,846	53,576
	-11.9%	12.1%	1.6%	-6.3%	-2.7%	2.7%	4.3%	3.3%
Repair, Maintenance and Improvement								
Private Housing	9,916	10,573	10,661	10,661	10,845	11,151	11,583	12,046
	-12.5%	6.6%	0.9%	-	1.7%	2.8%	3.9%	4.0%
Total								
	36,084	34,847	35,704	34,957	34,919	35,717	36,844	38,106
	-9.4%	-3.4%	2.4%	-2.1%	-0.1%	2.3%	3.2%	3.4%
Total All Work								
	96,576	104,462	107,281	102,498	101,162	103,992	108,431	113,282
	-13.4%	8.2%	2.9%	-4.5%	-1.3%	2.8%	4.3%	4.5%



H1 2012
Actual

EBITA: Interest charge

3.8 times

Net Debt: EBITDA

2.7 times

- EBITA to interest charge must be greater than 2.5 x
- Net debt to EBITDA must be less than 3.0 x
- Net assets must be greater than £100 million



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Net Assets

	£m	£m
2011 Year End Net Assets		206.1
Impact of movements in year:		
Trading profit	7.1	
Operational restructuring costs and asset impairments (net of tax)	(14.6)	
Ordinary dividends	(6.9)	
Actuarial movement on pensions (after tax)	(10.7)	
Hedging reserve	(1.5)	
Share based expenses	0.1	
Foreign currency translation differences	0.1	
Non-controlling interest	(0.2)	
	<u> </u>	(26.6)
2012 Half Year Net Assets		<u>179.5</u>



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