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Norcros plc

Proposed £30m Firm Placing and Placing and Open Offer

The Board of Norcros plc ("Norcros" or the "Company") today announces a proposed Firm Placing and Placing and Open Offer to raise gross proceeds of approximately £30.0 million.

Highlights of the Capital Raising

- Firm Placing and Placing and Open Offer to raise gross proceeds of approximately £30.0m (approximately £27.7m net of expenses)
- 428,571,428 New Ordinary Shares in the capital of the Company at the Issue Price of 7 pence per New Ordinary Share, representing a discount of approximately 13.9% to the Closing Price of the Existing Ordinary Shares on 11 November 2009
- The New Ordinary Shares to be issued will represent approximately 74.2% of the Enlarged Share Capital following the Capital Raising

The Company will use the net proceeds of the Capital Raising, amounting to approximately £27.7 million, to reduce the Group's borrowings under the Bank Facility Agreement. The Company will repay in its entirety the significantly more expensive Facility B in the amount of £20 million, together with all interest accrued thereon of approximately £0.5 million. Facility B, to the extent that it is repaid, cannot be re-drawn.

The remaining proceeds from the proposed Capital Raising, of approximately £7.2 million will be used to pay down Facility A, which to the extent repaid, cannot be re-drawn.

The Capital Raising will considerably strengthen the Group's financial position, reducing both the Group's borrowings and the Group's overall interest cost. As a result, the Board believes that the Group will be better positioned to capitalise on growth opportunities as market conditions recover.

Lifestyle Investments, the Company's largest shareholder, which owns 29.9 per cent. of the Existing Ordinary Shares, is fully supportive of the Capital Raising and has irrevocably agreed to participate in the Firm Placing and to procure that the Lifestyle Nominee takes up its Open Offer Entitlement in full, to ensure that Lifestyle Investments' percentage shareholding is maintained following the Capital Raising.

The Open Offer is being underwritten by Oriel, save in respect of the 42,720,000 Open Offer Shares which Lifestyle Investments has, under the Lifestyle Irrevocable, undertaken to procure that the Lifestyle Nominee takes up. The Firm Placing is being underwritten by Oriel, save in respect of the 85,487,247 Firm Placed Shares which Lifestyle Investments has, under the Lifestyle Irrevocable, agreed to take up.

The Capital Raising is subject, amongst other things, to the passing of all of the Resolutions by the Company's Shareholders at the General Meeting.

Rothschild is acting as financial adviser and sponsor and Oriel as broker, bookrunner and underwriter with respect to the Capital Raising.

A prospectus incorporating a circular to Shareholders will be posted to Shareholders, and will be available on the Norcros website, www.norcros.com, in due course and will contain further details and the full terms and conditions of the Open Offer (the "Prospectus").

All words and expressions which are defined in the Prospectus shall, in this announcement, have the respective meanings stated in the Prospectus.

An indicative timetable is shown below and may be subject to change:

Record date for entitlement to participate in the Open Offer	11 Nov 2009
Announcement of the Capital Raising	12 Nov 2009
Anticipated posting of the Prospectus, Proxy Form and Application Form	13 Nov 2009
Anticipated latest date for return of Application Forms	30 Nov 2009
Anticipated date of General Meeting	30 Nov 2009
Anticipated admission and commencement of dealings in the New Ordinary Shares	4 Dec 2009

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There will be a presentation today at 10.30 am to analysts at the offices of College Hill, The Registry, Royal Mint Court, London, EC3M 4QN. The supporting slides will be available on the company's website at www.norcros.com later in the day.

Shareholder enquiries

If you have any questions relating to the procedure for acceptance and payment under the Open Offer, please telephone Capita Registrars between 9.00 a.m. and 5.00 p.m. (London time) on any Business Day on 0871 664 0321 from within the UK or + 44 208 639 3399 if calling from outside the UK. Calls to 0871 664 0321 cost 10p per minute plus your service provider's network extras. Different charges may apply to calls from mobile telephones and charges, whether local or international, may vary. Please note that calls may be monitored or recorded and, for legal reasons, the helpline cannot provide advice on the Firm Placing or the merits of the Open Offer nor give any financial, legal or tax advice.

Cautionary note regarding forward-looking statements

Some of the information in this announcement may contain forward-looking statements which reflect the Group's or, as appropriate, the Directors' current views with respect to financial performance, business strategy, plans and objectives of management for future operations

(including development plans relating to the Group's products and services). These statements include forward-looking statements both with respect to the Group and the sectors and industries in which the Group operates. Statements which include the words "expects", "intends", "plans", "believes", "projects", "anticipates", "will", "targets", "aims", "may", "would", "could", "continue" and similar statements of a future or forward-looking nature identify forward-looking statements. All forward-looking statements address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause the Group's actual results to differ materially from those indicated in these statements. Any forward-looking statements in this announcement reflect the Group's current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to the Group's business, results of operations, financial conditions and growth strategy.

Forward-looking statements contained in this announcement regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. The Company does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Important notice:

This announcement has been issued by and is the sole responsibility of Norcros.

Rothschild, which is authorised and regulated in the United Kingdom by the FSA, is acting as financial adviser and sponsor exclusively for the Company and no-one else in connection with the Capital Raising and Admission and will not regard any other person (whether or not a recipient of the Prospectus) as its client in relation to the Capital Raising or Admission and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Rothschild or for providing advice in connection with the Capital Raising, Admission or any other transaction or arrangement which is referred to in the Prospectus, save pursuant to any responsibility or liability which Rothschild has under FSMA or the regulatory regime established under FSMA.

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This announcement is an advertisement. It is not a prospectus and investors should not subscribe for or purchase any shares referred to in this announcement except on the basis of information contained in the Prospectus which is to be published in due course. The Prospectus, when published, will be made available on Norcros' website and will be available for inspection at the UK Listing Authority's announcement viewing facility.

This announcement does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire, any New Ordinary Shares, nor shall it (or any part of it), or the fact of its distribution, form the basis of, or be relied on in connection with or act as any inducement to enter into, any contract or commitment whatsoever with respect to the proposed Firm Placing and Placing and Open Offer or otherwise.

The information in this announcement does not constitute or form a part of any offer or solicitation to purchase or subscribe for securities in the United States. The securities mentioned herein have not been, and will not be, registered under the United States Securities Act of 1933 (the "Securities Act"). The securities mentioned herein may not be offered or sold in the United States except pursuant to an exemption from the registration

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Any person receiving this announcement is advised to exercise caution in relation to the Firm Placing and Placing and Open Offer. If in any doubt about any of the contents of this announcement, independent professional advice should be obtained.

This summary should be read in conjunction with the full text of this announcement.

1 Introduction

Today, Norcros announces the proposed Capital Raising, to raise gross proceeds of approximately £30.0 million (approximately £27.7 million net of expenses), by the issue of 428,571,428 New Ordinary Shares through the Firm Placing of 285,766,932 New Ordinary Shares and the Placing and Open Offer of 142,804,496 New Ordinary Shares, both at the Issue Price of 7 pence.

The Issue Price represents a 13.9 per cent. discount to the Closing Price of 8.13 pence per Existing Ordinary Share on 11 November 2009 (being the last dealing day before this announcement). The discount has been set based on the Directors' assessment of market conditions following discussions with a number of institutional investors and has been determined in order to obtain the level of funds required by the Company under the Capital Raising. Given that the Issue Price represents a discount of greater than 10 per cent. to the Closing Price of the Existing Ordinary Shares on 11 November 2009, the Company is required, under the Listing Rules, to seek the approval of its Shareholders for the issue of the New Ordinary Shares at that discount. Accordingly, the General Meeting will consider, amongst other things, the approval of the amount of the discount.

The Lifestyle Nominee holds 44,500,000 Existing Ordinary Shares, representing approximately 29.92 per cent. of the Company's current issued share capital, as nominee of Lifestyle Investments. Lifestyle Investments has irrevocably undertaken to procure that the Lifestyle Nominee takes up its full Open Offer Entitlement (being 42,720,000 Open Offer Shares). In addition, Lifestyle Investments has agreed to subscribe for 85,487,247 Firm Placed Shares. Lifestyle Investments has also undertaken to procure that the Lifestyle Nominee votes in favour of the Resolutions at the General Meeting, with the exception of the Related Party Resolution (being Resolution 6). The Related Party Resolution relates to the approval of Lifestyle Investments' participation in the Firm Placing, which is a related party transaction requiring the approval of Independent Shareholders under the Listing Rules. As the Capital Raising is conditional on the passing of all of the Resolutions, if the Related Party Resolution is not approved by the Independent Shareholders, the Capital Raising will not proceed.

Each of the Directors intends to take up his full entitlement to acquire Open Offer Shares in the Open Offer and (other than Vijay Aggarwal in relation to the Related Party Resolution) to vote in favour of all of the Resolutions at the General Meeting. The Directors also intend to apply for, in aggregate, 17,989,413 Excess Shares. The Open Offer is being underwritten by Oriel, save in respect of the 42,720,000 Open Offer Shares which Lifestyle Investments has, under the Lifestyle Irrevocable, undertaken to procure that the Lifestyle Nominee takes up. The Firm Placing is being underwritten by Oriel, save in respect of the 85,487,247 Firm Placed Shares which Lifestyle Investments has, under the Lifestyle Irrevocable, agreed to take up.

The Firm Placing and the Placing and Open Offer are inter-conditional and are conditional on:

- (a) the passing of all of the Resolutions at the General Meeting;
- (b) the Sponsor, Placing and Underwriting Agreement having become unconditional in all respects, other than in relation to Admission. It is a condition to the Sponsor, Placing and Underwriting Agreement that the Lifestyle Nominee, by the close of the

Open Offer, has taken up and paid in full for its Open Offer Entitlement in accordance with the terms of the Open Offer and Lifestyle Investments has paid for all of the Firm Placed Shares for which, under the Lifestyle Irrevocable, it has agreed to subscribe; and

- (c) Admission becoming effective on or before 8.00 a.m. on 4 December 2009 (or such later date and/or time as the Company, Rothschild and Oriel may agree, being no later than 8.00a.m. on 16 December 2009).

If the condition concerning Lifestyle Investments and the Lifestyle Nominee which is referred to above is not satisfied, the Capital Raising will not proceed.

The results of the Capital Raising, including the aggregate number of New Ordinary Shares issued (which is expected to be 428,571,428 New Ordinary Shares) and the aggregate amount raised, net of expenses, is expected to be announced by the Company to a Regulatory Information Service by 7.00 a.m. on 1 December 2009.

It is expected that Admission will become effective and that dealings in the New Ordinary Shares will commence by 8.00 a.m. on 4 December 2009. The latest time and date for acceptance and payment in full for the Open Offer Shares is likely to be 11.00 a.m. on 30 November 2009.

The Prospectus will explain the background to, and reasons for, the Capital Raising, explain why the Directors believe that the Capital Raising is in the best interests of the Company and of the Shareholders as a whole and recommend that Shareholders vote in favour of all of the Resolutions to be proposed at the General Meeting. The notice convening the General Meeting, which is expected to be held at the offices of Addleshaw Goddard LLP at 100 Barbirolli Square, Manchester, M2 3AB at 11.00 a.m. on 30 November 2009, will be set out at the end of the Prospectus.

2 Background to and reasons for the Capital Raising

2.1 Background

Norcros operates in the design, manufacture and sale of home consumer products in the UK and South Africa. Prior to the global economic downturn, Norcros reported annual revenues of £167.9 million and trading profit of £16.0 million (financial year ended 31 March 2008). Since the second half of the financial year ended 31 March 2008, Norcros has been adversely affected by depressed consumer markets and suffered a 56 per cent. reduction in trading profits in the last financial year (year ended 31 March 2009 trading profit: £7.0 million).

The Group has implemented a number of cost-saving initiatives to minimise the effect of poor market conditions and, as reported in the consolidated annual report and accounts for the Group for the twelve month period ended 31 March 2009, agreed a revision of the terms of its banking facility, providing for facilities of £80 million to be made available to the Group until October 2012.

As a consequence of the difficult borrowing environment created by the global economic downturn and liquidity constraints in debt markets, as expected, the terms of the Bank Facility Agreement are more onerous than those of the Group's previous facilities. (Further details of the Bank Facility Agreement are set out below and will be set out in the Prospectus).

The Board believes that potential exists to restore the Group's performance to historical levels of profitability and growth. In order to create a strong platform to capitalise on future opportunities and restore Group performance, the Board proposes to raise gross proceeds of approximately £30.0 million through the Capital Raising. As set out in more detail below, the net proceeds of the Capital Raising will significantly reduce the overall interest cost to the Group (by approximately £9 million through to October 2012) under the Bank Facility Agreement and will reduce Group leverage, which will significantly improve the position of Norcros as market conditions recover.

2.2 Current banking facilities

The Bank Facility Agreement makes available to the Group:

- Facility A

A £60 million revolving credit facility, of which £25 million is available by way of ancillary facilities. Under Facility A, total cash drawings must not exceed £40 million.

This facility is subject to a margin of between 3% and 5% above LIBOR, dependent upon the Group's total net leverage. Currently, Norcros is subject to a margin of LIBOR plus 4.5%.

- Facility B

A £20 million term loan facility.

This facility is subject to a cash paid margin of 6% above LIBOR, together with rolled-up interest of between 7% and 11%. Currently, Norcros is subject to a rolled-up interest of 7%, increasing to 11% by 2012.

2.3 Use of proceeds

The Board will use the net proceeds of the Capital Raising, amounting to approximately £27.7 million to reduce the Group's borrowing under the Bank Facility Agreement. The Company will repay in its entirety the significantly more expensive Facility B in the amount of £20 million, together with all interest accrued thereon of approximately £0.5 million. Facility B, to the extent that it is repaid, cannot be re-drawn.

The remaining proceeds from the proposed Capital Raising, of approximately £7.2 million, will be used to pay down Facility A, which to the extent repaid, cannot be re-drawn.

2.4 Effects of the Capital Raising

On completion of the Capital Raising (and after the Share Sub-division):

- (a) the Firm Placed Shares will represent approximately 49.5 per cent. of the Enlarged Share Capital;

- (b) the Open Offer Shares will represent approximately 24.7 per cent. of the Enlarged Share Capital; and
- (c) the 1p Ordinary Shares which derive from the Existing Ordinary Shares as a result of the Share Sub-division will represent approximately 25.8 per cent. of the Enlarged Share Capital.

Following the issue of the New Ordinary Shares to be allotted pursuant to the Capital Raising, the interest in the Company of a Qualifying Shareholder who takes up his full entitlement under the Open Offer (but does not acquire any Excess Shares) will be diluted by approximately 49.5 per cent.,. The interest in the Company of a Qualifying Shareholder who does not take up any of his entitlement under the Open Offer will (on the same assumption) be diluted by approximately 74.2 per cent.

If the Capital Raising is approved and completed, the Board would expect the Group's overall borrowing costs to be approximately £9 million lower than they would have otherwise been under the Bank Facility Agreement for the period through to 31 October 2012.

The Directors expect that the proceeds of the Capital Raising will make a positive contribution to total earnings in the financial year ending on 31 March 2010 as a result of lower interest payments arising from reduced levels of net financial indebtedness. However, even after this saving on interest expense, the Directors expect that the increased number of Ordinary Shares in issue following the Capital Raising will reduce Norcros' reported earnings per share for the year ending 31 March 2010. These statements do not constitute a profit forecast and should not be interpreted to mean that Norcros' earnings per share in any financial period will necessarily be lesser or greater than those for the relevant preceding period.

The effect of the Capital Raising on the net assets of the Company would be to raise those net assets (which, on an unaudited basis, were approximately £44.1 million as at 30 September 2009) by the value of the net proceeds of the Capital Raising, which is expected to be approximately £27.7 million.

3 Financial information

Summary financial information for the Group for the financial years ended 31 March 2007, 31 March 2008 and 31 March 2009 and unaudited summary financial information for the six months ended 30 September 2009 is set out below:

	Audited 12 months to 31 March 2007	Audited 12 months to 31 March 2008	Audited 12 months to 31 March 2009	Unaudited 6 months to 30 September 2009
Revenue (£m)	162.4	167.9	154.2	83.0
Trading profit (pre-exceptionals) (£m)	15.3	16.0	7.0	3.5
Profit/(loss) before tax (pre-exceptionals) (£m)	7.4	13.0	2.9	(1.7)
Earnings/(loss) per share (pre-	12.8	10.7	1.0	(1.1)

exceptionals) (basic) (pence)

The Group delivered a resilient performance in the six months to 30 September 2009, against a backdrop of tough market conditions. Total revenues in the UK businesses increased by 4.2%, from £47.7m to £49.7m, in the first half of the current financial year. The business units in South Africa continue to be adversely impacted by the downturn in economic activity, recording a 6.9% decline in total revenues, on a constant currency basis, to £29.5m, in the first half of the current financial year.

4 Company description

Norcros is the holding company of the Group, whose principal activities are carried on through subsidiaries and associates engaged in the design, manufacture and sale of selected home consumer products as set out below.

In the UK, Norcros operates through three complementary businesses: Triton Showers ("Triton"), which is the UK market leader in the manufacture and marketing of domestic showers, with a leading position in electric showers and an increasing presence in mixer showers. Triton also exports to the Irish Republic and other overseas markets; Johnson Tiles which, is a leading manufacturer and supplier of ceramic tiles in the UK; and Norcros Adhesives, which is a manufacturer and supplier of adhesives, grouts, surface preparation and aftercare products for fixing porcelain and ceramic tiles, mosaics, natural stone and marble.

In South Africa, Norcros is a vertically integrated operation comprising three businesses which are based predominantly in South Africa: "Johnson" ("JTSA"), "Tile Africa" ("TAF") and "Tile Adhesives" ("TAL"), with a complementary sanitaryware offering. JTSA manufactures ceramic and porcelain tiles for supply to Tile Africa stores and other independent retailers, distributors and contractors. TAF operates a chain of retail stores. TAF sources products directly from JTSA and also from independent local and overseas manufacturers. TAL manufactures industrial, building and tile adhesives which are distributed through a range of channels, including TAF.

Elsewhere, Norcros has a wholly-owned subsidiary in Australia which sells wall and floor tiles under the "Johnson" brand. In addition, the Group has an investment in an Australian tile distributor and retailer, R J Beaumont and Co Pty Limited. In Greece, Norcros has an associate which manufactures tiles and adhesives.

Further information on the Group and its activities will be included in the Prospectus.

5 Current trading and prospects

5.1 Market conditions

The global market in which Norcros operates remains tough. The difficult trading conditions which were experienced in the second half of the last financial year have continued into the first half of the year ending 31 March 2010.

In the UK, sales in the shower and tile markets have fallen significantly over the last couple of years, with mixer shower sales declining to a much greater extent, due to their greater exposure to the new build sector. Key drivers of the shower and tile markets are housing transactions and housing starts, consumer spending and private housing repair, maintenance and improvement.

In South Africa, the tile market contracted significantly in 2008, due to the downturn in consumer spending and building activity. The Directors believe that that market will continue to fall in the current financial year, but they consider that the long term drivers of demand remain favourable.

5.2 Current trading in the UK

In the six months ended 30 September 2009, total revenues in the UK businesses increased by 4.2%, to £49.7m (£ 47.7m in the six months ended 30 September 2008). Trading profits also increased by 18%, to £5.9m in that period (£5.0m in the six months ended 30 September 2008).

Triton

Triton, the Group's market-leading domestic shower operation, delivered both a robust trading profit performance and significant cash generation, continuing to reflect the strength of its business model, brand awareness and strong customer service levels. Triton maintained its leading position in the electric shower market.

Overall revenues were lower by 0.8%, reflecting an increase in UK revenues of 4.1%, offset by a decline in exports of 20.5%. Triton's UK revenues reflected a strong performance in the trade segment relative to the same period last year and a significant improvement in retail revenues, following a reduction in the rate of destocking at a number of major accounts. The decline in export revenue, representing approximately 16% of overall revenue, reflected continuing weak market conditions in Ireland, Triton's largest export market.

Trading profits were lower than the corresponding period in 2008 and reflected changes in product and customer mix, partly mitigated by the benefits of an increase in overall revenue volumes combined with tight control of discretionary expenditure. Trading profit margins were maintained broadly in line with the prior year. New product introductions remain a key element of Triton's strategy and further significant investment in new product development and in marketing activity has been made. UK trade revenues, in particular, have benefited from the new range of Safeguard thermostatic showers and the new T80z electric shower.

Johnson Tiles

Johnson Tiles has performed well against difficult trading conditions in both the UK and its main export markets. The Directors believe that the UK tile market has experienced an overall 10% decline, with shortfalls across all sectors. Notwithstanding this, Johnson Tiles has shown resilience, reflecting strategic decisions taken in the previous year, including the investment in new inkjet product, concentrated market sector focus and significant cost reduction actions necessary to align the cost base with demand.

Overall revenues in the six months ended 30 September 2009 exceeded revenues in the same period last year by 9.6%. UK revenues increased by 11.4%, reflecting a particularly strong performance in the DIY and general retail segments, partly offset by a lower than

expected decline in the trade sector. Johnson Tiles has been targeting the private sector contracts segments, utilising both its design Studio (Material Lab) and the Absolute product range which was launched at the 100% Design exhibition last year. Export revenues (14% of the total revenue) were in line with the prior year, largely reflecting higher sales to the Middle East offset by lower sales to Ireland, Eastern Europe and France.

The business reported a trading profit in the first six months of the current financial year, which compared to a small loss in the corresponding period last year. The turnaround in performance reflects the combination of the benefits of the cost reduction initiatives implemented earlier in the year, the increased revenues in the DIY sector and lower energy costs. The success of the prior year investment in inkjet printing technology has supported further investment in this area, with a second machine installed and commissioned in August 2009.

UK Adhesives

In the UK Adhesives business, overall revenues and trading profits exceeded those in the prior year despite the challenging market conditions. This has been driven by the success of new products launched towards the end of last year, combined with gaining new accounts and tight control of costs. Underlying margins have also improved, largely reflecting the fact that in-house manufactured products now represent approximately 82% of total revenues. Further modest investment in the manufacturing facility has been made in order to increase capacity on selected lines and further efficiency upgrades will be completed by the end of the third quarter. Overall, the business continues to make good progress.

5.3 Current trading in South Africa

The Group's businesses in South Africa continue to be adversely impacted by the downturn in economic activity. Gross domestic product in South Africa contracted by 6.4% and 3.0% respectively in the first and second quarters of the current calendar year.

On a constant currency basis, the overall revenue of Norcros' South African businesses declined by 6.9%, to £29.5m, in the period from 1 April 2009 to 30 September 2009. A trading loss of £2.4m was reported, compared to a trading loss of £0.1m for the comparative period and a £1.6m trading loss in the second half of the last financial year. This was largely driven by lower sales volumes and increased overhead costs from committed investments in new and existing stores, combined with continued underperformance in the tile manufacturing unit. Reported revenues increased by 8.5%, reflecting the translation benefit of the strengthening in the South African Rand to sterling exchange rate.

Tile Africa

Revenues at Norcros' retail operation in South Africa, Tile Africa, declined by 5.2% on a constant currency basis and the business recorded a trading loss, compared to a trading profit in the comparable period last year. This largely reflected a decline in like for like retail sales of 12.4% and increased costs associated with new store openings. Notwithstanding these factors, the Group made good progress in managing costs, particularly distribution and payroll, and also in reducing working capital. Four unprofitable stores have been closed, as announced at the end of September 2009. This has resulted in an exceptional charge of £2.4m and is expected to generate cost savings of approximately £0.3m in the second half of

the financial year. No new store commitments are planned pending a recovery in market conditions.

TAL

TAL, Norcros' adhesives operation, was also impacted by the weak market conditions in South Africa and, in constant currency terms, revenues declined by 9.3%. This reflected a decline in revenues in both the tile adhesive and, to a lesser extent, the building construction segments compared to the prior financial year. The business continues to benefit from technical expertise in rapid-set, pressure sensitive and hot melt areas of application. The unit has targeted and secured significant new account gains towards the end of the half year and, combined with the launch of the new 12 hour Porcelain Fix Adhesive, the Group anticipates a stronger performance in the second half of the year. Trading profits in absolute terms were marginally lower than last year, reflecting lower revenues, margin pressures and higher input costs.

JTSA

JTSA, the Group's South African tile manufacturing business, has continued to be impacted by both weak market conditions in South Africa and lower than expected manufacturing throughput. Revenues were lower by 13.8% (on a constant currency basis), reflecting lower volumes and lower average prices. As a result, the business recorded a trading loss of £1.7m in the period compared to a trading loss of £1.3m in the last comparable period. This disappointing performance reflects the greater demand for focus on more basic entry-level product in the current market environment, clearance of discontinued product lines and a year on year decline in manufacturing volumes, the latter being driven by poor historical plant maintenance and skills shortages. Action has been taken by the Group to address the major maintenance issues and the process of up-skilling resources is in progress, with the objective of returning to historical levels of manufacturing throughput and efficiency.

A comprehensive new product development programme has been initiated to improve the existing offer by replacing our ranges with more fashionable designs. In addition the Group plans to re-introduce the manufacture of wall tiles in the second half of the year, using more modern and efficient floor tile capacity. All these actions are geared towards improving productivity and restoring plant profitability.

The Board will continue to monitor closely the performance of JTSA and remains of the view that JTSA will recover to historical levels of profitability and growth. However, if JTSA continues to record results which are below expectations, the Board will assess alternative courses of action for the business, including potential closure if turnaround cannot be achieved. This decision will be made by Norcros during the financial year ending 31 March 2011.

5.4 Current trading in the rest of the world

Norcros' Australian business, Johnson Tiles, made good progress in the six months to 30 September 2009, given the current economic environment. Revenues, on a constant currency basis, declined by 2.6% against last year, but, on a reported basis, were 2.7% higher. The business recorded a break even position, compared to a £0.2m trading loss in the comparable period last year, reflecting improved margins and the benefit of the initiatives

implemented last year to reduce operating costs. The business has also been successful in reducing inventory levels resulting in a positive operating cash performance in the period.

The performance of Philkeram Johnson, the Group's 50% owned Greek tile and adhesives associate, continues to be impacted by the prolonged downturn in local building activity levels. Revenues in the tile business declined by 19.5%, which, combined with the action taken to curtail production output as a result of the drive to reduce inventory levels and conserve cash, resulted in a higher operating loss than the comparable period.

The Philkeram Johnson adhesives operation was also affected by market conditions, with revenues 11.7% lower on a constant currency basis. Despite the volume shortfall, margins increased and, following a tight control of costs, the business recorded an operating profit marginally higher than the comparable period last year. The Group equity accounts for its share of the results of the Greek associate, and the Group's share of the post-tax loss was £1.2m (2008: £0.4m). Whilst the loss is a non-cash item, the Board, in conjunction with Norcros' local partner, is continuing to evaluate the options to realise value for this business.

5.5 Group outlook

As indicated in the Interim Results, the Board expects that the markets in which Norcros operates will continue to be adversely impacted by subdued economic activity. The Group will continue to focus on revenue generation and cash conservation and, at the same time, ensuring that its cost base remains aligned to market demand. On completion of the proposed Capital Raising, the Group's leverage and interest costs will be significantly reduced and its financial position considerably strengthened. The Board believes that this, combined with the ongoing benefits of the restructuring initiatives already in place, the success of new product launches and the Group's strong market positions, will ensure that Norcros is well positioned to benefit from the organic growth opportunities in its key markets as well as any market recovery when it occurs.

5.6 Succession planning

As part of its strategy with respect to succession planning, the Board has recently instructed a recruitment consultant to assist in the recruitment of a Chief Operating Officer. The appointee may be recruited from within the Group or externally, and it is hoped that he or she will be appointed as an employee of Norcros by mid-2010.

6 Retirement benefit obligations

The UK companies in the Group participate in the Pension Scheme. A recent actuarial valuation of the Pension Scheme found it to be in deficit by approximately £36m as at 1 April 2009. This actuarial valuation is required to be lodged with the Pensions Regulator by 30 June 2010. A memorandum of understanding has been signed by the Company and the trustee of the Pension Scheme under which no changes will be made to the Company's deficit recovery contributions to the Pension Scheme for five years. Amounts totalling £2m are to be paid by the Company towards deficit recovery during the two years ending 31 March 2012 under the terms of a recovery plan which followed the 2006 actuarial valuation of the Pension Scheme. The memorandum of understanding contemplates the Company making additional deficit recovery contributions to the Pension Scheme of £275,000 per quarter between the quarters ending 30 June 2015 and 31 March 2022. The Interim Results show a deficit in the

Pension Scheme as at 30 September 2009 of £7.9 million, assessed in accordance with IAS 19.

The executive Directors regularly monitor the funding position of the Pension Scheme and they are represented on both the board of directors of the trustee of the Pension Scheme and its investment sub-committee in order to monitor and assess investment performance and other risks to the Group.

7 Dividends and dividend policy

Pursuant to the terms of the Bank Facility Agreement, the Company is prevented from paying dividends until the ratio of its Net Debt to its EBITDA is reduced to below 2.5x in the relevant period and Facility B has been repaid in full. The Company announced today that it did not intend to pay an interim dividend for the half year ended 30 September 2009. Subject to the successful completion of the Capital Raising and to trading and outlook, it is the Board's current intention to return to a progressive dividend policy within the restrictions of the Bank Facility Agreement.

8 Details of the Capital Raising

8.1 Structure

The Board has given consideration to how to structure the proposed equity fundraising, having regard to current market conditions, the composition of the Company's Shareholder register, the level of the Company's share price and the importance of pre-emption rights to Shareholders. After considering these factors, the Board has concluded that the structure of the Capital Raising by way of the Firm Placing and the Placing and Open Offer is the most suitable option available to the Company and its Shareholders as a whole. The Open Offer provides an opportunity for all Qualifying Shareholders to participate in the fundraising by acquiring Open Offer Shares pro rata to their current holding of Existing Ordinary Shares and (other than Lifestyle Investments, which has undertaken to procure that the Lifestyle Nominee does not make any application under the Excess Application Facility), through the Excess Application Facility, to apply for Excess Shares.

Norcros is proposing to raise approximately £27.7 million (net of expenses) by way of the Capital Raising. The Issue Price represents a discount of approximately 13.9 per cent. to the Closing Price of 8.13 pence per Existing Ordinary Share on 11 November 2009 (being the last dealing day before this announcement). That discount has been set based on the Board's assessment of market conditions following discussions with a number of institutional investors, and has been determined in order to obtain the level of funds required by the Company under the Capital Raising. Given that the Issue Price represents a discount of greater than 10 per cent. to the Closing Price of the Existing Ordinary Shares on 11 November 2009, the Company is required, under the Listing Rules, to seek the approval of its Shareholders for the issue of the New Ordinary Shares at that discount. Accordingly, the General Meeting will consider, amongst other things, the approval of the issue of the New Ordinary Shares at that discount.

Save in respect of the Open Offer Shares and Firm Placed Shares which Lifestyle Investments has, under the Lifestyle Irrevocable, undertaken to take up or procure that the Lifestyle Nominee takes up, the Open Offer and Firm Placing are being underwritten by Oriel

pursuant to the Sponsor, Placing and Underwriting Agreement, the principal terms and conditions of which will be summarised in the Prospectus.

The Share Sub-division

The Companies Act 2006 prevents the Company from issuing any share at a subscription price which is less than the nominal value of that share. Therefore, the Company cannot issue 10p Ordinary Shares for less than 10p each. The Closing Price of a 10p Ordinary Share on 11 November 2009 (being the last Business Day prior to this announcement) was 8.13p. As the Company is therefore prohibited from issuing 10p Ordinary Shares at the Issue Price, the Company proposes to divide each 10p Ordinary Share into one 1p Ordinary Share and one Deferred Share (the Deferred Shares each having a nominal value of 9p). Save for their nominal value, the 1p Ordinary Shares (including the New Ordinary Shares to be issued pursuant to the Capital Raising) will be identical to the 10p Ordinary Shares. Immediately following the Share Sub-division, each Shareholder will hold the same number of 1p Ordinary Shares as the number of 10p Ordinary Shares which he held immediately before the Share Sub-division.

Following the passing of Resolution 2 at the General Meeting, the underlying interests of Shareholders in the assets and profits of the Company will not be affected by the Share Sub-division and the 1p Ordinary Shares will have the same rights as the 10p Ordinary Shares. As a guide, but subject to market fluctuations in the Company's share price and the effects of the Capital Raising on that share price, the Share Sub-division should result in the market price for each 1p Ordinary Share immediately after the Share Sub-division being the same as the market price for the 10p Ordinary Shares immediately before the Share Sub-division.

The Deferred Shares (the rights and obligations attaching to which will be set out in Resolution 1) will effectively be worthless and will be capable of being purchased by the Company for an aggregate consideration of one penny. No share certificates will be issued in respect of the Deferred Shares. The Deferred Shares will not be admitted to the Official List nor to trading on any market of the London Stock Exchange or of any other stock or investment exchange. The Board proposes that the Company will, at a later date, purchase and cancel all of the Deferred Shares for an aggregate sum of one penny, in order to simplify the Company's share capital following the Share Sub-division.

8.2 The Firm Placed Shares

The Firm Placed Shares represent approximately 66.7 per cent. of the New Ordinary Shares and will represent approximately 49.5 per cent. of the Enlarged Share Capital immediately after the Capital Raising. The Firm Placed Shares (other than those to be issued to Lifestyle Investments) will be conditionally placed firm by Oriel at the Issue Price with institutional and other investors, conditional, inter alia, on Admission. The Firm Placed Shares will not be subject to clawback by Qualifying Shareholders and will not form part of the Open Offer.

Save in respect of the Firm Placed Shares which Lifestyle Investments has, under the Lifestyle Irrevocable, agreed to take up, the Firm Placing is being underwritten by Oriel pursuant to the Sponsor, Placing and Underwriting Agreement, the principal terms and conditions of which will be summarised in the Prospectus.

The Issue Price of 7 pence per New Ordinary Share represents a discount of 13.9 per cent. to the Closing Price of 8.13 pence per Existing Ordinary Share on 11 November 2009 (being the last Business Day prior to this announcement).

The Firm Placing includes the placing of 85,487,247 Firm Placed Shares to Lifestyle Investments. Under the Listing Rules, Lifestyle Investments is a related party of the Company and the Lifestyle Firm Placing is a related party transaction which will need the approval of a simple majority of the Independent Shareholders who vote. This approval is being sought pursuant to the Related Party Resolution to be proposed at the General Meeting.

8.3 The Open Offer Shares

The Open Offer Shares represent 33.3 per cent. of the New Ordinary Shares and will represent approximately 24.7 per cent. of the Enlarged Share Capital. The Open Offer Shares (other than the Open Offer Entitlement of Lifestyle Nominee, which Lifestyle Investments has, under the Lifestyle Irrevocable, undertaken to procure that the Lifestyle Nominee takes up in full) will be conditionally placed by Oriel with institutional and other investors, subject to clawback to satisfy valid applications from Qualifying Shareholders under the Open Offer.

Qualifying Shareholders are being given the opportunity to subscribe under the Open Offer for Open Offer Shares at the Issue Price payable in full on application and free of expenses, pro rata to their holdings of Existing Ordinary Shares, on the following basis:

0.96 Open Offer Shares for every 1 Existing Ordinary Share

held by them and registered in their names at the Record Date and so in proportion to any other number of Existing Ordinary Shares then held, rounded down to the nearest whole number of Open Offer Shares.

Qualifying Shareholders are also being given the opportunity to apply for Excess Shares through the Excess Application Facility, details of which are set out below. Lifestyle Investments has, under the Lifestyle Irrevocable, undertaken to procure that the Lifestyle Nominee does not make any application for Excess Shares under the Excess Application Facility in order to avoid a requirement under the City Code for Lifestyle Investments to make an offer for all of the issued shares in the capital of the Company not held by it.

Fractions representing New Ordinary Shares which would otherwise have arisen will not be allotted to Qualifying Shareholders, but will be aggregated and subscribed under the Placing or by Oriel for the benefit of the Company.

The Open Offer is not a “rights issue”. Invitations to apply under the Open Offer are not transferable unless to satisfy bona fide market claims. The Application Form is not a document of title and cannot be traded. Qualifying Shareholders should be aware that, in the Open Offer, unlike in the case of a rights issue, any Open Offer Shares not applied for under the Open Offer will not be sold in the market or placed for the benefit of Qualifying Shareholders, but will be taken up under the Placing or by Oriel, with the proceeds retained for the benefit of the Company.

Details of the Open Offer and the terms and conditions on which it is being made, including the procedure for application and payment, will be contained in the Prospectus and, additionally in the case of Qualifying non-CREST Shareholders only, in the accompanying Application Form. In order to be valid, it is expected that Application Forms (duly completed)

and payment in full for the Open Offer Shares applied for, should be delivered to Capita Registrars, at Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU by post or (during normal business hours only) by hand as soon as possible, but, in any event, so as to arrive by no later than 11 a.m. on 30 November 2009.

For Qualifying CREST Shareholders, it is expected that the relevant CREST instructions must have settled (as will be explained in the Prospectus) by no later than 11.00 a.m. on 30 November 2009.

8.4 The Excess Application Facility

The Excess Application Facility will enable Qualifying Shareholders, provided that they take up their Open Offer Entitlement in full, to apply for Excess Shares through the Excess Application Facility, up to a maximum number of Excess Shares equal to 12 times the number of Existing Ordinary Shares held in such Qualifying Shareholder's name as at the Record Date, subject to availability. Qualifying non-CREST Shareholders who wish to apply to acquire more than their Open Offer Entitlement should complete the relevant sections of the Application Form. Qualifying CREST Shareholders will have Excess CREST Open Offer Entitlements credited to their stock account in CREST and should refer to paragraph 4 of Part 5 of the Prospectus for information on how to apply for Excess Shares pursuant to the Excess Application Facility. If applications under the Excess Application Facility are received for more than the total number of Open Offer Shares available following take up of Open Offer Entitlements, such applications will be scaled back pro rata to the number of Excess Shares applied for by Qualifying Shareholders under the Excess Application Facility.

Lifestyle Investments has, under the Lifestyle Irrevocable, undertaken to procure that the Lifestyle Nominee does not make any application for Excess Shares under the Excess Application Facility.

The aggregate number of Open Offer Shares available for acquisition pursuant to the Open Offer will not exceed 142,804,496 New Ordinary Shares.

8.5 General

Save for their nominal value, the New Ordinary Shares to be issued pursuant to the Capital Raising will be identical to the Existing Ordinary Shares. Following Admission, the New Ordinary Shares will be identical to, and will rank pari passu in all respects with, the other 1p Ordinary Shares then in issue and will carry the right to receive all dividends and distributions declared, made or paid on or in respect of the 1p Ordinary Shares after Admission.

The Company has arranged for the Open Offer (excluding the participation by the Lifestyle Nominee in the Open Offer) to be fully underwritten by Oriel in order to provide certainty as to the amount of capital to be raised. A summary of the material terms of the Sponsor, Placing and Underwriting Agreement will be set out in the Prospectus. Rothschild is acting as sponsor in relation to the Capital Raising. Oriel is acting as sole bookrunner, underwriter and broker to the Company in relation to the Capital Raising.

8.6 Conditionality

The Firm Placing and the Placing and Open Offer are inter-conditional and are conditional on:

- (a) the passing of all of the Resolutions at the General Meeting;
- (b) the Sponsor, Placing and Underwriting Agreement having become unconditional in all respects, other than in relation to Admission; and
- (c) Admission becoming effective on or before 8.00 a.m. on 4 December 2009 (or such later date and/or time as the Company, Rothschild and Oriel may agree, being no later than 8.00 a.m. on 16 December 2009).

If any of those conditions is not satisfied, the Capital Raising will lapse, any Open Offer Entitlements and Excess CREST Open Offer Entitlements admitted to CREST will, after that time and date, be disabled and application monies under the Open Offer will be refunded to the applicants, by cheque (at the applicant's risk) in the case of Qualifying non-CREST Shareholders and by way of a CREST payment in the case of Qualifying CREST Shareholders, in each case without interest, as soon as practicable thereafter.

It is expected that Admission will become effective, that dealings in the New Ordinary Shares will commence by 8.00 a.m. on 4 December 2009 and that the latest time and date for acceptance and payment in full for the Open Offer Shares will be 11.00 a.m. on 30 November 2009.

8.7 Application for Admission

Application will be made to the UK Listing Authority for the New Ordinary Shares to be listed on the Official List and to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on the London Stock Exchange's main market for listed securities.

9 Related party transaction

Lifestyle Investments has indicated its ongoing support for the Group through its shareholding in the Company and its participation in the Capital Raising. Lifestyle Investments is a related party (as defined by the Listing Rules) of Norcros because its shareholding is in excess of 10 per cent. of the Company's existing issued share capital. Pursuant to the Lifestyle Irrevocable, Lifestyle Investments has irrevocably committed to:

- (a) subscribe for 85,487,247 Firm Placed Shares under the Firm Placing;
- (b) procure that the Lifestyle Nominee takes up its Open Offer Entitlement in full; and
- (c) procure that the Lifestyle Nominee does not make any application for Excess Shares under the Excess Application Facility,

in order to ensure that Lifestyle Investments' percentage interest in the share capital of the Company is not diluted or increased by the Capital Raising.

Lifestyle Investments has also undertaken, pursuant to the Lifestyle Irrevocable, to procure that the Lifestyle Nominee votes in favour of all of the Resolutions at the General Meeting, with the exception of the Related Party Resolution for the reason set out below. The participation by Lifestyle Investments in the Firm Placing is a related party transaction under the Listing Rules which requires the approval of Independent Shareholders. Accordingly, the Lifestyle Nominee will not vote on the Related Party Resolution and Lifestyle Investments has undertaken to take all reasonable steps to ensure that its associates (as defined in the Listing

Rules) will not vote on that Resolution. As the Capital Raising is conditional on the passing of all Resolutions, if the Related Party Resolution is not approved by Independent Shareholders, the Capital Raising will not proceed. The Lifestyle Irrevocable will be summarised in the Prospectus.

The Board, which has been so advised by its financial adviser, Rothschild, considers the participation of Lifestyle Investments in the Firm Placing to be fair and reasonable as far as Shareholders are concerned. In providing advice to the Board, Rothschild has taken into account the commercial assessment of the Board. Neither Lifestyle Investments nor Vijay Aggarwal has taken part in the Board's consideration of the Lifestyle Firm Placing.

10 Proposals to be voted on at the General Meeting

The Prospectus will contain a notice convening the General Meeting which is expected to be held at the offices of Addleshaw Goddard LLP at 100 Barbirolli Square, Manchester, M2 3AB on 30 November 2009 at 11.00 a.m. The following Resolutions will be proposed at the General Meeting:

1 A special resolution to amend the Articles ("Resolution 1")

If passed, Resolution 1 will make two principal amendments to the Company's articles of association which are required in order to effect the Capital Raising:

- (a) to delete the provision of the company's articles of association setting the maximum amount of shares that can be allotted by the company; and
- (b) to insert the rights and obligations attaching to the Deferred Shares into the Articles, together with related defined terms.

2 An ordinary resolution to approve the Share Sub-division ("Resolution 2")

Resolution 2 will seek approval of the division of each 10p Ordinary Share into one 1p Ordinary Share and one Deferred Share, which is required in order to effect the Capital Raising.

3 An ordinary resolution to authorise the Directors to allot the New Ordinary Shares in connection with the Capital Raising ("Resolution 3")

Resolution 3 will seek authority to enable the Directors to allot the New Ordinary Shares pursuant to the Capital Raising.

4 A special resolution to disapply shareholders' pre-emption rights in respect of the allotment of the New Ordinary Shares under the Capital Raising ("Resolution 4")

Resolution 4 will, if passed, disapply statutory pre-emption rights in relation to the allotment of the New Ordinary Shares pursuant to the Capital Raising.

5 An ordinary resolution to approve the Issue Price and the Capital Raising generally ("Resolution 5")

The discount of the Issue Price to the Closing Price for a 10p Ordinary Share on the Business Day immediately preceding the date of the Prospectus is approximately 13.9 per cent.. As that discount is more than ten per cent, approval of it by Shareholders at the General Meeting is required under Listing Rule 9.5.10R.

Resolution 5 will therefore approve the issue of the New Ordinary Shares at the Issue Price. It will also approve the Capital Raising generally and gives the Directors the power to implement it.

6 An ordinary resolution to approve the issue of 85,487,247 Firm Placed Shares to Lifestyle Investments ("Resolution 6")

As required by the Listing Rules, Resolution 6 will seek approval of the issue of 85,487,247 Firm Placed Shares to Lifestyle Investments under the Firm Placing in accordance with the Lifestyle Irrevocable. Those Firm Placed Shares have been irrevocably applied for by Lifestyle Investments, conditional only upon the Capital Raising becoming unconditional. Lifestyle Investments has, under the Lifestyle Irrevocable, undertaken to procure that the Lifestyle Nominee does not vote on this Resolution and to take all reasonable steps to ensure that the associates (as defined in the Listing Rules) of Lifestyle Investments will not vote on it.

7 An ordinary resolution to authorise the Directors to allot shares outside of the Capital Raising ("Resolution 7")

Resolution 3 will replace the existing routine annual share allotment authority which was conferred upon the Directors by Shareholders at the Company's 2009 annual general meeting, to the extent that that authority is unused. Accordingly, and because the share allotment authority conferred by Resolution 3 will be limited to use in connection with the Capital Raising, Resolution 7 will also be proposed and will, if passed, confer upon the Directors a new routine authority to allot shares which is in addition to the specific authority to be conferred by Resolution 3.

8 A special resolution to disapply shareholders' pre-emption rights in respect of the allotment of shares outside of the Capital Raising ("Resolution 8")

Resolution 4 will replace the existing routine annual disapplication of statutory pre-emption rights when shares are allotted which was approved by Shareholders at the Company's 2009 annual general meeting, to the extent that that disapplication is unused. Accordingly, and because the disapplication effected by Resolution 4 will be limited to use in connection with the Capital Raising, Resolution 8 will also be proposed and will, if passed, effect a new routine disapplication which will be in addition to the specific disapplication to be effected by Resolution 4.

Each Resolution is conditional on the passing of all of the other Resolutions. The Capital Raising is therefore conditional, inter alia, on the passing of all of the Resolutions.

11 Overseas Shareholders

The attention of Qualifying Shareholders who have registered addresses outside the UK, or who are citizens or residents of countries outside the UK, or who are holding Ordinary Shares for the benefit of such persons (including custodians, nominees, trustees and agents), or who have a contractual or other legal obligation to forward the Prospectus or the Application Form to such persons, is drawn to the information which will appear in paragraph 8 of Part 5 of the Prospectus.

12 Norcros Employee Share Schemes

Participants in the Norcros Employee Share Schemes will be advised separately of any adjustments to their share option(s)/award(s) as a consequence of the Capital Raising.

13 UK taxation in respect of the Open Offer

The Prospectus will contain basic guidance regarding UK taxation in respect of the Open Offer. If you are in any doubt as to your tax position, you should consult your own professional adviser without delay.

14 Further information and risk factors

Your attention is drawn to the further information to be set out in the Prospectus. You should read the whole of the Prospectus and not rely solely on the information set out in this announcement. In addition, your attention is drawn to the additional financial and other information to be set out in Parts 6 to 9 inclusive and 11 of the Prospectus and, in particular, the section in Part 2 of the Prospectus headed "Risk Factors" should be considered carefully.

15 Action to be taken

15.1 General Meeting

A Proxy Form for use at the General Meeting will be sent to Shareholders with the Prospectus. Whether or not Shareholders intend to be present at the meeting, it is expected that the Proxy Form should be completed in accordance with the instructions to be stated in it and returned by post or (during normal business hours only) by hand to Capita Registrars at Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU as soon as possible, but, in any event, so as to be received by no later than 11.00 a.m. on 28 November 2009. In addition, Shareholders (including Shareholders who hold their Existing Ordinary Shares in certificated form) may submit a Proxy Form via the internet by accessing the Registrar's website at www.capitashareportal.com.

CREST members who wish to appoint one or more proxies through the CREST system may do so by using the procedures described in "the CREST voting service" section of the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed one or more voting service providers, should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

The completion and return of a Proxy Form or the submission of a Proxy Form on the Registrar's website or use of the CREST electronic appointment service will not preclude a Shareholder from attending the General Meeting and voting in person, if you he so wishes.

15.2 Open Offer

It is expected that Qualifying non-CREST Shareholders wishing to apply for Open Offer Shares must complete the Application Form which will be enclosed with the Prospectus in accordance with the instructions to be stated in it and the instructions in paragraph 3 of Part 5 of the Prospectus and return it, with the appropriate payment, to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU so as to arrive no later than 11 a.m. on 30 November 2009.

Qualifying CREST Shareholders will receive a credit to their appropriate CREST stock account in respect of their Open Offer Entitlements and CREST Excess Open Offer Entitlements. They should refer to the procedures for application in paragraph 4 of Part 5 of the Prospectus and should refer to their CREST sponsors regarding the action to be taken in connection with the Prospectus and the Open Offer.

If a Qualifying Shareholder does not wish to apply for any Open Offer Shares under the Open Offer, he should not complete or return the Application Form. Shareholders are nevertheless requested to complete and return the Proxy Form.

If any Shareholder is in any doubt as to the action to be taken, he should immediately seek his own financial advice from his stockbroker, bank manager, solicitor or other independent professional adviser duly authorised under FSMA who specialises in advice on the acquisition of shares and other securities.

16 Directors' recommendations

16.1 The Lifestyle Firm Placing

The Board, which has been so advised by its financial adviser, Rothschild, considers the participation of Lifestyle Investments in the Firm Placing to be fair and reasonable as far as Shareholders are concerned. In providing advice to the Board, Rothschild has taken into account the commercial assessment of the Board. Neither Lifestyle Investments nor Vijay Aggarwal has taken part in the Board's consideration of the Lifestyle Firm Placing.

Lifestyle Investments has, under the Lifestyle Irrevocable, undertaken to procure that the Lifestyle Nominee does not vote on the Related Party Resolution and to take all reasonable steps to ensure that the associates (as defined in the Listing Rules) of Lifestyle Investments will not vote on that Resolution.

16.2 The Capital Raising

The Board, which has received financial advice from Rothschild, considers that the Capital Raising and the passing of all of the Resolutions (including the Related Party Resolution) are in the best interests of the Company and its Shareholders as a whole. In providing advice to the Board in respect of the Capital Raising, Rothschild has relied upon the Board's commercial assessments of the Group's funding requirements.

The Board thus unanimously recommends that Shareholders vote in favour of all of the Resolutions to be proposed at the General Meeting, as the Directors (except for Vijay Aggarwal in relation to the Related Party Resolution) intend to do in respect of their own beneficial shareholdings, amounting, in aggregate, to approximately 5.97 per cent. of the Company's existing issued share capital in respect of Resolutions 1 to 5 (inclusive), 7 and 8 and approximately 5.97 per cent. of the Company's existing issued share capital in respect of the Related Party Resolution.

