



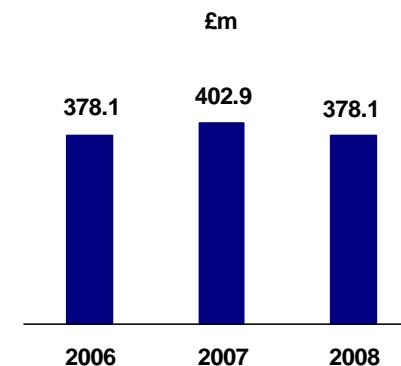
**Marshalls**

Transforming Britain's Landscapes

# Revenue

Revenue

(6.2)%



## Revenue Movement

	Revenue £m	Growth %
2007	402.9	
Acquisitions	1.4	0.3
Like for like	<u>(26.2)</u>	<u>(6.5)</u>
<b>2008</b>	<b><u>378.1</u></b>	<b><u>(6.2)</u></b>

## **Public Sector and Commercial Revenue**

- 59% of Group
- Like for like revenue up 1%
- Price and mix up 5%, volume down 4%

## **Domestic Revenue**

- 41% of Group
- Like for like revenue down 15%
- Price and mix up 5%, volume down 20%

## Operating Profit

	2008	2007
	£m	£m
<b>Operating profit: Underlying</b>	<b>33.9</b>	<b>51.1</b>
<b>Strategic business initiatives</b>		
● Strategic initiatives expensed		
● Domestic expansion	(4.1)	(3.6)
● Commercial expansion	(1.4)	(0.7)
	<u>(5.5)</u>	<u>(4.3)</u>
● Property / other	2.2	2.0
	<u>(3.3)</u>	<u>(2.3)</u>
<b>Operating profit: before works closure costs and asset impairments</b>	<b>30.6</b>	<b>48.8</b>
● Works closure costs	(17.7)	-
● Asset impairments	(9.3)	-
	<u>3.6</u>	<u>48.8</u>
<b>Operating profit: Reported</b>	<b>3.6</b>	<b>48.8</b>

## Closures and Impairments

	Cash	Non-Cash	Total
	£m	£m	£m
Closures			
● Operational sites and further capacity reductions	8.6	4.0	12.6
● Managed Installations	2.4	2.7	5.1
Goodwill / Intangible asset impairment	-	9.3	9.3
	<u>11.0</u>	<u>16.0</u>	<u>27.0</u>

Closures include:-

- Plant and related asset write-off
- Redundancy
- Site decommissioning / plant relocation / etc

## Underlying Margin Reconciliation

	Movement in Revenue	Operating Profit*	Impact on Margin
	£m	£m	%
2007 *	402.9	51.1	12.7
Acquisitions	1.4	-	-
Cost increases recovered in sales prices	20.0	(2.0)	(1.1)
Volume / other	(46.2)	(15.2)	(2.6)
	<hr/>	<hr/>	<hr/>
<b>2008 *</b>	<b>378.1</b>	<b>33.9</b>	<b>9.0</b>
	<hr/>	<hr/>	<hr/>

\* Operating profit: Underlying (before strategic business initiatives, work closure costs and asset impairments)

## Tax, EPS, Dividends and Ratios

	2008	2007
Tax rate *	27.8%	28.2%
EPS:		
Reported	(4.46)p	21.28p
Adjusted *	11.61p	21.28p
Weighted average number of shares	139.6m	142.2m
Dividend:		
2008 Interim and final announced	6.00p	13.85p
Cover *	1.9 times	1.5 times
IFRS disclosure (dividends paid)	13.85p	13.40p
Net asset value	135p	140p

\* Before works closure costs and asset impairments



## Free Cash Flow

<b>Cash inflow arising from:</b>	2008	2007
	£m	£m
Operating profit *	30.6	48.8
Depreciation and amortisation	<u>22.3</u>	<u>21.7</u>
<b>EBITDA *</b>	<b>52.9</b>	<b>70.5</b>
Net financial expenses paid	(7.8)	(6.7)
Taxation	(4.7)	(9.3)
Pensions (contributions paid / other items)	(6.6)	(5.5)
Inventory	(7.7)	(13.8)
Receivables / payables	5.7	(4.7)
Other items	(3.6)	(2.8)
<b>Free cash flow *</b>	<b><u>28.2</u></b>	<b><u>27.7</u></b>

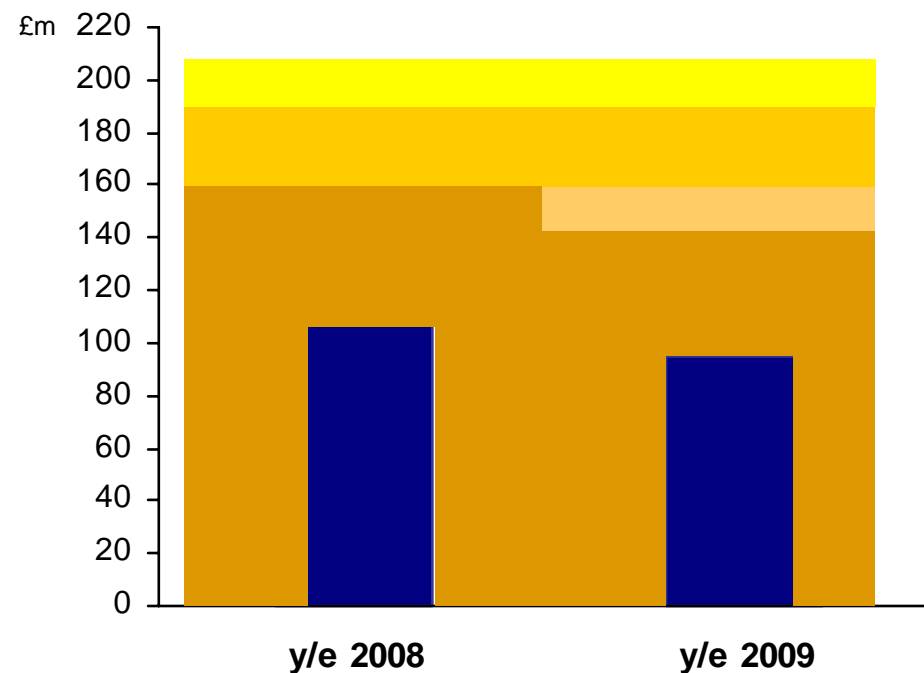
\* Before works closure costs and asset impairments

## Cash Flow

	2008 £m	2007 £m
<b>Free cash flow</b>	28.2	27.7
Investment:		
● Capex: Replacement / improvement	(14.0)	(17.6)
● Capex: Growth capital	(8.0)	(14.1)
● Acquisitions	(6.1)	(12.8)
● Sale proceeds	11.5	2.9
Payment to acquire own shares	(0.6)	(8.4)
Works closure costs	(6.0)	-
Dividends paid	(19.4)	(19.1)
Other items	-	(0.9)
	<u>          </u>	<u>          </u>
<b>Movement in net debt</b>	<b>(14.4)</b>	<b>(42.3)</b>
	<u>          </u>	<u>          </u>
<b>Net debt</b>	<b>(111.3)</b>	<b>(96.9)</b>
	<u>          </u>	<u>          </u>
<b>Gearing (%)</b>	<b>57.6</b>	<b>48.3</b>

## Significant Borrowing Facilities

Expiry Date	Facility	Cumulative Facility £m
	£m	
<b>Committed facilities:</b>		
Q2 2014 (debenture)	20	20
Q4 2012	50	70
Q3 2011	48	118
Q3 2010	20	138
Q3 2009	23	161
<b>On demand facilities:</b>		
Available all year	25	186
Seasonal (February to August inclusive)	20	206



- On demand: Seasonal (Feb to Aug)
- On demand: Overdrafts (all year)
- Committed: To Q3 2009
- Committed: 2010 and beyond
- Net debt

Note: 2009 based on consensus information

## Borrowing Ratios

	2008 Actual	Headroom %	2009 Consensus
EBITA: Interest charge	4.2 times	≥50%	3.5 times
Net Debt: EBITDA	2.0 times	≥50%	2.3 times

## Pensions

### Risk Management

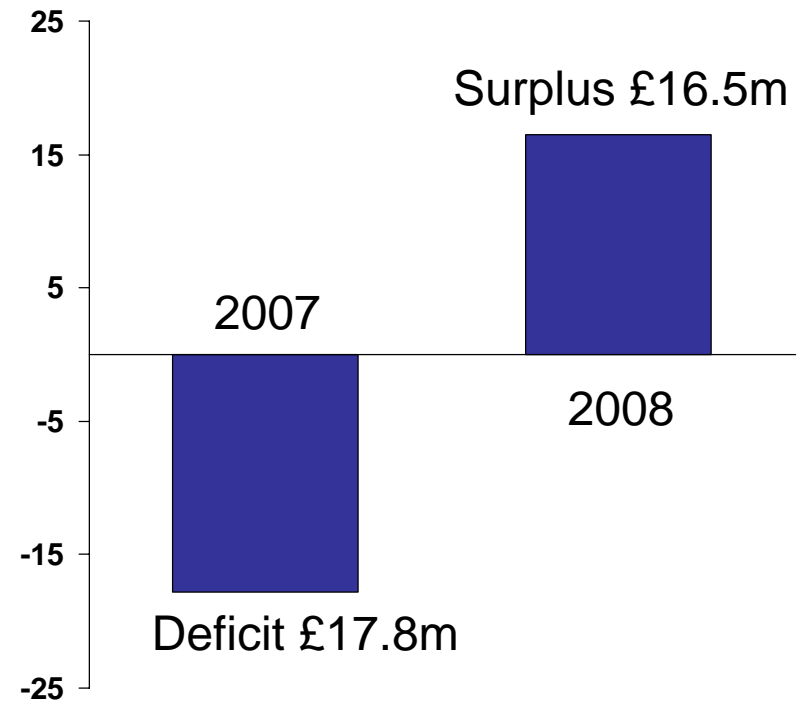
- 2000 closed to new members
- 2006 closed to future service accrual
- 2007 investment strategy

### Investment Strategy

- Moved from equities to LDIs
- Closer matching to liability profile

### Balance Sheet Values

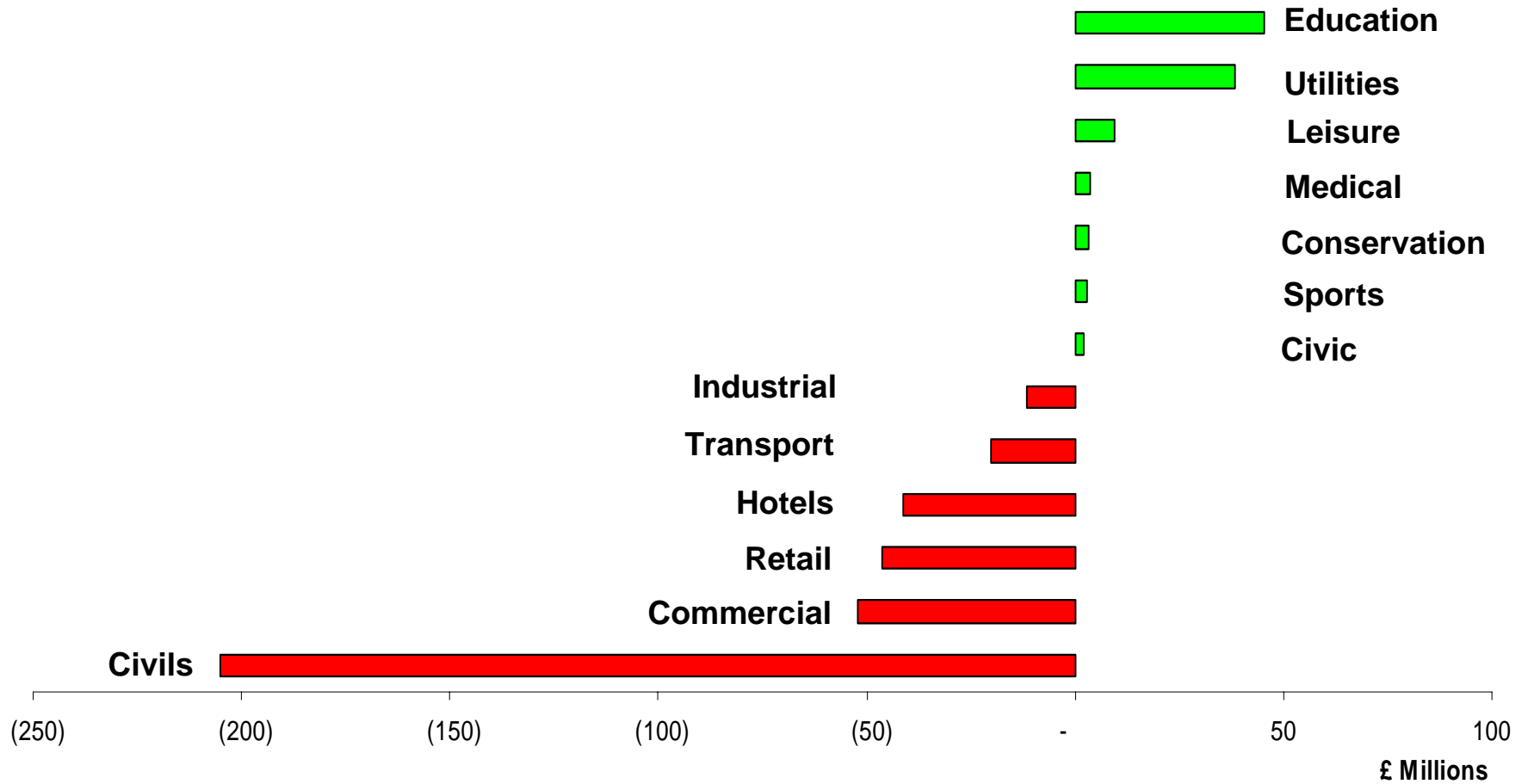
- 2008 surplus £16.5m
- 2007 deficit £17.8m



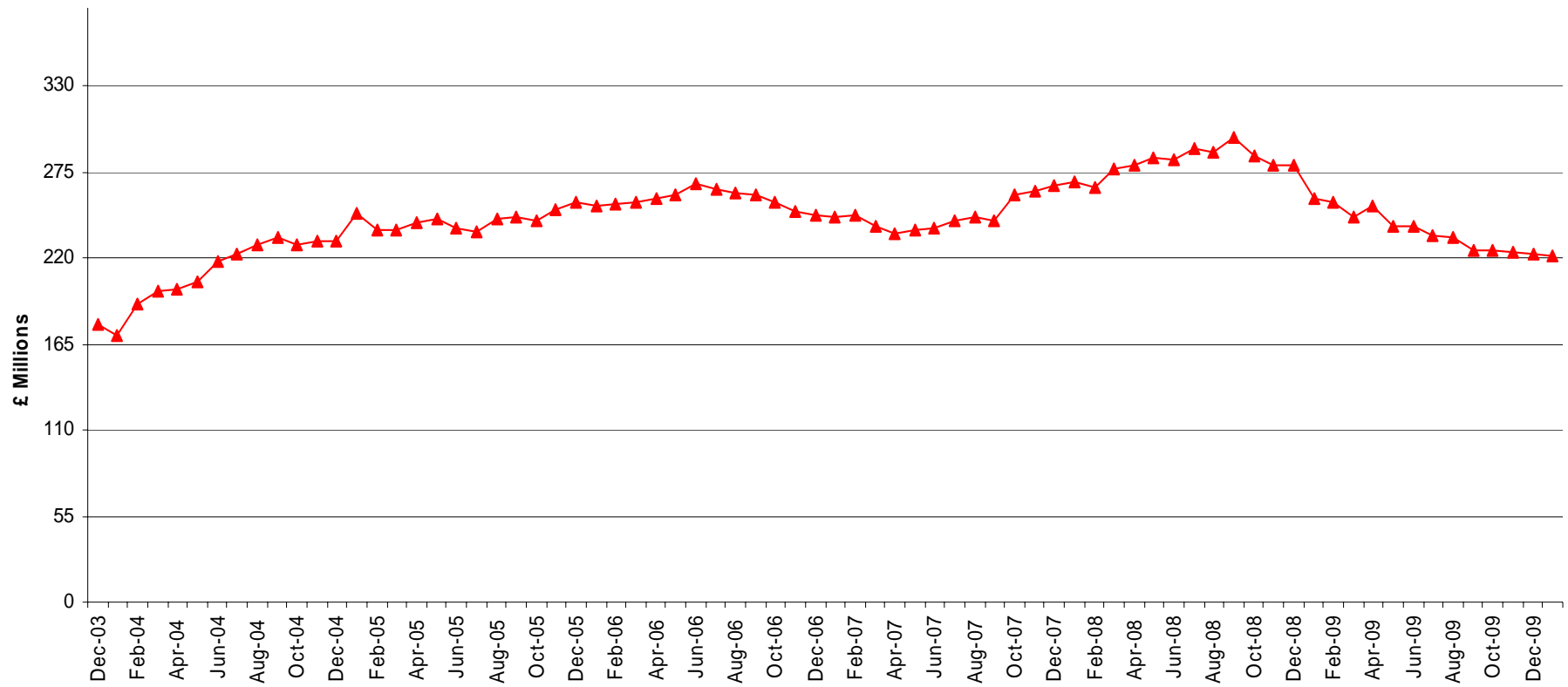
### **Strategy: Further development of the integrated product offer for the Public Sector and Commercial market**

- 59% of Group sales
  - Public resilient
  - Industrial and commercial: delays and cancellations
- Sophisticated analysis to focus sales efforts
- Integrated offer delivering good growth in:
  - Street Furniture
  - Natural Stone Paving
  - Sustainable Urban Drainage
- Olympics gathering momentum

## Public Sector and Commercial ABI 12 Monthly Change in Contract Awarded Values



# ABI Lead Indicator Landscape Projects Value (MAT)





**Strategy:** To create the “pull through” by investing in sales and marketing direct to the consumer to drive more sales through the quality approved installers and distributors of our products

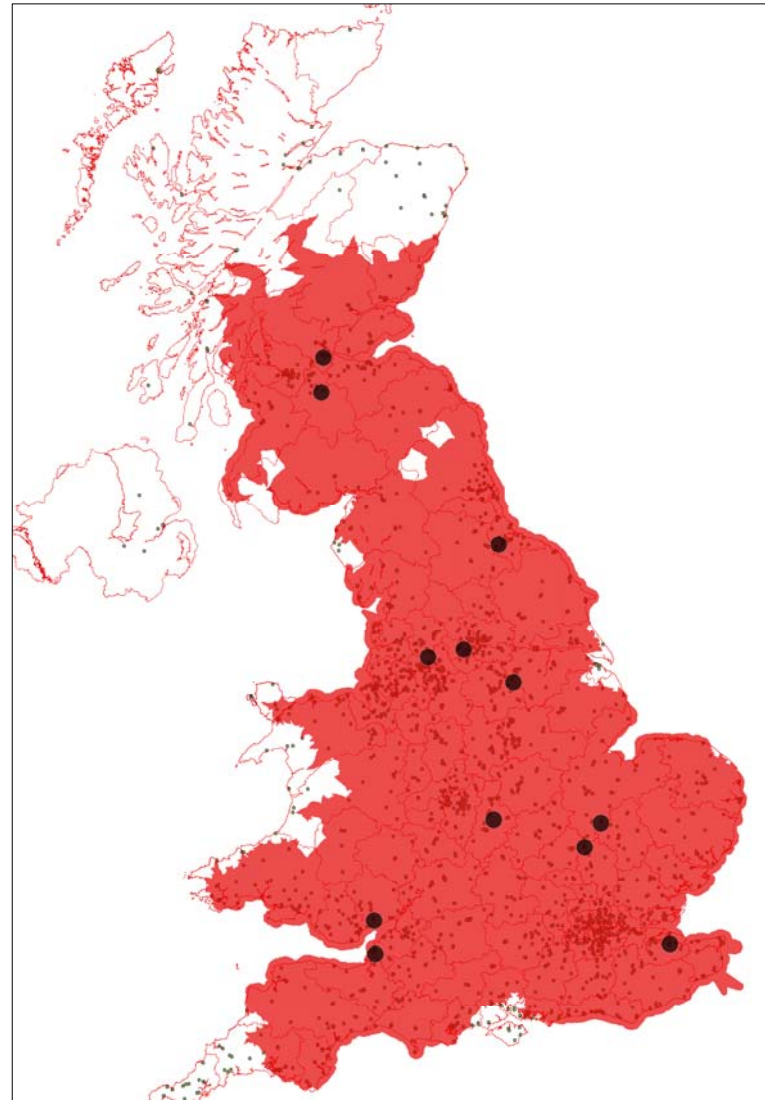
- 41% of Group sales
  - Target customer groups: 8.9 million existing homes
  - “Don’t move, improve”
- Approved installers key – additional support
- Reduced investment in consumer initiatives
- Distributors de-stocking – product availability and on time delivery critical
- Additional focus on credit control

**Strategy: Deliver sustainable shareholder value by continuing to develop, innovate, improve and reduce cost in our unique manufacturing and distribution network**

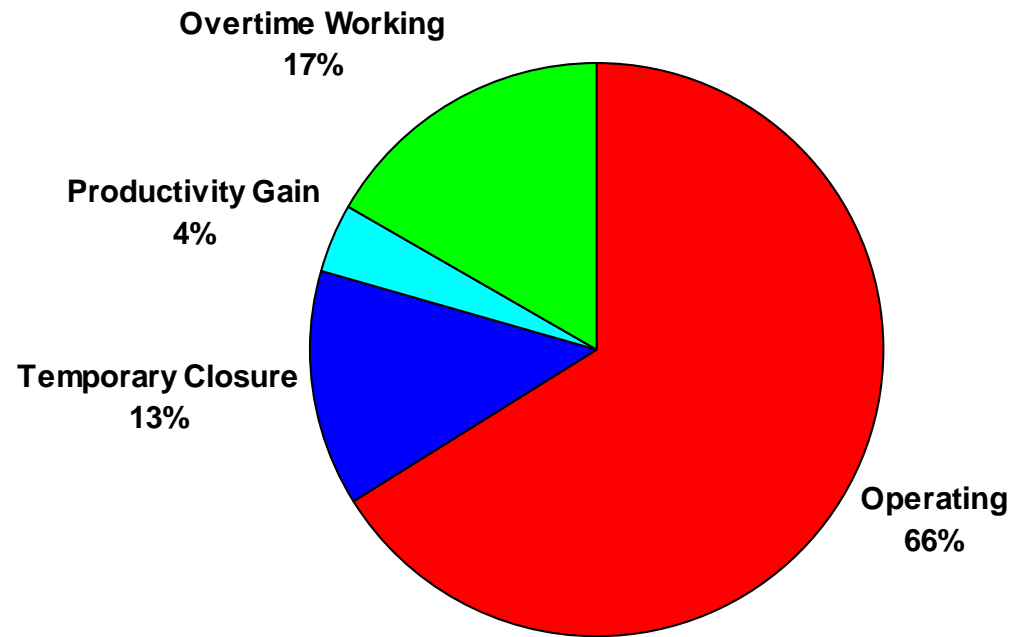
- Geographic spread and automation delivers lowest cost to market
- Four sites closed:
  - Reduced fixed cost base
  - Stock volume will reduce in 2009
- Consolidated Street Furniture and Stone Walling manufacturing and administration
- Ceased commissioning of 5 “ready to use” mortar plants
- Numbers employed down 14%
- Continue with selective innovation

## Retain Effective Geographic Coverage

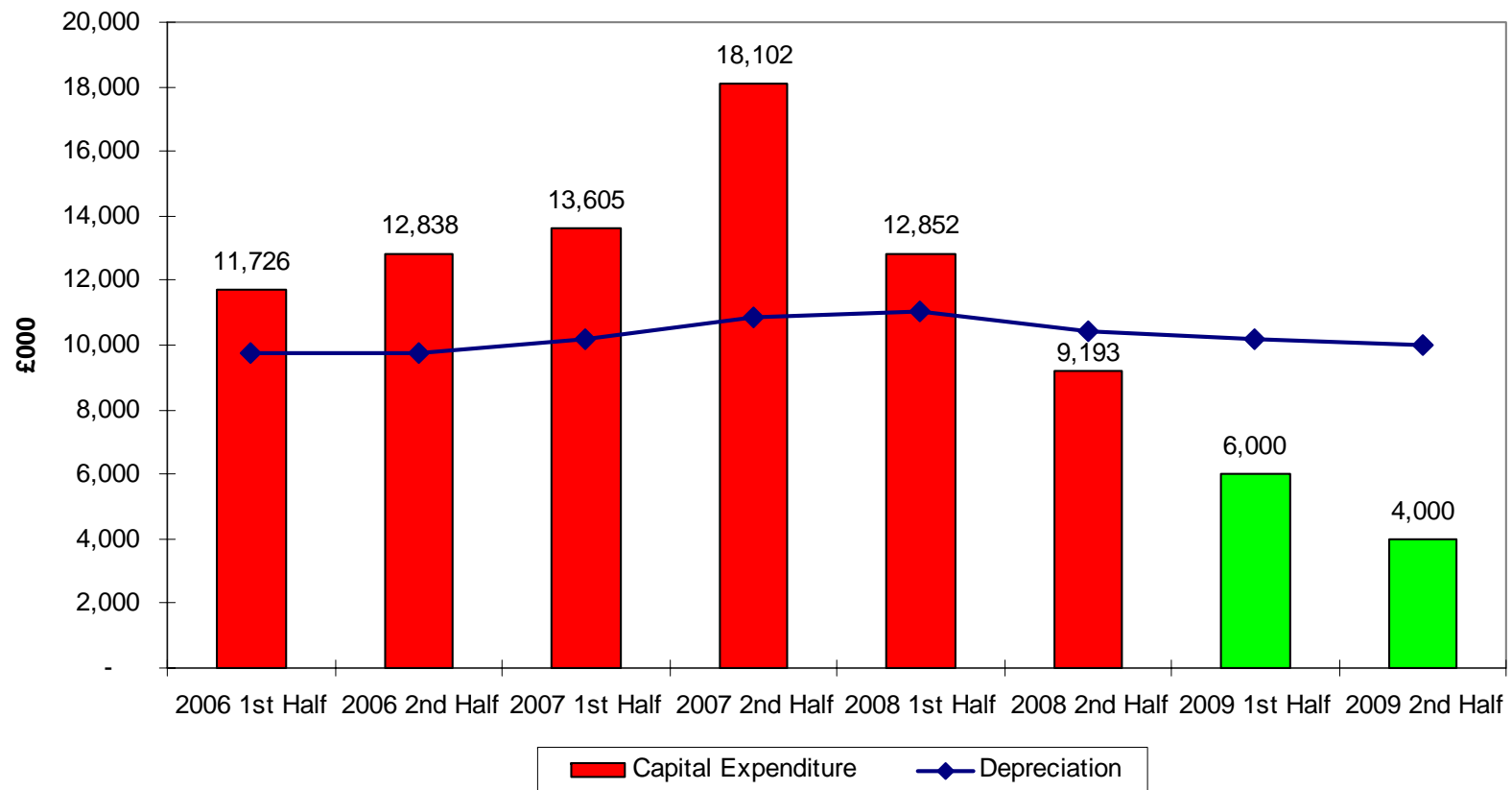
- Majority of customers within 2 hour drive time of Marshalls regional manufacturing and distribution sites



# Medium Term Manufacturing Capability Intact



## Capital Expenditure & Depreciation - History & Target



- 30% reduction in 2008; further 50% in 2009

## Cash Outflows

	2007	2008	2009
	£m	£m	£m
Capital expenditure	31.7	22.0	10.0
Acquisitions	12.8	6.1	0.8
Inventory movement	13.8	7.7	(6.0)
Taxation	9.3	4.7	-
Pensions	4.4	6.6	2.1
Dividends	19.1	19.4	4.8
<b>Total</b>	<b>91.1</b>	<b>66.5</b>	<b>11.7</b>

## Summary: Decisive Action

- Reduce capacity and cost base
- Conserve cash
- Continue innovation
  - Marketing, products, services
  - Production technology and materials technology
- Rebased dividend

## Summary: Marshalls Defining Strengths

- Well known brand
- Strong positions in core markets
- National manufacturing and distribution network
  - Efficient, well invested, latest technology
  - Industry leading customer service and lowest cost to market
- Experienced management team
- Balance sheet robust, borrowings reducing





**Marshalls**

Transforming Britain's Landscapes

# Appendices

	2004	2005	2006	2007	2008	2009	2010
£m/% change	Actual	Actual	Actual	Actual	Estimate	Forecast	Forecast
<b>Housing</b>							
	12,763	13,072	13,699	13,849	11,425	8,519	8,467
	13.9%	2.4%	4.9%	1.3%	-17.5%	-25.4%	-0.6%
<b>Other New Work</b>							
	30,041	29,139	30,496	32,151	34,471	32,800	31,151
	3.0%	-3.0%	4.7%	5.4%	7.2%	-4.8%	-5.0%
<b>Repair, Maintenance and Improvement</b>							
Private Housing	12,418	12,044	11,674	11,847	11,801	10,034	9,507
	1.3%	-3.0%	-3.1%	1.5%	-0.4%	-15.0%	-5.3%
<b>Total</b>							
	37,441	37,339	36,260	36,474	37,377	34,859	33,540
	-0.1%	-0.3%	-2.9%	0.6%	2.5%	-6.7%	-3.8%
<b>Total All Work</b>							
	80,245	79,550	80,455	82,474	83,273	76,178	73,158
	3.1%	-0.9%	1.2%	2.5%	1.0%	-8.5%	-4.0%

## Historical Perspective

	<b>Revenue</b> £000	<b>Operating Profit</b> £000	<b>Margin</b> %	<b>Capital Expenditure</b> £000
1990	181,447	28,630	15.8	36,143
1991	184,370	18,697	10.1	11,959
1992	174,355	17,317	9.9	3,786
1993	169,492	12,437	7.3	5,712
1994	191,495	21,683	11.3	20,384
1995	229,496	31,194	13.6	20,120

## Net Assets

	£m	£m
2007 Net Assets		200.6
<b>Impact of movements in year:</b>		
Trading (before works closure / asset impairments)	16.2	
Works closure costs and asset impairments	(22.4)	
Dividends	(19.4)	
Actuarial movement on pensions (after tax)	19.9	
Purchase of own shares / employee benefits / other	(1.7)	
	<u>          </u>	(7.4)
<b>2008 Net Assets</b>		<u><u>193.2</u></u>
<b>Net asset value</b>		<b>135p</b>

