

4 June 2007

## Norcros Announces its Intention to List on the London Stock Exchange

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The Norcros Group, comprising of Triton plc ("Triton"), the leading manufacturer and distributor of showers in the UK domestic shower market, H & R Johnson Limited ("HRJ"), a market leader in the manufacture and supply of ceramic tiles in the UK and Norcros SA (Pty) Limited ("Norcros SA"), an integrated manufacturer and retailer of tiles and adhesives in South Africa, today announces its intention to apply for admission of its Ordinary Shares to the Official List of the UK Listing Authority and the London Stock Exchange's main market for listed securities ("Admission").

### Highlights:

- **Leading positions in chosen markets:**
  - **Market leader in domestic UK shower design and manufacture**
  - **Leading UK manufacturer and supplier of ceramic tiles**
  - **Number 2 in the growing South African tile market with a 10-15% share**
- **Triton has the leading position in the UK domestic shower market in which demand is underpinned by a high level of replacement and increased shower penetration. The business is highly cash generative**
- **HRJ positioned to increase market share and improve margins in an expanding tile market following a period of radical restructuring**
- **Significant opportunities in the rapidly expanding South African tile market with an exciting retail store refurbishment and roll out programme underway, with highly encouraging initial sales reaction**
- **Highly experienced executive management team, complemented by non-executive directors with extensive industry backgrounds**
- **UK benefiting from solid market conditions and product innovation**
- **Very well invested asset base with benefits of major historic investment programme starting to come through**
- **Gives investors access to leading brands in selected home consumer markets and attractive growth opportunities**
- **Excellent prospects to drive sales and profits from a strong base**

Norcros operates in three geographic regions:

#### *UK Operations*

In the UK the Group operates through two subsidiaries involved in the manufacture of home consumer products:

- Triton is the market leader in the manufacture and marketing of domestic showers in the UK, with a strong position in electric showers and an increasing presence in mixer showers. Triton also exports products to the Irish Republic and other overseas markets.
- HRJ is a leading manufacturer and supplier of ceramic tiles in the UK with developing tile adhesive operations.

#### *South African Operations*

Norcros SA operates through three divisions and is a leading manufacturer and retailer of ceramic tiles and adhesives in South Africa under the “Johnson”, “Tile Africa” and “TAL” brands, with a complementary sanitary ware offering.

#### *Rest of World Operations*

The Group has a wholly-owned subsidiary in Australia, again selling tiles under the “Johnson” brand. Norcros also has associates in Greece manufacturing tiles and adhesives, an investment in a leading Australian tile distributor and retailer (RJ Beaumont & Co. Pty Ltd) and an investment in H & R Johnson India Limited, a manufacturer of ceramic tiles using the “Johnson” brand.

Norcros has enjoyed a number of years of solid sales growth accompanied by improving trading profits. The outlook for all its core activities is highly promising given the increased use of showers and ceramic tiles in the UK and the improving economic environment in South Africa, which is driving demand for new homes and construction investment. These markets present excellent further growth opportunities and the group has also started to realise the full benefits of recent investment in its production and marketing initiatives.

#### **Business highlights**

- Established market brands associated with excellent quality and service
- Group trading profits have increased from £13.1m to £15.3m from 2005 to 2007
- Established base poised for future growth
- Strong, long term client relationships and wide distribution base
- Strong record of earnings performance and clear growth strategy

#### **Reasons for listing**

- To refinance Group indebtedness and reduce finance costs
- To enhance the Group’s profile and status within its markets and customer base
- To raise capital to accelerate growth and facilitate selective acquisitions
- To facilitate the Group’s ability to recruit and incentivise key personnel
- To provide liquidity for existing shareholders and an active market for Norcros shares

John Brown, Chairman of Norcros, commented:

*“A stock market listing represents the next major phase in Norcros’ development. We have made considerable progress over the last few years in building leading positions in our principal markets, both in the UK and South Africa, whilst also rationalising and heavily investing in state-of-the-art production facilities.*

*Our markets present excellent growth opportunities and we are looking to extend our leadership in core businesses through continuous innovation and marketing initiatives. The outlook is positive and we look forward to building on our success in the years to come.”*

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For further information please visit the company website: [www.norcros.com](http://www.norcros.com)

## INTRODUCTION

The principal activities of the Group are the design, manufacture and sale of selected home consumer products. Norcros was formed for the purposes of a management buy out (MBO) of Norcros Limited (then Norcros plc) and its subsidiaries in 1999. Norcros Limited was, at that time, listed on the London Stock Exchange and was delisted in 2000. The Group operates in three geographical areas:

### *UK Operations*

In the UK the Group operates through two subsidiaries involved in the manufacture of home consumer products:

- Triton is the market leader in the manufacture and marketing of domestic showers in the UK with a strong position in electric showers and an increasing presence in mixer showers. Triton also exports products to the Irish Republic and other overseas markets.
- HRJ is a leading manufacturer and supplier of ceramic tiles in the UK with developing tile adhesive operations.

### *South African Operations*

Norcros South Africa operates through three divisions and is a leading manufacturer and retailer of ceramic tiles and adhesives in South Africa under the “Johnson”, “Tile Africa” and “TAL” brands, with a complementary sanitary ware offering.

- Johnson Tiles South Africa (“JTSA”) manufactures ceramic and porcelain tiles, primarily for retail through TAF stores.
- Tile Africa Group (“TAF”) operates an integrated chain of retail stores and was acquired by Norcros SA in December 2004. TAF sources products directly from JTSA but also sources a number of product ranges from overseas manufacturers and distributors.
- Tile Adhesives (“TAL”) manufactures industrial, building and tile adhesives, distributed through a range of channels, including TAF.

### *Rest of World Operations*

The Group has a wholly-owned subsidiary in Australia selling tiles under the “Johnson” brand. Norcros also has associates in Greece manufacturing tiles and adhesives, an investment in a leading Australian tile distributor and retailer (RJ Beaumont & Co. Pty Ltd) and an investment in H & R Johnson India.

## HISTORY AND DEVELOPMENT OF THE GROUP

Norcros Limited was formerly listed on the London Stock Exchange with a number of subsidiary undertakings in the home consumer products and speciality chemicals sector and was subject to an MBO effected through an offer made by Norcros Limited and backed by a consortium of VCs, including Bridgepoint, in 1999. Since the date of the MBO and the resulting delisting of Norcros Limited, the Group has focused on home consumer products following a number of strategic disposals, most recently the 2005 disposal of its Autotype division. The Group has also made significant investment in its ongoing operations and is now well-invested.

## THE BUSINESS

Norcros operates in two primary geographic areas, the UK and South Africa, and also has smaller operations elsewhere in the world. All Group companies operate in the home consumer products sector, with a focus on showers, tiles and tile adhesives. Operations in the UK are undertaken through Triton and H&R Johnson, specialising in showers and tiles respectively. Due to the complementary nature of showers and tiles, there is significant market and customer overlap and both Triton and HRJ have established relationships with a number of common customers. Furthermore, the UK markets for both showers and tiles, whilst not directly linked, are subject to similar economic drivers such as the levels of construction, property transactions and interest rates. Both markets are considered by Management to be attractive sectors, benefiting from increased penetration as the average number of showers per household and the use of tiles per capita both increase.

South African operations are carried out through Norcros SA which comprises 3 separate divisions: TAF, JTSA, and TAL, which are involved in the manufacture and retail of tiles and tile adhesives. The Group also has operations in Australia and holds investments in companies operating in Greece and India, all of which are involved in the manufacture and retail of ceramic tiles and tile adhesives.

## **UK OPERATIONS**

### **Triton**

Triton designs, manufactures and markets domestic showers for the UK and Irish market, mainly under the Triton brand. Main products are electric showers and mixer/power showers (together representing 89 per cent. of Triton FY07 turnover), although a number of complementary products are sold including a range of taps and bathroom accessories. A range of spare parts is also sold by Triton.

### **Key Strengths**

Triton is the leading producer of domestic electric showers in the UK with approximately 42 per cent. of the UK domestic electric shower market. Triton also has a growing market share in UK mixer showers. Management consider that the key strengths of Triton include:

- a market leading position in the UK domestic electric shower market;
- growing market share in the UK mixer shower market;
- wide distribution base with strong relationships;
- focus on product design and customer service;
- well-invested production processes;
- opportunity for growth both within the UK shower market and also through exports into other markets; and
- 51% of sales driven by replacement cycle which has defensive attributes.

### **Strategy**

Management believe that Triton is well positioned to benefit from growth in the electric shower market, with excellent brand awareness and brand loyalty exhibited by consumers. Future growth is expected to be achieved through:

- the continued growth of the UK shower market through increased penetration and shortening replacement cycle;
- market share gains in the UK mixer shower market through uptake of recently developed digital shower ranges and continued focus on new products;
- increased focus on the trade distribution channel;
- continued product development and introduction of complementary products;
- increased levels of export sales of the latest mixer ranges introduced in 2006/07; and
- potential consolidation of the UK mixer shower market.

### **H&R Johnson Tiles (“HRJ”)**

The main activity of HRJ is the design and manufacture of ceramic tiles. HRJ also offers a range of tile adhesives and sources factored products from around the globe to ensure its breadth of range and product offering. Own-manufactured tiles generate approximately 59 per cent. of HRJ’s revenues, with factored products making up the remaining 41 per cent.

Recently the business established the Material Lab in London aimed at architects, interior designers and specifiers which has proved to be very successful and will assist HRJ in targeting further share in the trade segments of the market.

The majority of manufactured tiles are ceramic, with HRJ importing a range of porcelain floor tiles from overseas manufacturers to provide the wide product range expected by the tile market. Further, certain HRJ ceramic tile ranges are produced to imitate natural tile materials such as slate, limestone and travertine, offering the customer an extensive product range and increasing the potential market for HRJ tiles.

## **Key Strengths**

Management consider the key strengths of HRJ to include:

- leading UK manufacturer in growing market;
- wide distribution base with strong relationships;
- well invested manufacturing facility;
- increased focus on design, marketing and new product development; and
- high levels of service offered to all customers.

## **Strategy**

HRJ has shown encouraging growth in volumes in the trade segment in recent years and Management believe the business is well positioned to continue increasing sales volumes and improving margins following recent major restructuring. The business will focus on:

- further emphasis on design and product development;
- a consolidation in the number of retailers supported;
- improved product displays and depth of offering in each store;
- updated brochures and retail support literature coupled with more lifestyle imagery of product ranges;
- an enhanced website; and
- a continued focus on strengthening existing relationships and improving the service levels and support package offered to customers.

## **SOUTH AFRICAN OPERATIONS**

Norcros South Africa operates through three divisions based in South Africa: Johnson Tiles (“JTSA”), Tile Adhesives (“TAL”), and Tile Africa Group (“TAF”).

JTSA was founded in 1952 as a manufacturer of ceramic tiles for the South African market. In December 2004, JTSA acquired its main distributor, Tile Afrika Limited (renamed Tile Africa) and undertook a substantial reorganisation of the business. In the first full year post acquisition Tile Africa was successfully returned to profitability.

TAL operates alongside both JTSA and TAF offering industrial, building and tile adhesives into the South African market. Tile adhesives, sold through the majority of the major distributors including TAF, contribute approximately 70 per cent. of TAL revenue. Building products contribute approximately 10 per cent. of all TAL revenue and industrial adhesives contribute approximately 20 per cent.. Management believe that the company benefits from a well-established reputation for high quality products and technical service, enabling the company to secure its market leading position within South Africa.

TAF operates 28 showrooms across South Africa and one in Namibia, the majority of which were held on a leasehold basis until recently when the business acquired 16 freehold sites under an option agreement. There are also seven franchisees operating in South Africa. A two-stage store refurbishment programme has been implemented in the business with emphasis placed on the quality of both the general store interior and the product displays. TAF has also recruited experienced retail management at head office and store level.

JTSA undertakes the manufacture, design and marketing of the JTSA tile products and TAF are responsible for the distribution and retail of the products. Approximately 75 per cent. of all JTSA manufactured product is sold through TAF outlets, with the balance either sold within South Africa through independent merchants or exported.

## Key Strengths

Management believe that the key strengths of Norcros South Africa include:

- a leading market position in South Africa in the retail and manufacture of ceramic tiles;
- market leading position in tile adhesives;
- integrated, growing and secure route to market;
- high levels of customer service; and
- potential for significant expansion of retail outlets.

## Strategy

Future growth of Norcros South Africa is expected to be realised principally through the expansion and refurbishment of the TAF estate and the introduction of a third manufacturing line in JTSA allowing for increased production in a buoyant construction market.

### *Expansion of TAF estate*

Management anticipate that TAF will be able to introduce four to six new stores per annum for the next three years in South Africa based on the current store layouts post refurbishment. Of the six new stores to be rolled out in 2007, four are now secured and a number of potential targets have been identified for the remaining sites. Suitable locations for the new stores are identified following sophisticated analysis of demographic trends undertaken in conjunction with external consultants. Management believe that, due to the existing footprint of the estate, the risk of roll out is significantly reduced. In addition to the roll out of new stores, the store refurbishment program will be continued with a target of 6 stores to be updated per annum.

### *Integrated information systems*

Further scheduled investment in the stores is planned to include a fully integrated point-of-sale and business information system. This will provide better quality management information allowing for more proactive management of the business. Sales floor management programmes, designed to increase floor personnel's knowledge of the products and customer awareness, will also be introduced. Management believe that the programme will result in store teams that are knowledgeable, customer focused and motivated to drive sales through the business.

### *Increased brand awareness*

TAF also intend to increase the consumer brand awareness through increased marketing and advertising spend and it is expected that the benefit of this investment will be seen in the short to mid term.

### *Manufacturing capacity*

The introduction of a third once-fired floor tile kiln and manufacturing line for JTSA in 2009/10 is also anticipated to drive further growth of the business.

## CURRENT TRADING AND PROSPECTS

Since the end of the financial year to 31 March 2007, the Group's trading has been in line with Management's expectations.

Management believe that Norcros has opportunities in both the UK and South Africa. In the UK, the Group continues to make progress, benefiting from new product and marketing initiatives, whilst in South Africa, four of the six new store sites anticipated for roll-out of the TAF estate in 2007/08 have now been secured.

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#### *Forward Looking Statements*

*This announcement contains certain "forward-looking statements", including statements about current beliefs and expectations of the directors of Norcros. In particular, the words "expect", "anticipate", "estimate", "may", "should", "plans", "intends", "will", "believe" and similar expressions (or in each case their negative and other variations or comparable terminology) can be used to identify forward-looking statements. These statements are based on the Norcros directors' expectations of external conditions and events, current business strategy, plans and the other objectives of management for future operations, and estimates and projections of the Group's financial performance. Though the directors of Norcros believe these expectations to be reasonable at the date of this announcement they may prove to be erroneous. Forward-looking statements involve known and unknown risks and uncertainties and speak only as of the date they are made. Investors are hereby cautioned that certain important factors could cause actual results, outcomes, performance or achievements of the Group or industry results to differ materially from those expressed or implied in forward-looking statements.*