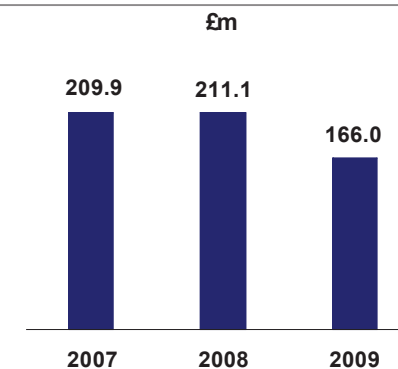




Transforming Britain's Landscapes

Revenue Growth

Revenue (21.3)%



Revenue Movement

	Revenue £m	
H1 2008	211.1	
Working days: 2 fewer in H1 2009	(3.4)	
	<u>207.7</u>	
Merchant de-stocking (estimated)	(2.4)	
Like for like	(40.0)	(19.3)%
Acquisitions	0.7	
H1 2009	<u>166.0</u>	

Public Sector and Commercial Revenue

- 56% of Group
- Like for like revenue down 21%
- Price and mix up 5%, volume down 26%

Domestic Revenue

- 44% of Group
- Like for like revenue down 16%
- Price and mix up 3%, volume down 19%

Operating Profit

	2009 £m	2008 £m
Operating profit: before works closure	11.3	26.8
Works closure costs	(5.0)	-
Operating profit: reported	<u>6.3</u>	<u>26.8</u>

Underlying Margin Reconciliation

	Movement in Revenue	Operating Profit*	Impact on Margin
	£m	£m	%
2008 *	211.1	26.8	12.7
Workings days: 2 fewer in 2009	(3.4)	(1.0)	(0.3)
	<u>207.7</u>	<u>25.8</u>	<u>12.4</u>
Sales volume (inc. merchant de-stocking)	(49.7)	(16.1)	(6.3)
Under-recovered overheads from stock reduction	-	(3.4)	(2.1)
Cost increases recovered in sales prices	7.3	0.2	-
Cost savings from works closures	-	4.7	2.8
Acquisitions	0.7	0.1	-
	<u>166.0</u>	<u>11.3</u>	<u>6.8</u>

* operating profit before works closure costs

Additional Information and Ratios

	2009	2008
Interest charge:	£2.3m	£4.1m
Tax rate:		
Reported	10.9%	27.6%
Adjusted *	20.4%	
EPS:		
Reported	2.19p	10.51p
Adjusted *	4.41p	
Dividend:		
2009 Interim Announced	1.75p	4.07p
Weighted average number of shares:	163.1m	156.3m
Net asset value	£193.3m	£203.4m

* before works closure costs

EPS and dividends adjusted for "bonus factor" inherent in the Rights Issue

Free Cash Flow

Cash inflow arising from:	2009	2008
	£m	£m
Operating profit *	11.3	26.8
Depreciation and amortisation	10.2	11.3
EBITDA	21.5	38.1
Net financial expenses paid	(2.3)	(4.6)
Taxation received / paid	1.5	(2.8)
Pensions paid	(1.9)	(3.3)
Net gain on sale of property, plant and equipment	-	(2.2)
Inventory	6.1	(5.1)
Receivables / payables	(13.9)	(15.9)
Other items	(0.1)	(1.3)
Free cash flow	10.9	2.9

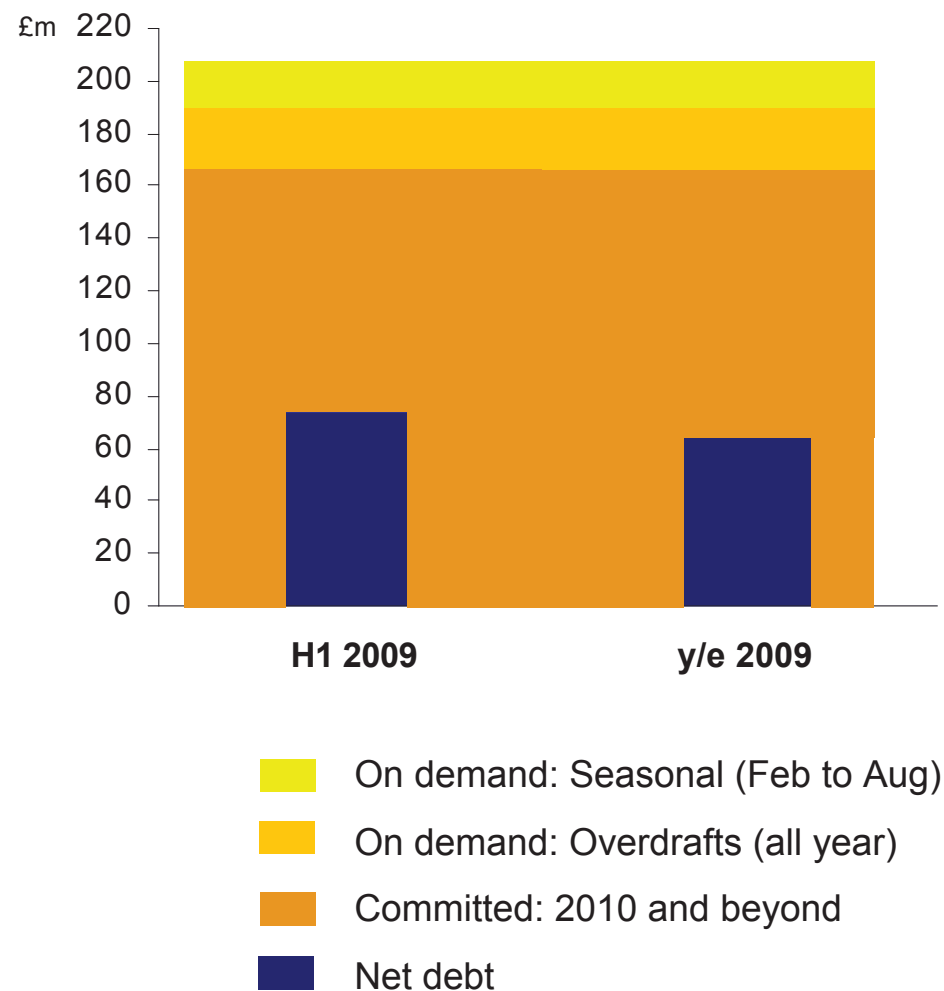
* before works closure costs

Cash Flow

	2009	2008
	£m	£m
Free cash flow	10.9	2.9
Capital Expenditure:		
• Replacement / improvement	(3.9)	(6.9)
• Growth capital	(0.6)	(6.0)
• Proceeds from sale of surplus assets	0.2	11.1
Acquisitions / investments	-	(1.5)
Payment to acquire own shares	-	(0.6)
Works closure costs	<u>(4.0)</u>	<u>-</u>
	2.6	(1.0)
Rights Issue (net of expenses paid)	<u>35.2</u>	<u>-</u>
Movement in net debt (pre Rights Issue)	37.8	(1.0)
Net debt at 1 January	<u>(111.3)</u>	<u>(96.9)</u>
Net debt at 30 June	<u>(73.5)</u>	<u>(97.9)</u>
Gearing (%)	38.0%	48.1%
• Gearing at December 2008: 57.6%		

Significant Borrowing Facilities

Expiry Date	Facility	Cumulative Facility
	£m	£m
Committed facilities:		
Q2 2014 (debenture)	20	20
Q1 2013	50	70
Q4 2012	25	95
Q3 2011	48	143
Q3 2010	20	163
On demand facilities:		
Available all year	25	188
Seasonal (February to August inclusive)	20	208



Note: y/e 2009 based on consensus information

- Bonus factor 89.4%
 - Comparative EPS:
 - Half year - 10.51 pence (originally 11.76 pence)
 - Full year * - 10.38 pence (originally 11.61 pence)
 - Comparative dividend 8.31 pence (originally 9.30 pence)

- Weighted average number of shares

	Basic EPS	Fully Diluted EPS
● YE 2008 :	156,190,540	158,035,252
● H1 2009 :	163,110,477	167,022,997
● YE 2009 :	179,596,717	183,333,845
● YE 2010 :	195,814,160	199,378,755

* before works closure costs

Financial Flexibility

	H1 2009 Actual	H1 2009 Pre-Rights	Year End 2009 Consensus
EBITA: Interest charge	3.0 times	3.0 times	4.1 times
Net Debt: EBITDA	1.9 times	2.7 times	1.7 times

- EBITA to interest charge must be greater than 2.5x
- Net debt to EBITDA must be less than 3x
- Net assets must be greater than £100 million

Risk Management

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

Investment Strategy

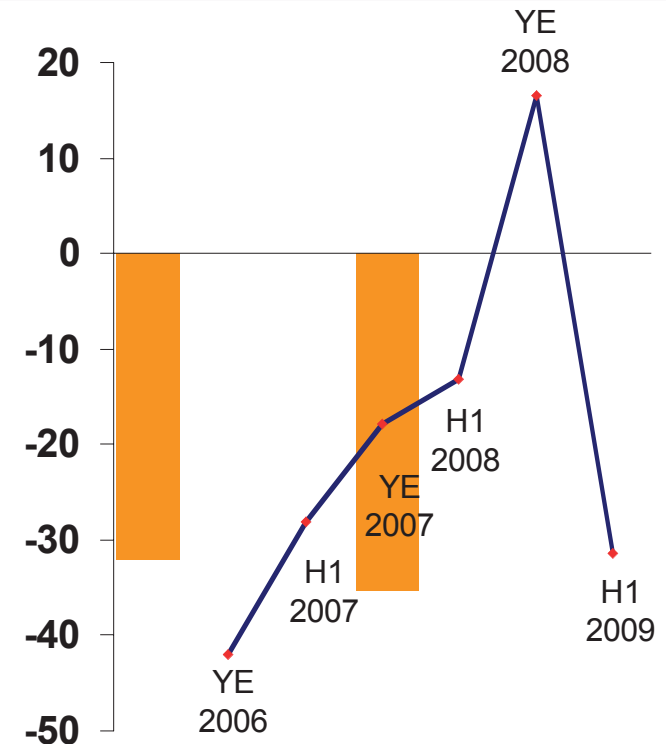
- Moved from equities to LDIs
- Closer matching to liability profile of pension scheme

Balance Sheet Values

- H1 2009 deficit £31.4m
- YE 2008 surplus £16.5m
- H1 2008 deficit £13.2m

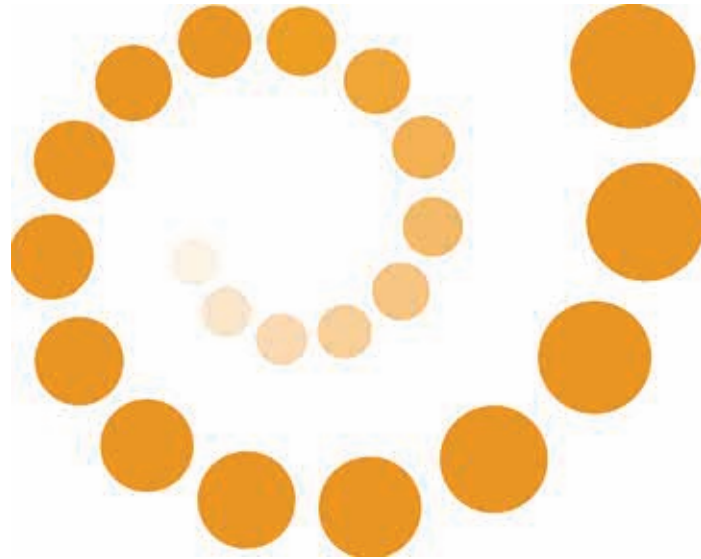
H1 Movements

- AA Corporate Bond Rate
- Asset values



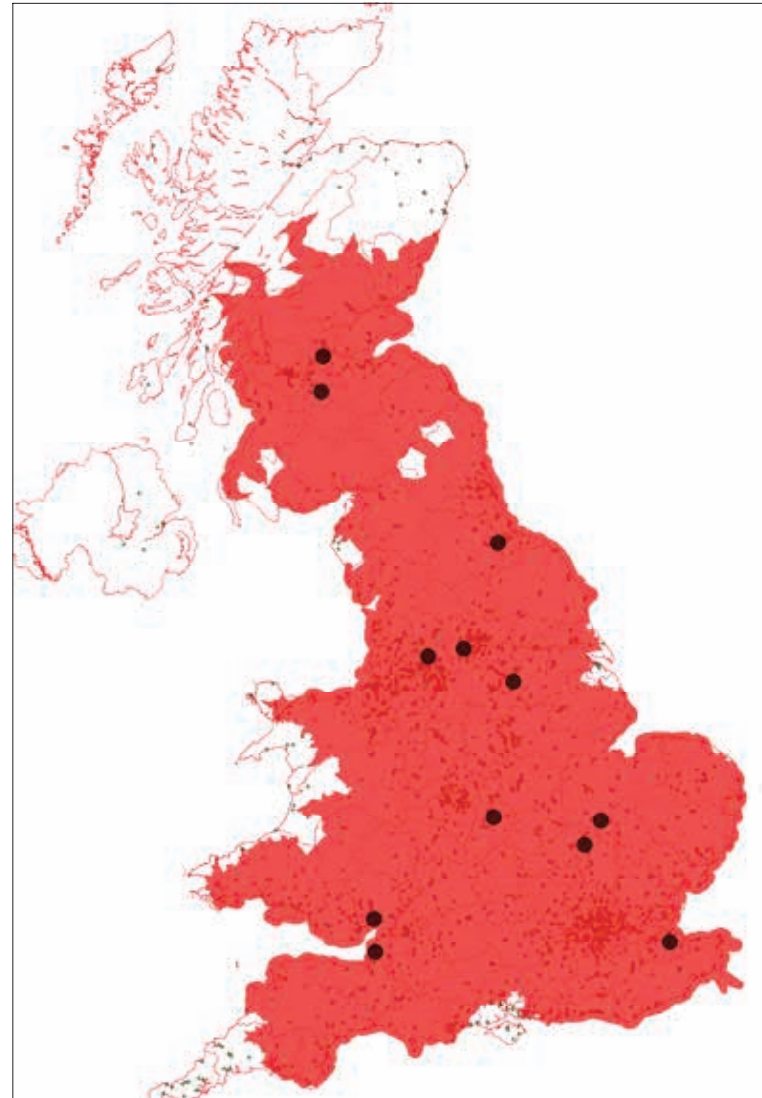
— = Accounting valuation

— = Actuarial valuation

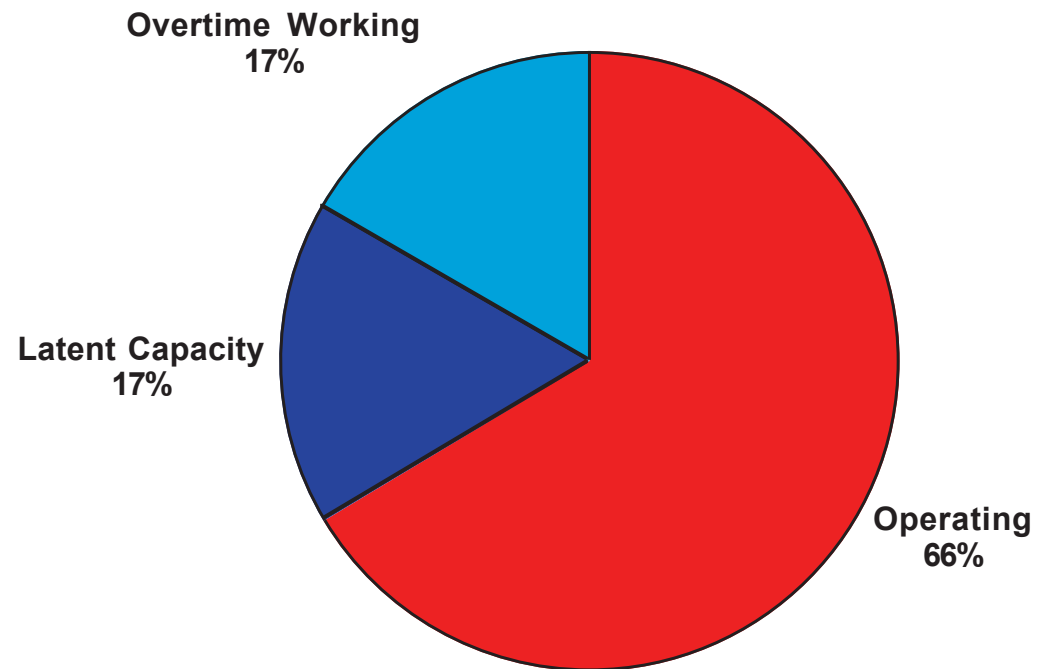


Retain Effective Geographic Coverage

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



Medium Term Manufacturing Capability Intact



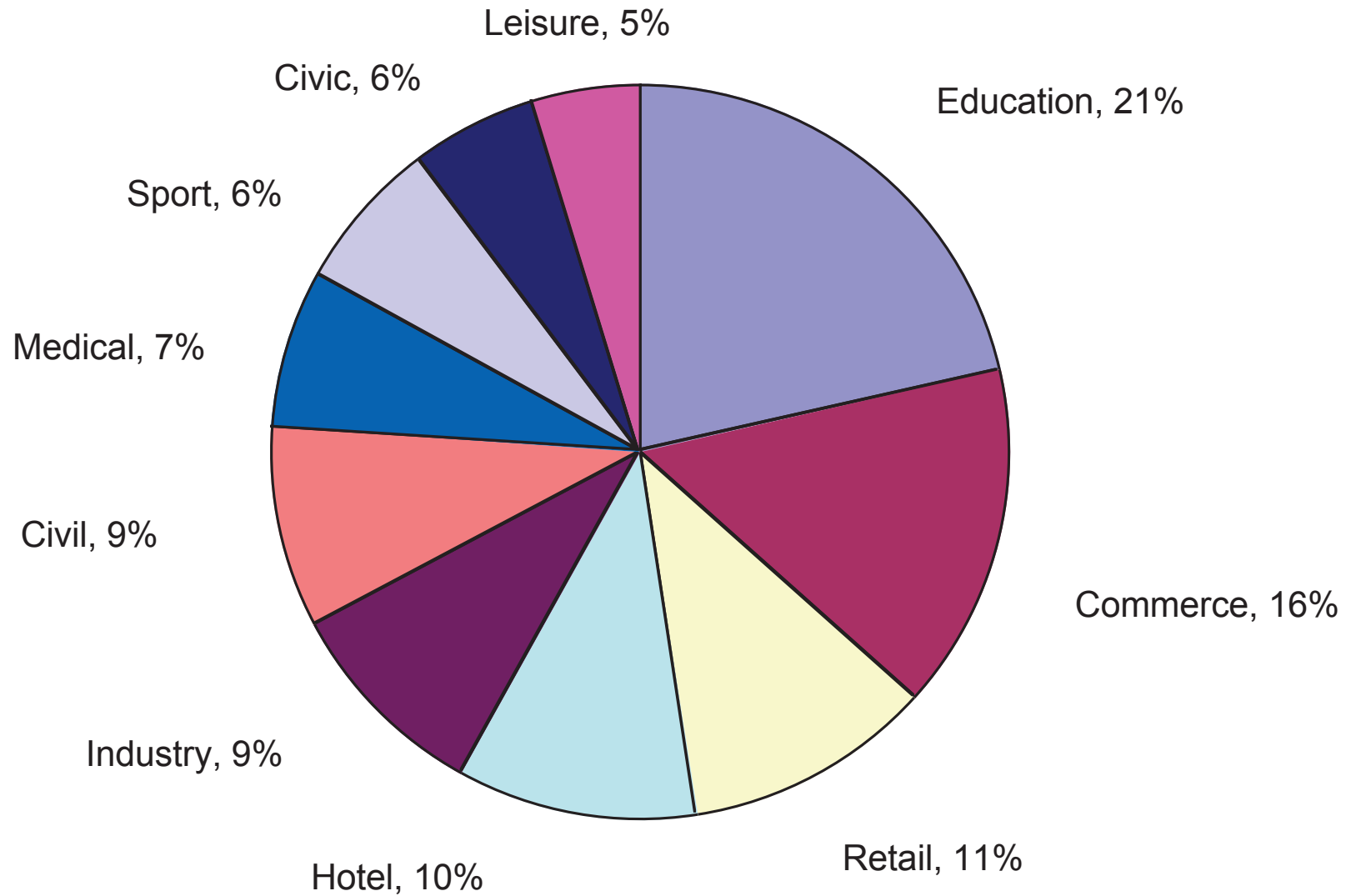
Operations: Balance Short Term and Medium Term

- Continue with selective innovation for future success
 - Technology
 - Products
 - People
- Balance overhead reduction with the need to retain capability for the medium term
- Increase operating flexibility

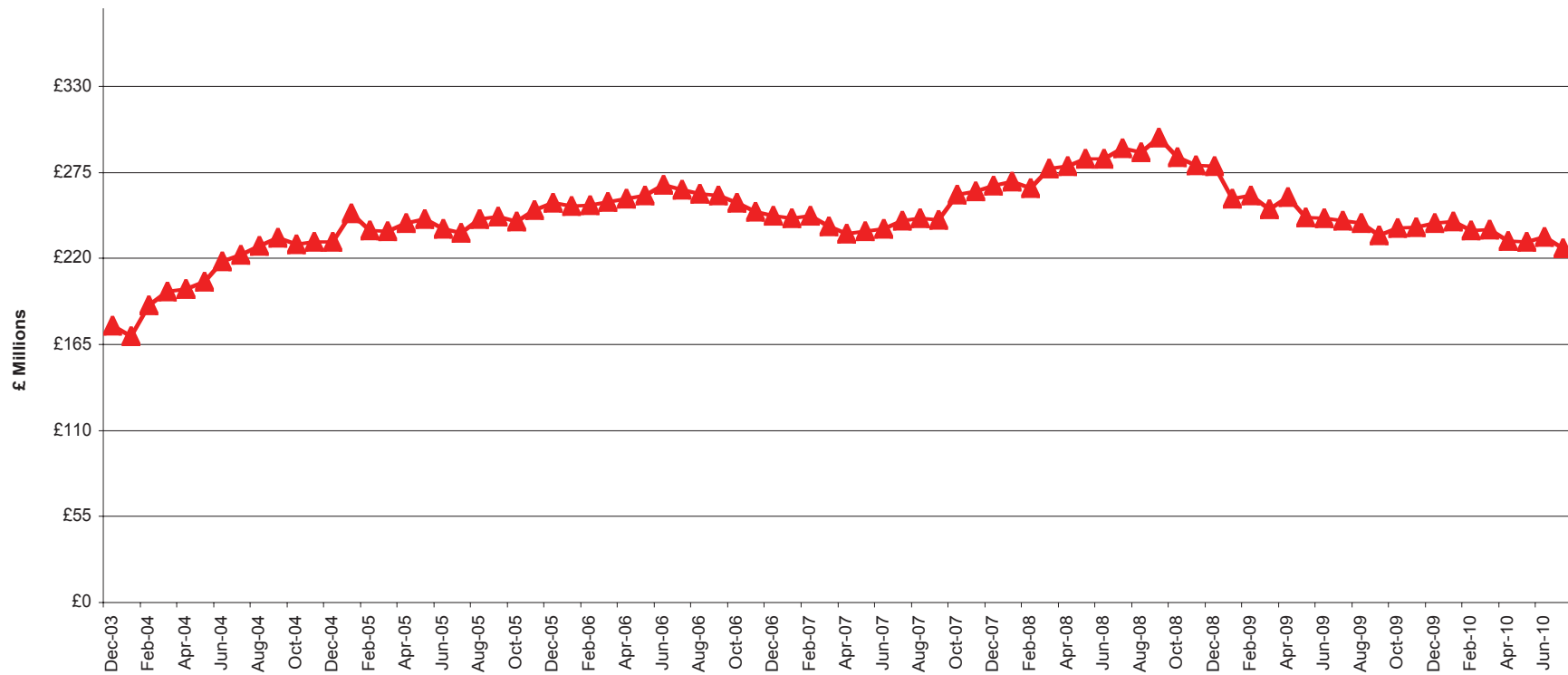
- 56% of Group sales (2008: 57%)
 - Public: education, health and public realm positive
 - Industrial and commercial: weaker
 - CPA forecast -16.2% in 2009, -5.5% in 2010
- Experienced sales and marketing teams
- Integrated offer delivering growth in:
 - Bespoke Street Furniture
 - Natural Stone Paving
 - Sustainable Urban Drainage
- Olympics gathering momentum
- Lead indicators stabilising



Public Sector and Commercial: Sub Sectors



ABI Lead Indicator July 2009



- 44% of Group sales (2008: 43%)
 - Consumer confidence improving from low base
 - Target customer group: 8.9 million existing homes “Don’t move, improve”. Generally older, equity in property and savings
- Approved installers key – additional support
- Order books: 7.1 weeks
- Distributors de-stocking – product availability and on time delivery critical
- Additional focus on credit control (insurance)

- Market conditions create opportunities
- Financial flexibility from cash conservation and Rights Issue
- Clear target list
 - Natural Stone
 - Additional product areas with similar channels/geography
- Timing and pricing important

- Well known brand
- Market leaders - strong positions in core markets
- National manufacturing and distribution network
 - Efficient, well invested, latest technology
 - Industry leading customer service and lowest cost to market
- Continuing innovation
 - Marketing
 - Products and services
 - Product technology
 - Materials technology

Summary

- Public Sector and Commercial market – challenging but comparative easing
- Domestic market stabilising – installer order books 7.1 weeks
- Decisive action taken, operating flexibility established
- Financial flexibility - balance sheet robust and borrowings reducing
- Experienced and committed workforce
- Management team combines sector knowledge with “world class” expertise
- Balancing need for short term action with need to retain medium term capability
- Focussed on building customer relationships, retaining and developing key people and continuing innovation

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