



**Marshalls**

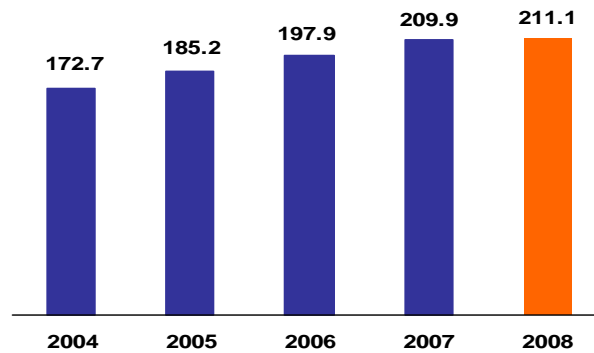
Transforming Britain's Landscapes

## Reported Results

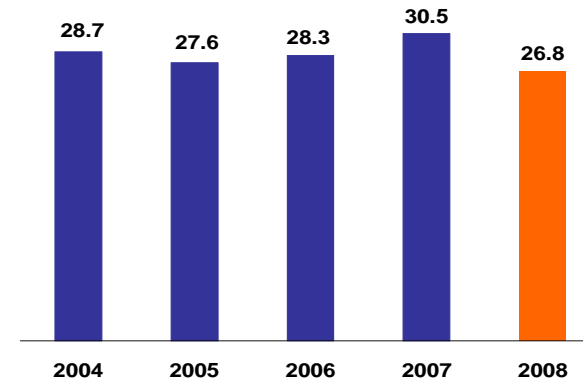
- Revenue up 0.6%
- EBITDA at £38.1m
- Operating profit lower by 12.2% at £26.8m
- Profit before tax lower by 17.1% at £22.7m
- EPS down 14.8% at 11.76p
- Interim dividend announced of 4.55p, unchanged from 2007

# Financial Performance

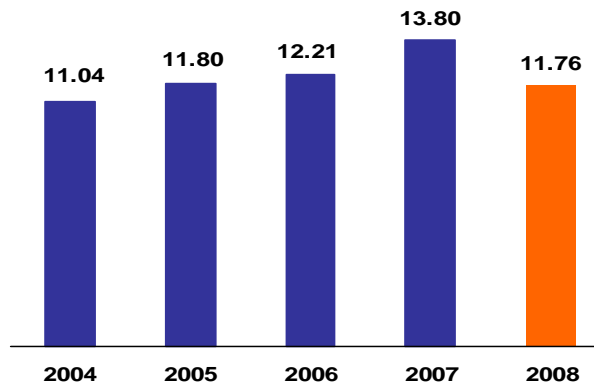
Revenue (£m)



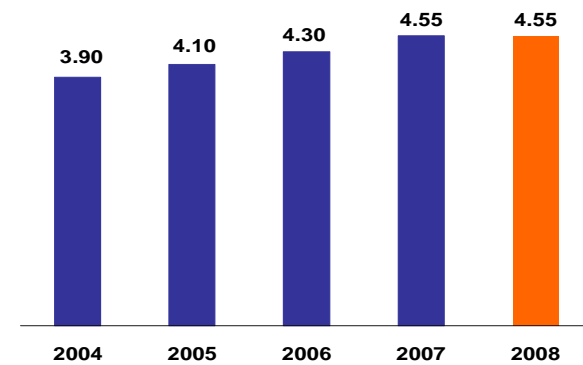
Operating profit (£m)



Basic earnings per share (pence)



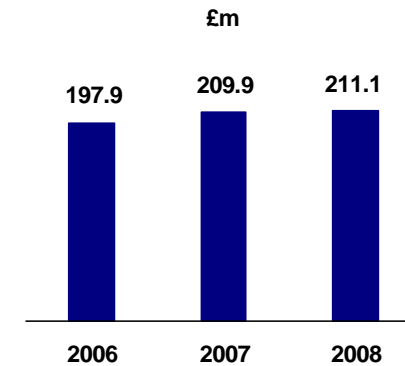
Interim Dividend per ordinary share (pence)



## Revenue Growth

Revenue growth

+0.6%



### Growth Source

	Revenue £m	Growth %
2006	209.9	
Organic growth	0.1	0.1
Acquisitions	1.1	0.5
<b>2007</b>	<b><u>211.1</u></b>	<b><u>0.6</u></b>

## Public Sector and Commercial Revenue

- 57% of Group
- Like for like revenue up 9%
- Price and mix up 5%, volume up 4%

## Domestic Revenue

- 43% of Group
- Like for like revenue down 10%
- Price and mix up 5%, volume down 15%

## Operating Profit

	2008	2007	
	£m	£m	%
Operating profit: Underlying	27.3	31.0	-12.0
Strategic business initiatives:			
● Strategic initiatives expensed			
● Landscape Installations	(2.2)	(1.9)	
● Commercial expansion	(0.5)	(0.4)	
	<u>(2.7)</u>	<u>(2.3)</u>	
● Property / surplus assets	<u>2.2</u>	<u>1.8</u>	
	(0.5)	(0.5)	
<b>Operating profit: Reported</b>	<b><u>26.8</u></b>	<b><u>30.5</u></b>	<b>-12.2</b>

## Underlying Margin Reconciliation

	Movement in Revenue	Operating Profit*	Impact on Margin
	£m	£m	%
2007 *	209.9	31.0	14.8
Acquisitions	1.1	0.1	-
Cost increases recovered in sales prices	11.5	(1.0)	(1.3)
Organic	(11.4)	(2.8)	(0.6)
	<u>          </u>	<u>          </u>	<u>          </u>
<b>2008 *</b>	<b><u>211.1</u></b>	<b><u>27.3</u></b>	<b><u>12.9</u></b>

\* Operating profit before exceptionals

	2008	2007
Interest:		
Charge	£4.1m	£3.1m
Cover	6.6 times	9.8 times
Tax rate:	27.6%	28.0%
EPS:		
Reported	11.76p	13.80p
Dividend:		
2007 Interim Announced	4.55p	4.55p
Current yield	c 8%	
Weighted average number of shares:	139.7m	142.8m



## Free Cash Flow

<b>Cash inflow arising from:</b>	2008	2007
	£m	£m
Operating profit	26.8	30.5
Depreciation and amortisation	<u>11.3</u>	<u>10.4</u>
<b>EBITDA</b>	<b>38.1</b>	<b>40.9</b>
Net financial expenses paid	(4.6)	(3.2)
Taxation paid	(2.8)	(3.7)
Pensions paid	(3.3)	(1.1)
Gains on sales of property, plant and equipment	(2.2)	(1.8)
Inventory	(5.1)	(5.6)
Receivables / payables	(16.3)	(18.1)
Other items	(0.9)	(0.3)
<b>Free cash flow</b>	<b><u>2.9</u></b>	<b><u>7.1</u></b>

## Balance Sheet

	2008	2007	2006
	£m	£m	£m
Half Year	88.0	74.7	69.1
Year End	n/a	82.9	68.3

## Cash flow

	H1 2008 £m	H1 2007 £m
Inflation	(4.8)	(3.4)
Imported Natural Stone volume	(2.5)	(2.1)
Manufactured stock volume	<u>2.2</u>	<u>(0.1)</u>
	<u>(5.1)</u>	<u>(5.6)</u>
Acquisitions	-	(0.8)

## Cash Flow

	2008	2007
	£m	£m
<b>Free cash flow</b>	2.9	7.1
Capital Expenditure:		
• Replacement / improvement	(6.9)	(10.1)
• Growth capital	(6.0)	(3.5)
• Proceeds from sale of surplus assets	11.1	1.5
Acquisitions / Investments	(1.5)	(11.8)
Payment to acquire own shares	(0.6)	(2.1)
<b>Movement in net debt</b>	<b>(1.0)</b>	<b>(18.9)</b>
Net debt at 1 January	(96.9)	(54.6)
<b>Net debt at 30 June</b>	<b>(97.9)</b>	<b>(73.5)</b>
<b>Gearing (%)</b>	<b>48.1%</b>	<b>36.8%</b>
• Gearing at December 2007: 48.3%		

## Works Closures

<b>Works Closures</b>	Cash	Non- Cash	Total
	£m	£m	£m
Plant and related asset write offs	-	(4.5)	(4.5)
Redundancy	(1.5)	-	(1.5)
Site decommissioning / plant relocation / etc	(2.0)	-	(2.0)
<b>Works closure charge</b>	<b><u>(3.5)</u></b>	<b><u>(4.5)</u></b>	<b><u>(8.0)</u></b>

Cash payback within one year

- Within 6 months including stock reduction

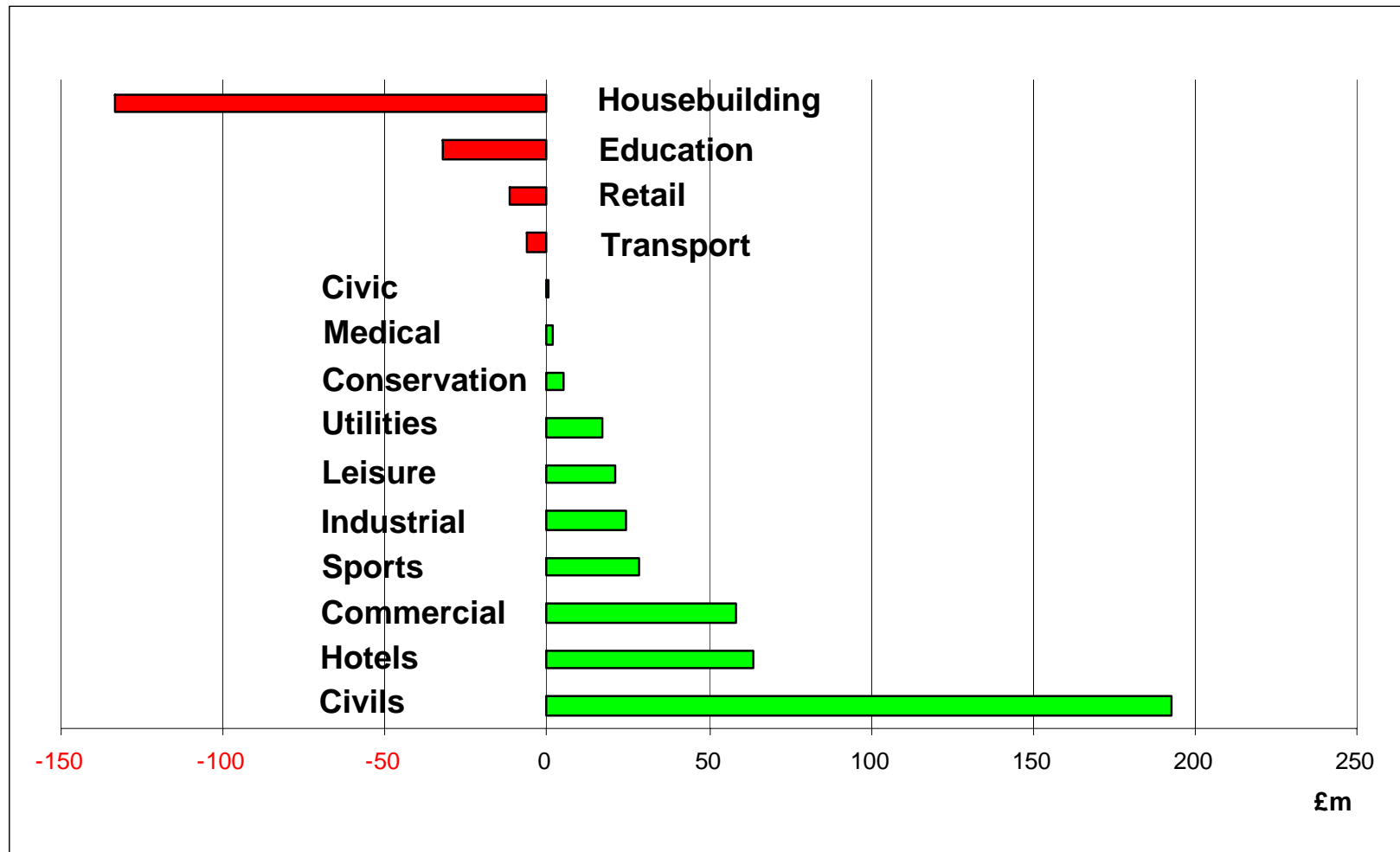
- Public Sector & Commercial
  - c 60% of Group sales
  - 9% sales growth
  - 12 month visibility – positive outlook
- Domestic market
  - c 40% of Group sales
  - New build – very weak
  - DIY – poor Easter
  - Installed sales robust, order books 8.2 weeks
  - Increasingly uncertain
- July and August sales below 2007

### **Strategy remains consistent, implementation adapted for the change in market conditions and outlook**

- Further development of the integrated product offer for the Public Sector and Commercial market
- Having established a unique distribution and manufacturing network and having built an installer register, create the “pull through” by investing in sales and marketing direct to the consumer
- Deliver sustainable shareholder value by continuing to develop, innovate, improve and reduce cost in our unique manufacturing and distribution network
- Invest in selective acquisitions and organic investment to support the initiatives above and to expand our core business

- Focus sales effort on market sectors and product areas where activity is robust
- Accelerate cost reduction
- Conserve cash and retain financial flexibility
  - Reduced capital expenditure
  - Accelerate reduction in volume of inventory
- Continue with innovation
  - Medium term competitive advantage

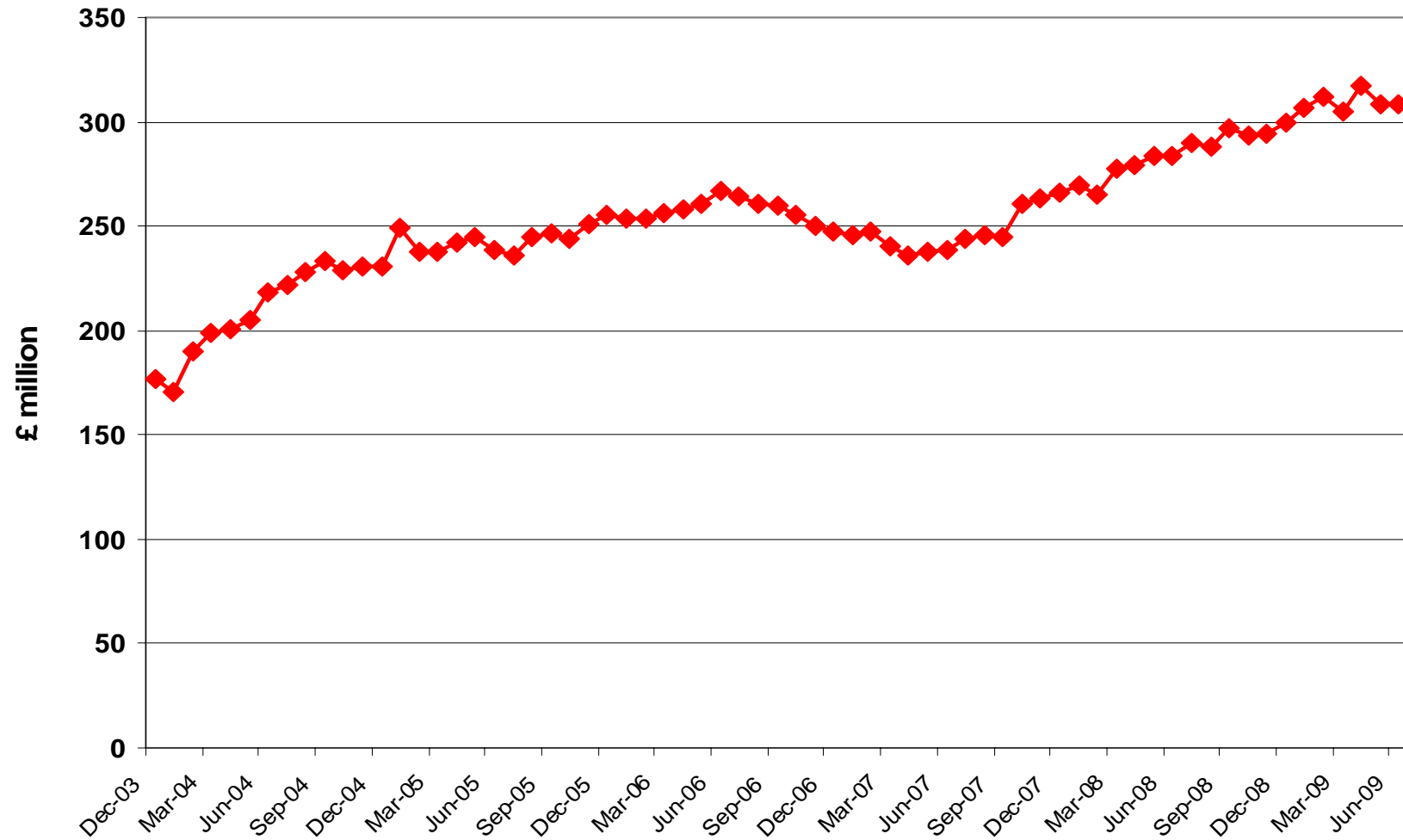
## Public Sector & Commercial ABI 12 Monthly Change in Contract Awarded Values



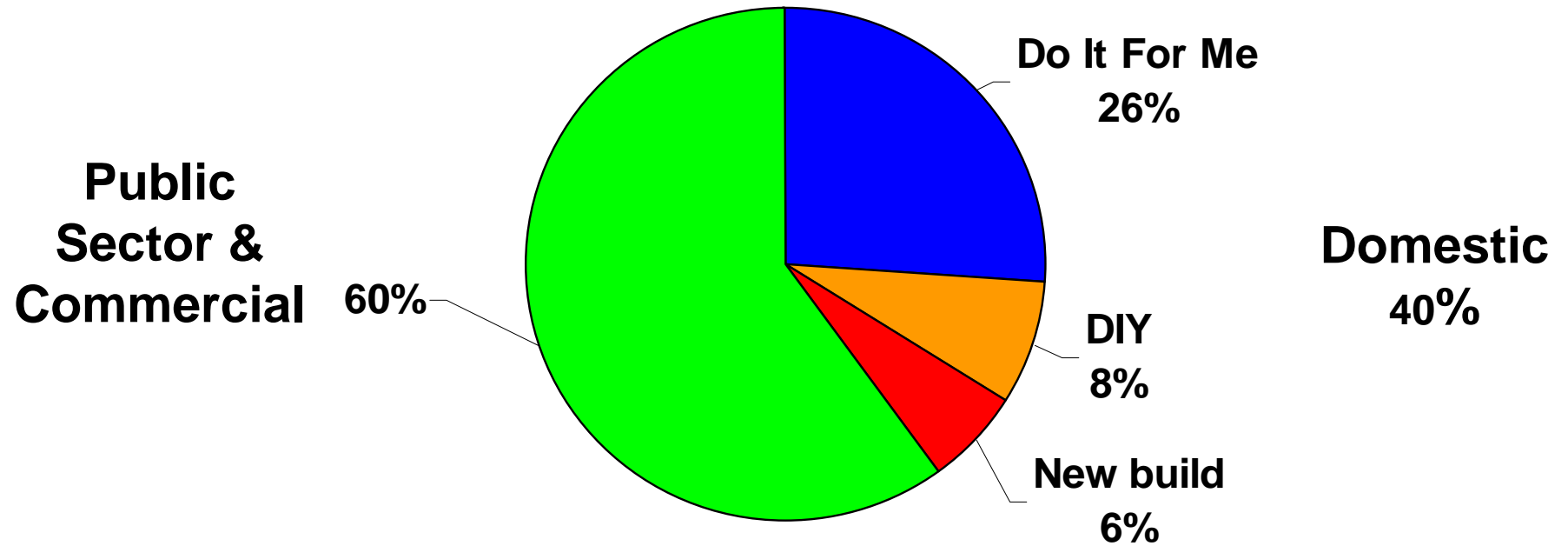
- The growth is concentrated in those sectors where Marshalls has key strengths



# ABI Lead Indicator Landscape Projects Value (MAT)



## Domestic Market Share of Group Sales

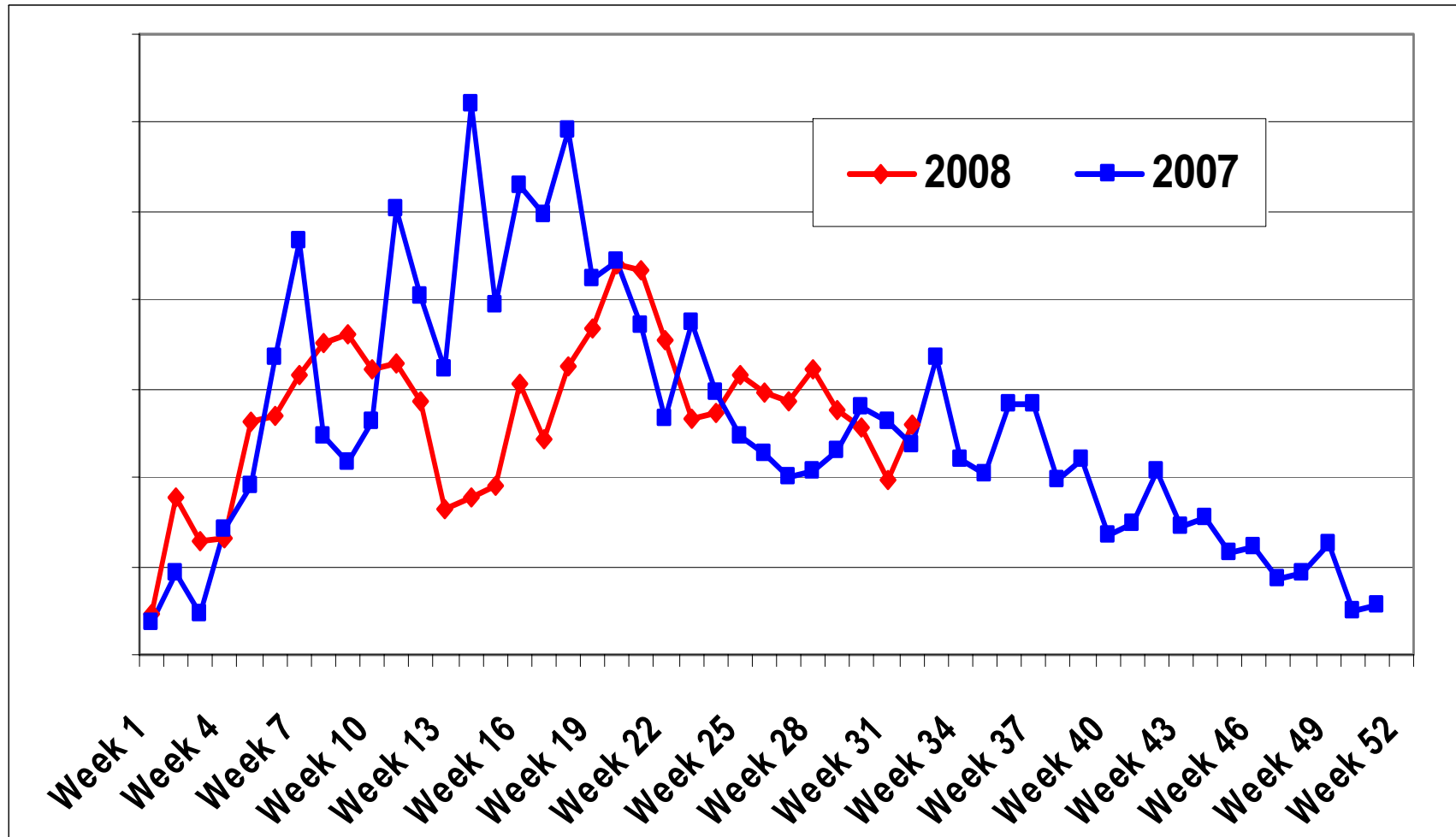




**Marshalls**

Transforming Britain's Landscapes

## DIY Sales Pattern



# Domestic Sales

## Do It For Me Customers

### Mosaic Groups

- 8.9 million homes in target market
- Trends
  - Older
  - Cash versus credit
  - Long term residents v new home purchasers
  - 'Don't move – improve'
- Build relationships with the installers
- Increase brand awareness

#### Symbols of Success 2.4M homes

“People with rewarding careers who live in sought after locations, affording luxuries and premium quality products”



#### Happy Families 2.7M Homes

“Families with focus on career and home, mostly younger age groups now raising children”



#### Suburban Comfort 3.8M homes

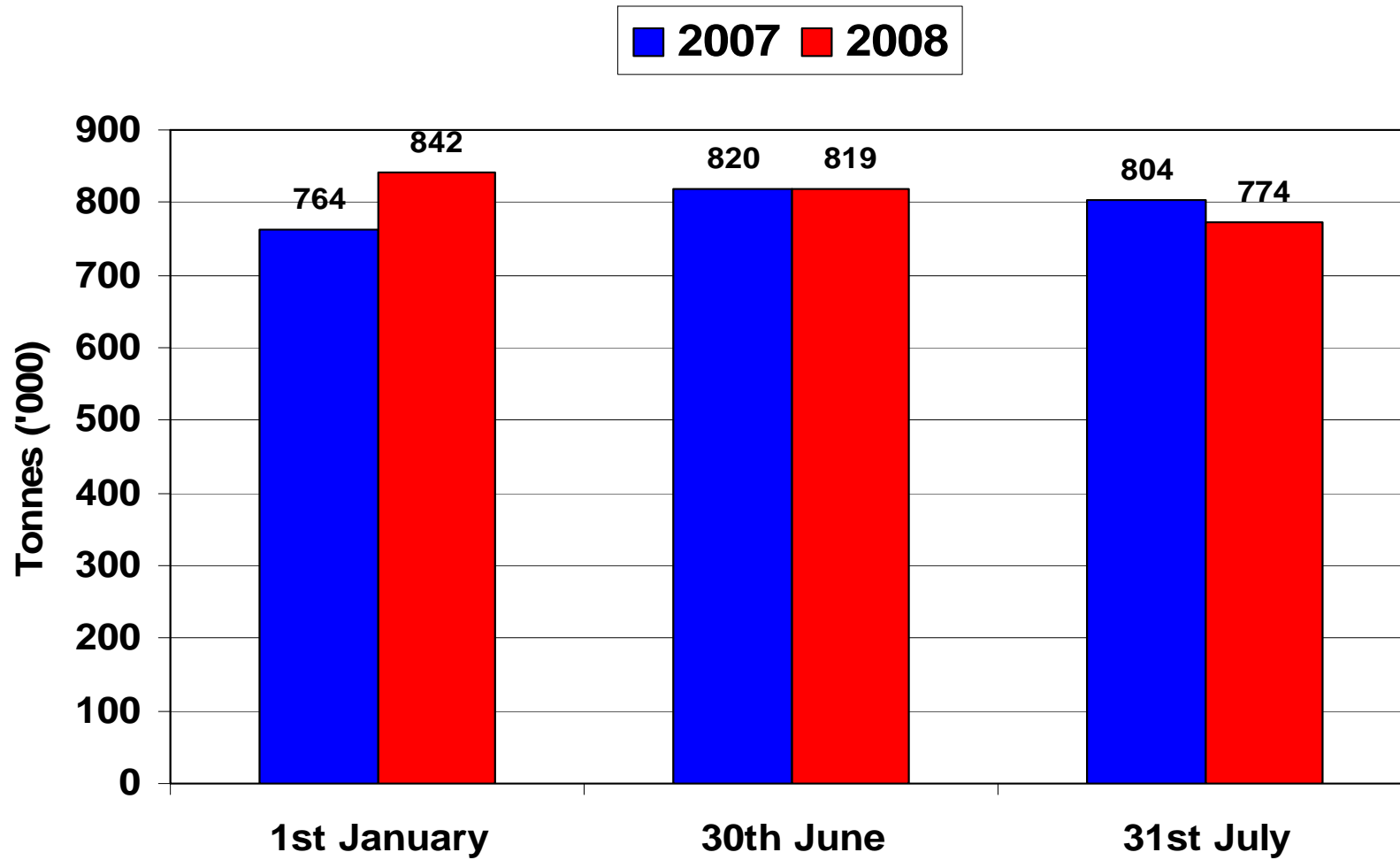
“Families who are successfully established in comfortable, mature homes. Children are growing up and finances are easier”



- Display Centres
  - Ninth centre opened
  - Smaller footprint
  - Covered by garden centre staff
- Supply agreements extended. All members of supply chain aligned and focussed on the customer.
- Continuing focus on leading the industry in customer service and product quality
  - Product availability 97%
  - On time delivery 98%

- Works Closure
  - Accelerate cost reduction plans
    - Cease manufacturing at two sites
    - Reduce fixed cost base
    - Reduce stock volume and release cash
    - Realise productivity improvement from recent investment
    - Sites available for resale
  - Consolidation of Street Furniture manufacturing and administration
  - Consolidation of stone walling manufacture
  - “Moth ball” ready to use mortar sites
- Overhead base adjusted to reflect reduced sales volumes

## Marshalls Landscape Products Inventory Volumes ('000 Tonnes)



- Works Closure
  - Accelerate cost reduction plans
    - Cease manufacturing at two sites
    - Reduce fixed cost base
    - Reduce stock volume and release cash
    - Realise productivity improvement from recent investment
    - Sites available for resale
  - Consolidation of Street Furniture manufacturing and administration
  - Consolidation of stone walling manufacture
  - “Moth ball” ready to use mortar sites
- Overhead base adjusted to reflect reduced sales volumes



## Conserving Cash Investment and Asset Sales

- Capital expenditure
  - Complete development projects in progress
  - Postpone new expansion projects
  - Selective development – new products, significant cost reduction with short term payback
- Planning total 2009 and 2010 of £16 million
  - Replacement £13 million
  - Development £ 3 million
- Property sales of £11 million in 2008
- Surplus property remaining of £7 million
  - Primary focus to improve the planning status on this property

- Strategy consistent – adapt implementation
- Focus on sales, cost reduction and cash control
- Continue to innovate
- Retain financial flexibility for bolt on acquisitions
- Cash generation underpins maintained dividend
- Management established and experienced
- Decisive action taken
- Assets and infrastructure modern and efficient
- Balance sheet is solid



**Marshalls**

Transforming Britain's Landscapes

# Appendices

	2004	2005	2006	2007	2008	2009	2010
£m/% change	Actual	Actual	Actual	Actual	Forecast	Forecast	Forecast
<b>Housing</b>							
	12,763	13,072	13,699	13,744	11,402	11,003	12,394
	13.9%	2.4%	4.9%	0.3%	-17.0%	-3.5%	12.6%
<b>Other New Work</b>							
	30,041	29,139	30,496	32,119	33,635	33,702	33,705
	3.0%	-3.0%	4.7%	5.3%	4.7%	0.2%	-1.9%
<b>Repair, Maintenance and Improvement</b>							
Private Housing	12,418	12,044	11,674	11,848	11,848	11,374	11,601
	1.3%	-3.0%	-3.1%	1.5%	0.0%	-4.0%	2.0%
<b>Total</b>							
	37,441	37,339	36,260	36,474	36,214	35,253	35,066
	-0.1%	-0.3%	-2.9%	0.6%	-0.7%	-2.7%	-0.5%
<b>Total All Work</b>							
	80,245	79,550	80,455	82,337	81,251	79,958	80,535
	3.1%	-0.9%	1.2%	2.4%	-1.3%	-1.6%	0.7%

## The Available Domestic Landscape Surfaces Market

- 14.2 million driveways in the UK. Average size 60 m<sup>2</sup>. Total market 852 million m<sup>2</sup>. Annual new installations of CBP 11.2 million m<sup>2</sup> (1.3%). Current installed base 17.8%. No current replacement market.
- 17.3 million patios in the UK. Average size 30 m<sup>2</sup>. Total market 519 million m<sup>2</sup>. Annual new installations of paving 14.8 million m<sup>2</sup> (2.9%). Current installed base 30.9%. Active replacement and substitution market.

## Net Assets

	£m	£m
2007 Net Assets *		200.6
<b>Impact of movements in year:</b>		
Trading profit (after tax)	16.4	
Ordinary dividends	(13.0)	
Actuarial movement on pensions (after tax)	1.0	
Purchase of own shares/employee benefits	<u>(1.6)</u>	
		<u>2.8</u>
<b>2008 Half Year Net Assets *</b>		<b><u>203.4</u></b>
<b>Net Asset Value per share: *</b>		<b><u>142p</u></b>
Based on 143.1m shares		

\* Includes property at deemed historic cost. The net asset value therefore excludes the uplift to property values of circa £40m from the recent valuation.

## Disclaimer

- This presentation, which is personal to the recipient and has been issued by Marshalls plc (“Marshalls”), comprises slides for a presentation in relation to Marshalls interim results, and is solely for use at such presentation.
- This presentation and these slides are confidential and may not be reproduced, redistributed or passed on directly or indirectly to any other person or published in whole or in part for any purpose.
- This presentation and associated discussion includes forward-looking statements. Information contained in this presentation relating to Marshalls has been compiled from public sources. All statements other than statements of historical fact included in this announcement, including without limitation those regarding the plans, objectives and expected performance of Marshalls, are forward-looking statements. Marshalls has based these forward-looking statements on its current expectations and projections about future events, including numerous assumptions regarding its present and future business strategies, operations, and the environment in which it will operate in the future.
- Forward-looking statements generally can be identified by the use of forward-looking terminology such as 'ambition', 'may', 'will', 'could', 'would', 'expect', 'intend', 'estimate', 'anticipate', 'believe', 'plan', 'seek' or 'continue', or negative forms or variations of similar terminology. Such forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors related to Marshalls.
- By their nature, forward-looking statements involve risks, uncertainties and assumptions and many relate to factors which are beyond the control of Marshalls, such as future market and economic conditions, external factors affecting operations and the behaviour of other market participants. Actual results may differ materially from those expressed in forward-looking statements. Given these risks, uncertainties, and assumptions, you are cautioned not to put undue reliance on any forward-looking statements. In addition, the inclusion of such forward-looking statements should under no circumstances be regarded as a representation by Marshalls that Marshalls will achieve any results set out in such statements or that the underlying assumptions used will in fact be the case.
- Other than as required by applicable law or the applicable rules of any exchange on which securities of Marshalls may be listed, Marshalls has no intention or obligation to update or revise any forward-looking statements included in this presentation.
- This presentation is for information only and does not constitute or form part of any offer or invitation to sell, or any solicitation of any offer to purchase, any shares in Marshalls or any other securities, nor shall it or any part of it nor the fact of its distribution form the basis of, or be relied upon in connection with, any contract or investment decision related thereto.

