Celotex Limited

Budget 2014

Les Miroirs, 15th October 2013
For the Celotex budget review this year there are 3 main sections we would like to get through today and cover in some detail.

Firstly we will overview safety progress and our plans for 2014. I will then cover a brief review of 2013 and our RF3 position before moving on to a review of the 2014 key financials.

In section 3 we will then move onto reviewing our key messages for 2014, namely;
- Forecast market growth and the competitive arena for the PIR industry in the UK – reviewing how this impinges on Celotex as we move into 2014
- The reliance on our push strategy and in particular the fact that our Top 3 customers account for nearly 92% of our business.
- And then last but not least the fact that from a plant capacity perspective we are at a critical tipping point at current volumes, which will be exacerbated as we grow in 2014. We will review our plans to improve efficiencies, current capacity bottlenecks together with the actions underway to address these and the impact of a third shift implementation if required.

Given the significance of these key messages and the potential impacts on the business it may be that we get no further than this point given today's time allocation – I trust that this is ok with everyone given as I say the importance to focus on these areas.

There is of course much more in the presentation that details thoroughly our 2014 plans and actions should you have any specific questions.

Produced on behalf of Celotex Limited
Safety - EHS
For safety we have now achieved 6 Months TF1 and TF2 free. For TF3 our rate is running at 96, with 11 incidents in 2013 ytd. This number is very significantly up on previous years as we encourage reporting and raise the profile of safety.

The TF1 and TF2 result has been achieved through a much greater focus on safety across the entire business, but especially within the operations area through the early months. SMAT’s where we have completed 98 up to the end of Sept. have been a significant contributing factor as has communication and training.

Our clear priorities for 2014 are LOTO, pedestrian segregation and control of contractors. Improvements in these areas will be supported by a continuing drive on behavioural safety.

On our pre 20 step audit we scored a D this year, scoring well on the conventional safety areas such as legal compliance etc. For the Q3 2014 audit we are targeting a B Grading and have set out a roadmap to achieve this.
On the conventional side of the audit we scored well, but for the participation elements of the audit as expected we scored less well. This is not surprising given the change in safety culture we are setting out to achieve.

As such a significant part of our roadmap to the grade B target is focused on these areas, including the development of risk assessments that engage employees, more structured and inclusive approach to incident investigation and development of the behavioural safety programme which we commence in November of this year.

To summarise – very good progress on safety in 2013 with a very willing team that is keen to deliver a safer working environment. But unquestionably we have a long way to go with continued investment being required alongside the employee inclusive approach we are adopting.
## Industrial Hygiene

### Comments
- No reported cases
- TAS - no toxic substances
- Pentane - fully compliant
- PPE review Q3 – implementation Q1 '14
- Glove enforcement
- Noise survey - July
- EHS Day – 13th Nov.
- Training
  - MDI
  - Face-fit (mask)
  - Fire
  - Pentane

### 2014 Actions
- Alternate to Methylene Chloride to be assessed
- New work-wear programme – Q1
- Shot-blasting for nozzle being assessed
- PPE upgrade – Q1
- Dust minimisation on SBS – Q1
- COSHH / SafeHear

For industrial hygiene we have no reported cases and have carried out training in a number of areas to raise the profile.

For 2014 we need to find an alternative cleaning material to methylene chloride and solve our dust issues in some areas of the plant.

In Q1 we are launching a new workwear programme and upgrading our PPE to ensure maximum employee protection.
With respect to the environment the site is ISO14001 compliant and we have no reported incidents to date.

Our main priorities for next year are to source alternative waste management options from that of landfill as clearly these are likely to be more environmentally friendly and less exposed to increasing landfill costs.

We are also working with our suppliers to stay close on their development work around more eco-friendly raw materials.
Executive Summary
As you know the first half of the year was impacted by a very slow quarter 1, predominantly down to the very bad weather, and also a slow start to the housing market.

Underlying prices have fallen by just over 2.0% verses Q3 2012 prices as competitors lowered pricing to gain volume and further commoditisation of the GA range continued to impact. Foreign exchange rates very significantly impacted our year on year results and of course our predicted outturn verses budget. With a euro exchange budgeted at 1.24 verses a forecast realised rate of 1.19. For the end of the year we estimate the impact to be some £2.5M, exclusive of the price increase recovery. At both the Q1 stage we were therefore less than 80% of budget.

H2 has seen stronger market conditions as housing starts have increased and our key customer relationships have stabilised after initial concerns around the acquisition. This has seen SIG raise to an over 30% yoy improvement and TP up 13%.

In a year where integration and consolidating our customer base has been vital, with the actions we have taken and the plans we put in place at the beginning of the year we forecast that we will grow 0.7% above the market - a very strong achievement against this backdrop and the general economy in H1.

Sales are forecast to finish at £3.7M above budget with volumes at the budgeted level of 41.8M. To achieve this price incentives are being put in place for the final months of the year aimed at preventing customer switching as rebate targets are hit. With the uplift in volume and a targeted improvement in our operational efficiencies we are forecasting a year end OP of £5.266M – improving our year end position to 95% of budget from the less than 80% position at the end of H1.
In the first year as a Saint-Gobain business we have achieved a number of successes, not least being the stabilisation of our customer base and from there the high growth achievements within our Top 3. For the first time ever we negotiated a two year deal with TP that takes us through to the end of 2014. Given the success of this we will attempt to achieve the same with SIG in the forthcoming negotiations.

We announced the price increase into the market in February which then went live in May. This has now settled in the market and we have realised a 72% retention from this.

As we look to drive our strategy of a push and segmented approach we have launched a new website that provides us much greater feedback from our customers. We have also relaunched our CRM system to support a stronger specification approach. These are initial steps in our long term development but crucial foundations from which we can build.

We have many opportunities facing us as a business for both efficiency improvement and business development. To achieve these and build a long term sustainable competitive advantage for Celotex we need to put the right resources in place, up-skill our employees to meet the high demands and ensure that we provide an environment where the very good people that we have can focus on business critical areas such as R&D, WCM and Innovation.
If we now turn our attention to 2014.

Construction growth in the UK is forecast at 1.4% excluding infrastructure, after a contraction of some 2.5% in 2013.

From a growth rate of 6.5% in 2013 we are forecasting that the PIR market will grow by a further 8.0% next year. This will be driven significantly by the planned growth in housing starts which are set to increase also by 8% next year.

Although Part L has not come through as we had hoped for this year, impacting all of the insulation industry, the fabric first approach that is becoming more prominent is good news for Celotex.

As always there a number of risks that we need to be cognisant of, but as we look toward 2014 the two most significant of these for Celotex are pricing, from both the perspective of further commoditisation and exposure on our price legitimacy as we seek to gain new customers, then our exposure to fx, particularly the Euro.
Our top priorities for 2014 are absolutely clear and are detailed here and through the rest of the presentation – so I will not dwell on them at this stage.

With respect to the key business results for 2014 we are targeting volumes to raise from 41.8M m2 to 45.7M m2 with a revenue growth of £9.6M year on year. This will see us improve operating profit by 34% to £7.1M and realise a cash generation of £6.3M.

To achieve the growth rates of over 9% on volume and over 10% on revenue as well as ensure that we can hit sales demand from the factory and to achieve our longer term strategic aims we need to invest in resources and the plant.

For direct labour we need to recruit an additional 16 people, this coming from 13 new recruits, with 3 positions being found through existing manning as we deliver efficiency improvements. This includes 4 personnel as new foam head operators as we look to upskill this role and plan to meet the need for 3 shift working. Paul will detail the other 9 positions later.

On the indirects the recruitment plan is aimed at meeting our strategic drive into more specification work, challenging kingspan harder in this space, ensuring that we stay market leader in marketing through a segmented approach, that we allocate appropriate time and resources to R&D and finally that we meet the growing demands of our customers in both technical and customer services.

These recruitments have been phased through the year and will be actioned as we see the planned growth coming through.
With our growth in sales to £98.3M our overheads will increase by 800k from RF3 but remain at the 6% of turnover level. At 7.1M profit our return on sales increases from 5.9% in 2013 to 7.2% for 2014.

This year we plan to spend our 1.2M of capex, increasing this as indicated in the long range plan to 1.9M in 2014. These monies will be used to address safety issues in the plant, improve plant efficiencies and product quality as well as address the under investment from the past.

Working capita days increase from a budgeted 14.1 to 16.9 through a 0.5M increase in stocks, the debtor impact post May price increase, partially offset by a 0.3M improvement in the creditor position.

For 2014 we are targeting a reduction in working capital days down to 13.8 as we will seek to hold stock position at RF3 levels, improve debtor days down to 29.2 and hold trade creditor and rebates at RF3. Achieving these targets will see us improve from a 5.5M free cash flow to 6.3M.

ROI for the business returns to the 40% level for budget 2014, with the movements from 2012 being down to the 0.1M reduction in OP and our fixed asset base increasing by £1.3M, these two factors giving a negative 3.7% impact, then offset by a working capital improvement of 1.8%.

At £2.4M NPD will account for 3.4% of turnover for 2014.

For 2013 our operating working capital is at £+0.6M, with 0.3M coming from debtor reduction, +0.5M on creditors and year end stocks impacting by negative 0.3M as we plan to build for strong Q1.
If we now look at the sales evolution.

From the 2012 turnover of £82.7M to the forecast Rf3 of £88.7M we will have delivered a 7.2% growth, which is coming from a net improvement in price of £1.0M and a 6.5% improvement in volume. Price is being driven by the reduction we have seen in our commodity products as low cost suppliers reduce the effective market price, offset by the 5.76% increase realised from the market. This went in in May but took a number of months to get up to this level. The volume improvement will deliver 4.9M of additional sales in the year.

For 2014 we aim to deliver over 1.4M in sales growth from price, 0.8M from mix and 7.4M in volume. The £7.4M is being delivered through the 3.9Mm2 growth, while the mix effect is coming from the planned new product introductions. The price impact is being driven by the 5% increase we have budgeted for April, with a 3.2% retention, a 12% price reduction on our plasterboard liner products as we have increased competition in the market, and a reduction forecast reduction in net pricing of 1.25% to drive both share and volume growth in our key customers.
Taking now our profit bridge for RF3 to budget 2014.

From our base of 5.3M the targeted volume increase will improve our profit by £1.8M with then a further £0.4M coming from the 2.4M of npd turnover.

The price increase from 2013 will deliver an additional £1.1M in 2014 for the period Jan to May and the planned increase for 2014 a further £2.5M. This will be offset by the reduction in PL pricing that I mentioned previously and pricing / rebate increases for the GA commodity products.

Inflation impacts by a negative £1.2M coming from a worsening fx rate, freight charges increasing and direct wage inflation of £60k.

For WCM we will focus on the safety and reliability pillars for 2014 and target these delivering us 1.0m in savings. To meet the demands of our safety standards we are budgeting 75k next year, a 100k impact on our waste management as we look to meet environmental standards external storage costing us a further 200k as to meet the expected sales demands and the closure of the Hennecke as the new packaging line is installed.

On overheads the main movements are recharges at a total of £169k, R&D costs increasing as we look to carry out more testing and approvals for NPD, increased A&P spend to deliver against our specification and segmentation strategy as well as launch the planned new products.

Overall these movements lead to a 34% improvement in OP to £7.1M
Budget 2014
Key Messages
Market & Competitor Mapping
## UK Construction & Insulation Markets

### Growth vs. 2012

<table>
<thead>
<tr>
<th>Category</th>
<th>2013</th>
<th>Growth vs. 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing Completions</td>
<td>139,000</td>
<td>3.0%</td>
</tr>
<tr>
<td>Construction Market (£B)</td>
<td>84.748</td>
<td>-2.5%</td>
</tr>
<tr>
<td>Insulation Market (£M)</td>
<td>692.654</td>
<td>-7.5%</td>
</tr>
<tr>
<td>PIR Market (£M)</td>
<td>271.691</td>
<td>6.5%</td>
</tr>
<tr>
<td>Celotex (£M)</td>
<td>88.665</td>
<td>7.2%</td>
</tr>
</tbody>
</table>

### Growth vs. 2013

<table>
<thead>
<tr>
<th>Category</th>
<th>2014</th>
<th>Growth vs. 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing Completions</td>
<td>150,000</td>
<td>7.9%</td>
</tr>
<tr>
<td>Construction Market (£B)</td>
<td>85.957</td>
<td>1.4%</td>
</tr>
<tr>
<td>Insulation Market (£M)</td>
<td>720.486</td>
<td>4.0%</td>
</tr>
<tr>
<td>PIR Market (£M)</td>
<td>293.426</td>
<td>8.0%</td>
</tr>
<tr>
<td>Celotex (£M)</td>
<td>98.265</td>
<td>10.8%</td>
</tr>
</tbody>
</table>

[celotex.co.uk](http://celotex.co.uk)
## Market Drivers

### Construction Market (1.4%)
- Rising optimism for sustained UK economic recovery
- Construction market growth of 2.2% in 2014 (1.4% exc. infrastructure)
- Continued positive impacts of govt policies for housing demand
- Other sector growth remains mainly within infrastructure

### Insulation Market (+4.0%)
- Housing completions to increase 8% in 2014
- Maintaining trend for more semi-detached / detached properties
- Green Deal & ECO programmes not at the expected pace for 2013
- Delay in Part L 2013 implementation until April and with lower CO2 improvements than previous years

### PIR Market (+8.0%)
- Private housing opportunities for key application areas
- Focus from housebuilders on envelope performance and not each application
- Switching insulation materials within housebuilder specifications unlikely
- Expected threat from fibre insulation within selected new build applications
- New regulations generally favour rigid foam providers over other insulant types

### Celotex (+10.8%)
- Launch of new products into selected applications
- Extension of value added offering with clear route for spec driven sales
- Strong relationships with national housebuilders
- ECO solutions ready for roll out from Q1 2014
## Capacity Map

<table>
<thead>
<tr>
<th>Competitor</th>
<th>Strategy</th>
<th>Cap (Mil m³)</th>
<th>Vol (Mil m³)</th>
<th>Channel</th>
<th>Cost Position</th>
<th>Cx Combat</th>
</tr>
</thead>
</table>
| Kingspan        | Pull Through Differentiated Specification | 0.6          | 0.66         | Distributors Direct | High          | • Spec. sales resource 2014  
• Leverage 5000 series  
• Segmented approach  
• Product quality |
| Eco-Therm       | Push Strategy Limited Differentiation | 0.4          | 0.30         | Distributors Medium |               | • Innovation – Flat-Roofing  
• GA terms / rebates  
• On system mechanisms @ dist. |
| Xtratherm       | Push Strategy Innovation | 0.4          | 0.39         | Distributors Medium |               | • Innovation  
• Technical excellence – vs FFC  
• GA terms / rebates |
| Recticel        | Pull – Flat Roofing Push - other | 0.3          | 0.30         | Distributors Roofing Specialists | Medium       | • Innovation – Flat Roofing  
• PL with BG  
• Technical excellence  
• Spec. focus  
• Product quality |
| Quinn / Ballytherm | Low Cost                  | 0.35 (Q)     | 0.19 (Q)     | Distributors Merchants | Low Less OH  | • GA terms / rebates  
• Revised merchant focus  
• Maintain strong dist. position |

Produced on behalf of Celotex Limited
<table>
<thead>
<tr>
<th>Manufacturer/Distributor</th>
<th>2013 (£'M)</th>
<th>S/C</th>
<th>SCBO</th>
<th>Encon</th>
<th>Grafton</th>
<th>TP</th>
<th>Ind. Dist.</th>
<th>CEMCO</th>
<th>CDA</th>
<th>NIG</th>
<th>Ind. Other</th>
<th>Total</th>
<th>% Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Celotex</td>
<td>£42.3</td>
<td>£1.0</td>
<td>£15.8</td>
<td>£57.2</td>
<td>£1.3</td>
<td></td>
<td></td>
<td>£6.7</td>
<td></td>
<td></td>
<td></td>
<td>£124.3</td>
<td>36.2%</td>
</tr>
<tr>
<td>Kingspan</td>
<td>£40.0</td>
<td>£14.0</td>
<td>£5.0</td>
<td>£7.0</td>
<td>£4.0</td>
<td></td>
<td></td>
<td>£4.0</td>
<td></td>
<td></td>
<td></td>
<td>£74.0</td>
<td>21.8%</td>
</tr>
<tr>
<td>Xtratherm</td>
<td>£19.5</td>
<td>£18.5</td>
<td>£1.5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>£4.9</td>
<td></td>
<td></td>
<td></td>
<td>£43.5</td>
<td>12.7%</td>
</tr>
<tr>
<td>Ecotherm</td>
<td>£4.0</td>
<td>£3.0</td>
<td>£7.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>£3.5</td>
<td>£16.0</td>
<td></td>
<td></td>
<td>£33.5</td>
<td>9.8%</td>
</tr>
<tr>
<td>Recticel</td>
<td>£5.0</td>
<td>£28.0</td>
<td>£1.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>£1.5</td>
<td></td>
<td></td>
<td></td>
<td>£35.5</td>
<td>10.4%</td>
</tr>
<tr>
<td>Quinn</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>£1.0</td>
<td>£15.0</td>
<td>£6.0</td>
<td>£22.0</td>
<td>£50.0</td>
<td>15.0%</td>
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<tr>
<td>Ballytherm</td>
<td>£0.5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>£5.0</td>
<td>£9.7</td>
<td></td>
<td></td>
<td>£14.7</td>
<td>4.3%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>£91.8</td>
<td>£86.0</td>
<td>£28.8</td>
<td>£28.5</td>
<td>£75.7</td>
<td>£14.5</td>
<td>£16.0</td>
<td>£16.0</td>
<td>£16.7</td>
<td>£16.7</td>
<td>£343.0</td>
<td>£100.0</td>
<td>100.0%</td>
</tr>
</tbody>
</table>
RTM Evolution – 2013 to 2014
(Gross Revenue)

<table>
<thead>
<tr>
<th>Year</th>
<th>Gross Revenue</th>
<th>Change</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>£343.0</td>
<td></td>
<td>53.3%</td>
</tr>
<tr>
<td>2014</td>
<td>£370.4</td>
<td>+8%</td>
<td>52.3%</td>
</tr>
</tbody>
</table>

Distributors

<table>
<thead>
<tr>
<th>Year</th>
<th>Gross Revenue</th>
<th>Change</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>£183.0</td>
<td>+6%</td>
<td>53.3%</td>
</tr>
<tr>
<td>2014</td>
<td>£194.0</td>
<td></td>
<td>52.3%</td>
</tr>
</tbody>
</table>

Builders Merchant

<table>
<thead>
<tr>
<th>Year</th>
<th>Gross Revenue</th>
<th>Change</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>£151.5</td>
<td>+10.5%</td>
<td>44.2%</td>
</tr>
<tr>
<td>2014</td>
<td>£167.4</td>
<td></td>
<td>45.2%</td>
</tr>
</tbody>
</table>

Others

<table>
<thead>
<tr>
<th>Year</th>
<th>Gross Revenue</th>
<th>Change</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>£8.5</td>
<td>+8%</td>
<td>2.5%</td>
</tr>
<tr>
<td>2014</td>
<td>£9.2</td>
<td></td>
<td>2.5%</td>
</tr>
</tbody>
</table>
### Sales Targets by Customer: 2014 (Net Revenue)

<table>
<thead>
<tr>
<th>Customer's name</th>
<th>2013</th>
<th>2014</th>
<th>Δ PNV (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Travis</td>
<td>37.5</td>
<td>40.9</td>
<td>8.9%</td>
</tr>
<tr>
<td>SIG</td>
<td>31.7</td>
<td>34.6</td>
<td>9.2%</td>
</tr>
<tr>
<td>Encon</td>
<td>12.1</td>
<td>13.2</td>
<td>8.6%</td>
</tr>
<tr>
<td><strong>Top 3</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MIKM</td>
<td>2.6</td>
<td>3.0</td>
<td>12.2%</td>
</tr>
<tr>
<td>SGBD</td>
<td>0.8</td>
<td>1.0</td>
<td>16.4%</td>
</tr>
<tr>
<td>Cemco</td>
<td>1.0</td>
<td></td>
<td>-100.0%</td>
</tr>
<tr>
<td>FGF</td>
<td>0.4</td>
<td>0.4</td>
<td>2.4%</td>
</tr>
<tr>
<td>Essex</td>
<td>0.4</td>
<td>0.4</td>
<td>2.2%</td>
</tr>
<tr>
<td>Others</td>
<td>1.9</td>
<td>4.8</td>
<td>147.4%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>88.7</td>
<td>98.3</td>
<td>10.8%</td>
</tr>
<tr>
<td>% Top 3/Total</td>
<td>91.8%</td>
<td>90.3%</td>
<td>-1.7%</td>
</tr>
</tbody>
</table>

*) Please create using similar format as the above table one page for each of the following segments:
1) New residential
2) RMI segment
3) Other major non segment-specific initiatives. E.g. launch of a new jointing product, new training schools, etc

**) Please indicate the impact on Turnover in 2011 and if impact is not on Revenue, please specify the impact on the Profit.
## Main activities - top distribution customers

<table>
<thead>
<tr>
<th>Customer</th>
<th>Main activities</th>
<th>Revenue E2013</th>
<th>Rev B2014</th>
<th>Growth %</th>
</tr>
</thead>
</table>
| SIG      | Drive PP's to maximise volume  
          | Production Promotion - FR, CG & PL at branch  
          | Action plans all branches  
          | Contact matrix & review meetings  
          | Coverage of Rob Starling's team  
          | IWI system sell for 360 Retrofit  
          | Investigate Mayplas  
          | Investigate SIG Energy Management opportunities | £31.7 | £34.6 | 9.2 |
| TP       | CCF  
          | Target CCF insulation team and all RD's  
          | Help facilitate their objectives, i.e. introduce them to customers outside of TP  
          | Lead Generation and POS  
          | TP  
          | Branch classification  
          | Review delivery service eg 2 lifts full load rates (schedule pricing)  
          | Target RD's  
          | Lead Generation  
          | PP at branch level and POS  
          | Keyline (Project Team to establish Q3 2013 contact plan) | £37.5 | £40.9 | 8.9 |

Top distribution customers whose total turnover represents at least 50% of the total company turnover

Please add slide if necessary
### Main activities - top distribution customers

<table>
<thead>
<tr>
<th>Customer</th>
<th>Main activities</th>
<th>Revenue E2013</th>
<th>Rev B2014</th>
<th>Growth %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Encon</td>
<td>Commercial consistency at centre and regional deals</td>
<td>£12.1</td>
<td>£13.2</td>
<td>8.6</td>
</tr>
<tr>
<td></td>
<td>Contact Matrix</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>SCA</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Training on FR, CG &amp; PL</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Product promotions on FR, CG &amp; PL</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Service schedule</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Project Pricing</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Top distribution customers whose total turnover represents at least 50% of the total company turnover

Please add slide if necessary
# New Customer Targets - 2014

<table>
<thead>
<tr>
<th>Customer</th>
<th>Key Actions</th>
<th>£’s E2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>H &amp; B (No 1)</td>
<td>▪ Engage principal negotiators – C&amp;C, Llw BS and Martin Mansfield</td>
<td>£6.2m</td>
</tr>
<tr>
<td></td>
<td>▪ Register interest in tender process</td>
<td></td>
</tr>
<tr>
<td></td>
<td>▪ Assess tender opportunity and price point</td>
<td></td>
</tr>
<tr>
<td></td>
<td>▪ Consider options, what if map and decide strategy</td>
<td></td>
</tr>
<tr>
<td>CBA (No 2)</td>
<td>▪ Engage principal negotiators – Robert Price and AW Lumb</td>
<td>£4.8m</td>
</tr>
<tr>
<td></td>
<td>▪ Register interest in tender process</td>
<td></td>
</tr>
<tr>
<td></td>
<td>▪ Assess tender opportunity / price point</td>
<td></td>
</tr>
<tr>
<td></td>
<td>▪ Consider options, what if map and decide strategy</td>
<td></td>
</tr>
<tr>
<td>Gibbs &amp; Dandy (No 3)</td>
<td>▪ Engage SGBD category team and Commercial Management in Gibbs and Dandy</td>
<td>£2.4m</td>
</tr>
<tr>
<td></td>
<td>▪ Assess opportunity and decide strategy</td>
<td></td>
</tr>
<tr>
<td>Fortis * (No 3)</td>
<td>▪ Engage principal negotiators – Turnbulls and Ridgeons</td>
<td>£11.4m</td>
</tr>
<tr>
<td></td>
<td>▪ Register interest in tender process</td>
<td></td>
</tr>
<tr>
<td></td>
<td>▪ Assess tender opportunity / price point</td>
<td></td>
</tr>
<tr>
<td></td>
<td>▪ Consider options, what if map and decide strategy</td>
<td></td>
</tr>
</tbody>
</table>

* Expect Eco-Therm & Ballytherm to take aggressive price position, so not budgeted to win this account.

New volume quoted at net price level assuming rebate circa. 20%.
Efficiency & Capacity Planning
## Demand / Offer

**Domestic sales**
- R2012: 38.9
- RF3 2013: 41.5
- BU 2014: 45.7
- LRP 2014: 44.30

**Direct export**
- R2012: 0.3
- RF3 2013: 0.3
- BU 2014: 0.0
- LRP 2014: 0.4

**Total DEMAND**
- Total DEMAND: 39.2
- R2012: 41.8
- RF3 2013: 45.7
- BU 2014: 44.7

**Production**
- **Hipchen**
  - Plant 3: 17.6
  - Plant 4: 21.9
- **Hennecke**
  - Plant 3: 22.2
  - Plant 4: 23.8
- **Country**
  - Total: 39.2
  - R2012: 41.8
  - RF3 2013: 45.7
  - BU 2014: 44.7

**Offer**
- **Hipchen**
  - R2012: 21.6
  - RF3 2013: 22.2
  - BU 2014: 23.8
  - LRP 2014: 24.3
- **Hennecke**
  - R2012: 17.6
  - RF3 2013: 19.6
  - BU 2014: 21.9
  - LRP 2014: 20.4
- **Country**
  - Total: 39.2
  - R2012: 41.8
  - RF3 2013: 45.7
  - BU 2014: 44.7

**Inventory Variation**

*For European and producing companies, correspond to the orders posted to them and validated by themselves via the "Product Sourcing - Orders Forecasts" application.*

**Production**

*For European companies, corresponds to the orders posted to producing companies via the "Product Sourcing - Orders Forecasts" application. Inventory Variation: (-) means decrease.*
<table>
<thead>
<tr>
<th>Initiative</th>
<th>Auth In 2013</th>
<th>RF3 2013</th>
<th>BU 2014</th>
<th>&gt;2014</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bulk Tank Farm</td>
<td>302</td>
<td>302</td>
<td></td>
<td></td>
<td>Cost Saving</td>
</tr>
<tr>
<td>EOL Hennecke</td>
<td>467</td>
<td>167</td>
<td>300</td>
<td></td>
<td>Quality / Safety</td>
</tr>
<tr>
<td>Pedestrian Segregation – Phase 1</td>
<td>150</td>
<td>150</td>
<td></td>
<td></td>
<td>Safety</td>
</tr>
<tr>
<td>Lorry Park</td>
<td>200</td>
<td></td>
<td></td>
<td></td>
<td>Safety</td>
</tr>
<tr>
<td>Hennecke Contimat Refurb / Replace</td>
<td>500</td>
<td></td>
<td></td>
<td></td>
<td>Quality / NPD</td>
</tr>
<tr>
<td>EOL Hipchen</td>
<td>100</td>
<td>200</td>
<td></td>
<td></td>
<td>Quality / Safety</td>
</tr>
<tr>
<td>Site Rewiring – Phase 1</td>
<td>250</td>
<td></td>
<td></td>
<td></td>
<td>Safety</td>
</tr>
<tr>
<td>Other Projects &lt;100k £’s</td>
<td>476</td>
<td>533</td>
<td>320</td>
<td></td>
<td>Various</td>
</tr>
<tr>
<td>Commercial</td>
<td>100</td>
<td>100</td>
<td>40</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IT</td>
<td>10</td>
<td>53</td>
<td>40</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management</td>
<td>30</td>
<td>34</td>
<td>40</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Capex Total:</strong></td>
<td><strong>1,385</strong></td>
<td><strong>1,189</strong></td>
<td><strong>1,940</strong></td>
<td><strong>350</strong></td>
<td></td>
</tr>
</tbody>
</table>

*includes carry over from 2012
Headcount

- **Direct – 13 additional**

  **A. 5- third shift for the lamination line**
  i. Increase capacity to 1500 boards per day (33% capacity increase).
  ii. Feb. 2014 - training in advance of volume uplift from March

  **B. 3- third shift on conveyor**
  i. March 2014 to facilitate relocation of product 24/5
  ii. Essential to create space for production to run into each morning

  **C. 1-Additional warehouse loader to cope with increased number of trucks**
  i. Avg. 10% increase over 2012
  ii. Forecast further c10% uplift 2014

  **D. 4- Foam-head leaders**
  i. Trained over six months to populate anticipated third shift
  ii. Up-skilled positions

  **E. 3 x additional personnel for relocation of product production side**
  i. To be addressed through efficiency improvements and reallocation of existing manning
# Targeted Improvements in 2014

**Hennecke**

- **OEE**: 8% improvement to 70%
- **Volume attainment**: 7% improvement to 80250m²

<table>
<thead>
<tr>
<th>Key Actions</th>
<th>Timing 2014</th>
<th>Target % Improvement</th>
</tr>
</thead>
<tbody>
<tr>
<td>EOL Packaging equipment</td>
<td>Q2</td>
<td>70</td>
</tr>
<tr>
<td>FR product change methodology</td>
<td>Q2</td>
<td>30</td>
</tr>
<tr>
<td>Thickness change SMED</td>
<td>Q1</td>
<td>15</td>
</tr>
<tr>
<td>Morning start up SMED</td>
<td>Q1</td>
<td>27</td>
</tr>
<tr>
<td>AM/PM roll out</td>
<td>Q3</td>
<td>N/A</td>
</tr>
</tbody>
</table>
### Targeted Improvements in 2014

**Hipchen**

- OEE - 6% improvement to 75%
- Volume attainment - 5% improvement to 96,500m²

<table>
<thead>
<tr>
<th>Key Actions</th>
<th>Timing 2014</th>
<th>Target % Improvement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improved start up times (SMED)</td>
<td>Q1</td>
<td>30</td>
</tr>
<tr>
<td>FR Changeovers (SMED)</td>
<td>Q1</td>
<td>30</td>
</tr>
<tr>
<td>Pull Roll area improvements</td>
<td>Q2</td>
<td>15</td>
</tr>
<tr>
<td>EOL packaging equipment</td>
<td>Q4</td>
<td>20</td>
</tr>
<tr>
<td>AM/PM</td>
<td>Q3</td>
<td>N/A</td>
</tr>
</tbody>
</table>

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To be achieved through..

- Plant investment
- WCM
- Upskilling in people internally and by recruitment
Site Constraints

- **Peak demand**
  - 2013 = Business plan peak @ 870K/week, actual 930K/week
  - 2014 = Business plan peak @ 953K/week
  - Operational capacity (excl. OT) = 900K/week (sustainable due to space)
  - Issue of early releasing from QC to meet current peaks
    - Severe constraint in Winter period – high risk of quality issues

- **Bottlenecks**
  - Curing storage capacity – 2 to 4 days depending on thickness
  - Conveyor – current operating hours
  - Despatch Warehouse – current operating hours and future storage capacity

- **Actions Underway**
  - Options under evaluation for goods inwards at external location
  - Stock rationalisation programme under consideration
  - Outside finished goods storage at peak periods to be evaluated
  - Assessment of night shift / weekend shift for conveyor – 3 personnel
  - Reassessment of curing cycles – but not at risk of quality
  - Under canopy loading to be assessed
Goods In Relocation

- Ideal site in very close proximity for relocation
  - Could be linked into current site subject to planning permission
  - Currently leased by small packaging company
  - Exploratory discussions underway with tenants
  - Would facilitate a 15% uplift in curing board storage capacity
  - This facilitates being able to service sales volumes of 1million sq. m per week

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Third Shift Implementation

- 3 shift pattern with flex between the two production lines to be modelled and optimised to give
  - Sufficient access to equipment for servicing
  - Maximise production continuity
  - Optimise shift handovers
  - Allow for all shift involvement in WCM programmes in particular Kaizen events in year 1

- Would require 15 additional heads to run
  - Increase in costs by ca. £600,000 including (utilities, waste etc as well as labour cost)
  - Would require £3million (2.5%) increase in gross sales to cover cost
  - Would take 4 months to implement excluding foamhead technicians who would need to be employed in advance to complete training programme
  - Allows 1.15 million sq. m of production per week no OT
3rd Shift Considerations

- Night working
  - May not be viable option due to local housing
  - Loading at night – noise pollution

- 7 day working
  - Needs to be modelled and feasible shift patterns assessed
  - Would involve major change in current working patterns for existing staff

- Infrastructure
  - Curing capacity – at max. limit
  - Costs for additional amenities
  - Traffic management
  - Raw material management

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Pre-Engineering Study - £75k
- Utilise SG in-house resource - 4 month programme
- Key points of study
  - Evaluate production / curing cycles
  - Assess optimal stock utilisation
  - Evaluate new local warehouse
  - Evaluate distribution hub – maybe Northern
  - Evaluate Northern UK manufacturing facility

Retrofit of a cooling process for main production lines – to be further evaluated – but only likely to be possible with new facility
- Downtime
- Stock-build
- Customer service risk
Northern Site

- Strong option versus additional shifting
  - Unlikely 1.15M capacity can be exceeded on current site
  - "Buying time" strategy – not a long term vision

- Benefits
  - Proving ground for new technology – e.g. cooling systems
  - Learning’s on cooling – can be taken for retro-fit on existing plant
  - Increased R&D capability
  - Distribution costs to fully exploit Scottish market
  - Avoids potential noise pollution complaints
  - Capacity of new plant @ one line / two shift = 21.5M sq. mtr’s at 25mm equiv. (c40% of current capc’.)

- Estimated costs – up to £15M
Budget 2014

Marketing & Sales

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2013 Review

- May – Launch of BIM
  - First PIR manufacturer to launch entire range as BIM
  - Over 3,000 BIM downloads since launch

- September – Launch of Celotex GD5000 & GS5000
  - The highest performing PIR plasterboard laminates
  - BBA certified
  - Adds to ‘5000’ series range
  - Competes directly with K17 & K18
  - Specification focused

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2013 Review

- August – Brand new website
- Added value through the members area for our target markets
  - Use the Celotex U-value calculator
  - Access leads
  - Create project files
  - Download Celotex literature
  - Download BIM Objects
- Full integration with Salesforce CRM

Sept 1st – Sept 23rd Results

> 46,500 visitors
> 18,000 U-value calculations
> 14,000 downloads
> 2,300 new members sign up
> 3,300 projects added to Salesforce

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2013 Review

- CRM re-launch
  - Paraphor CRM out of date and could not integrate with website
  - Salesforce introduced to provide
    - Accurate reporting and analysis
    - Up to date marketing database integrated with website
    - Driver for project tracking with clear visibility of success
    - Support ‘pull’ strategy & deliver competitive advantage
- Actions
  - Project lead tracking, segmentation and full analysis

- CE Marking
  - Five person project team
  - Additional thermal & compressive strength tests
  - Ready and launched to market one week earlier than deadline
2013 Review - Innovation

- Innovation
  - SPINN steering group established
  - 5 project groups in action
  - 10 projects in pipeline
  - 2 x new product launches
  - 1 x unique service offering launch in PIR

- Projects commenced in 2013
  - Above 18m fire testing
  - ETICS
  - Plasterboard laminate for British Gypsum
  - Flat roofing
  - Lambda 20 for ‘5000’ series
  - Full-fill cavity walls
  - Bespoke OEM opportunities
  - ECO implementation

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2013 Review

- Dedicated promotion of CTC
  - Specific advertising campaign
  - 25% y.o.y call enquiry increase
  - Field visits commenced
  - Call analysis underway
  - Competitor benchmarking

- September. Launch of unique Celotex Energy Assessments
  - Celotex Energy Calculations
  - Pre-tender Planning Advice
  - Sustainability Assessment Service

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Market Drivers – Housing

- Focus on whole building performance not individual elements U-value targets
- Housebuilding specifications
  - Limited opportunities for installer to switch product
  - Performance specification controlled by housebuilder
- Maximise insulation where space allows
  - e.g. pitched roofs and timber frame walls
  - Performance in space critical applications can be ‘traded off’ (e.g. cavity walls)
- Floors
  - Provides another area where performance can be maximised though on-cost requires consideration
Key Points

- Assumes current 68:32 non-flats vs. flats ratio maintained through to 2017
- 8% insulation growth opportunity for new build housing in 2014
- For 2014 this equates to an increased opportunity of 2.9% for Celotex
Overall construction growth of 2.2% in 2014 and 4.5% in 2015

Private housing and infrastructure remain key drivers

Public sector decline though London, South East & pockets of North West offer opportunity

Commercial offers some growth from H2 of 2014 through major ‘on-hold’ London projects restarting. 2015 – 2017 indicates growth of 16%

Supermarkets continue to account for retail decline though improvement in consumer confidence and spending in 2014 could help recovery
### Sector Analysis

<table>
<thead>
<tr>
<th>Sector</th>
<th>Projects</th>
<th>SQM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial</td>
<td>216</td>
<td>91,816</td>
</tr>
<tr>
<td>Education</td>
<td>1,252</td>
<td>828,988</td>
</tr>
<tr>
<td>Healthcare</td>
<td>549</td>
<td>476,972</td>
</tr>
<tr>
<td>New Build Housing</td>
<td>7,213</td>
<td>2,855,597</td>
</tr>
<tr>
<td>RMI Housing</td>
<td>17,941</td>
<td>1,878,727</td>
</tr>
<tr>
<td>Offices</td>
<td>442</td>
<td>239,518</td>
</tr>
<tr>
<td>Other</td>
<td>2,166</td>
<td>899,803</td>
</tr>
<tr>
<td>Public Buildings</td>
<td>396</td>
<td>162,632</td>
</tr>
<tr>
<td>Retail Or Leisure</td>
<td>720</td>
<td>559,542</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>30,895</strong></td>
<td><strong>7,993,594</strong></td>
</tr>
</tbody>
</table>

Source: Celotex U-value Calculations Jan 13 – Sep 13.

Produced on behalf of Celotex Limited
### Application Analysis

<table>
<thead>
<tr>
<th>Application</th>
<th>Projects</th>
<th>SQM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ceiling</td>
<td>613</td>
<td>89,021</td>
</tr>
<tr>
<td>Flat Roofs</td>
<td>3,796</td>
<td>860,760</td>
</tr>
<tr>
<td>Floors</td>
<td>7,372</td>
<td>2,308,638</td>
</tr>
<tr>
<td>Pitched Roofs</td>
<td>6,693</td>
<td>1,191,953</td>
</tr>
<tr>
<td>Rainscreen</td>
<td>105</td>
<td>146,778</td>
</tr>
<tr>
<td>Solid Walls</td>
<td>2,586</td>
<td>446,280</td>
</tr>
<tr>
<td>Steel Frame</td>
<td>80</td>
<td>213,014</td>
</tr>
<tr>
<td>Timber Frame</td>
<td>4,422</td>
<td>867,018</td>
</tr>
<tr>
<td>Cavity Walls</td>
<td>5,228</td>
<td>1,977,941</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>30,895</strong></td>
<td><strong>7,993,594</strong></td>
</tr>
</tbody>
</table>

Source: Celotex U-value Calculations Jan 13 – Sep 13.
### Value Added Products

**Key actions to deliver**

<table>
<thead>
<tr>
<th>Product Code</th>
<th>Actions</th>
</tr>
</thead>
</table>
| FR5000       | • Segemented application focus  
                • Increased VAP focused targets  
                • VAP literature                                                             |
| CG5000       | • Partial fill technical excellence message  
                • Increased VAP focused targets  
                • VAP literature                                                             |
| PL4000       | • Target new applications within timber frame and new build  
                • Increased competitive position                                               |
| GD5000       | • Specification focus  
                • VAP literature  
                • Marketing comms launch                                                     |
| GS5000       |                                                                         |
| SW3000       | • Promote as steel frame option  
                • Extend partnerships with EWI suppliers                                       |

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### Strategic Growth Areas & Market Segments

<table>
<thead>
<tr>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
</table>
| • ‘Pull’ approach  
  - BIM  
  - Spec selling  
  - Third party approvals  
• Cavity walls  
• ETICS  
  - Lambda 26 Sales  
  - Lambda 22 NPD | • Flat roofing  
• Commercial buildings with system based approach  
• Housing market inc SCAs  
• ECO ‘ramp up’  
• OEM Opportunities  
  - ETICS - Weber  
  - HVAC - Spiralite  
  - IWI - Matilda’s Planet  
  - Timber Frame |

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Key Actions by Application

- **Cavity wall**
  - Technical excellence message of PFC vs FFC
  - Update BBA certification to reflect all new improvements
  - Cost modelling on key U-value performances

- **Timber frame**
  - Campaign importance of BBA certification within NHBC developments
  - Add PL4000 as a certified option within timber frame
  - Housebuilder relationships

- **Pitched roofs**
  - Housebuilder relationships
  - Cost modelling on key U-value performances

- **Rainscreen cladding / Above 18m buildings**
  - Launch of a certified above 18m Celotex solution
  - Investigate system partnerships to offer ‘through the wall’ solution
Competitor Activity
## Competitor Analysis

<table>
<thead>
<tr>
<th>Competitor</th>
<th>Description</th>
</tr>
</thead>
</table>
| **Kingspan** | • Marketing and sales activity focused on Kooltherm.  
• PIR focus centres around specification activity primarily within flat roofing  
• New VIP technology forms the basis of their ‘new’ offer  
• VIP expected to be available from 2014  
• Full-fill cavity option on phenolic yet to materialise |
| **Eco-Therm** | • Main USP remains within flat roofing  
• Lambda 21 option launched in the last few months but lacks many features of Celotex 5000 series. Mainly positioned as a Class O board |
| **Recticel** | • Main USP remains within flat roofing  
• Class O board launched this year though thermally inferior to other Class O PIR options (0.022 W/mK)  
• ETICS option rumoured though no launch materials available |
## Competitor Analysis

<table>
<thead>
<tr>
<th>Competitor</th>
<th>Details</th>
</tr>
</thead>
</table>
| Xtratherm  | - Significant improvement in product offer in the last two years though  
- Full-fill cavity argumentation lacks impact given new insight on Part L 2013  
- Xtroliner 21 lambda range remains main threat to Celotex VAPs |
| Quinn      | - Behaviour around BRUFMA suggest not a credible supplier.  
- Strength remain around independent merchant sector  
- Aggressive pricing position on commoditised range with no innovation or value offer |
| Ballytherm | - Small customer base through CEMCO and couple of independent distributors  
- Similar pricing positions to Quinn  
- Credibility around CE marking position given two months late |
Other Competition

- Fibre material targeting new build applications
  - Attack anticipated

- Grey EPS position taken significant market share from phenolic within ETICS market

- Increased threat on plasterboard thermal laminates
  - Price erosion budgeted for 2014
  - GD / GS launched for spec. market
## Competitor Plan

<table>
<thead>
<tr>
<th>Competitor</th>
<th>Strategy</th>
<th>Channel</th>
<th>Cost Position</th>
<th>Combat</th>
</tr>
</thead>
</table>
| Isover / Knauf MW   | Lower cost solutions on some applications                                 | Distributors  | High          | • Assess real-life testing impact
|                     |                                                                          |               |               | • Defence on new build for CW
|                     |                                                                          |               |               | • Segmentation approach
|                     |                                                                          |               |               | • Consider any partnership opportunities                                                       |
| Rockwool            | Pull Focus Fire Specification                                             | Distributors  | High          | • Defence on fire
|                     |                                                                          | Contractors    |               | • Flat roofing                                                    |
| DOW / BASF          | Low Cost                                                                  | Distributors  | Lower Commodity | • Campaign messages on fire & thermal
|                     |                                                                          | Contractors    |               | • Flat roofing
|                     |                                                                          |               |               | • Lambda improvements                                             |

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Innovation – 2013 Review
Innovation - Thermal Laminates

- Launch of GD5000 & GS5000
- Spec focused – Kooltherm K17/18 equivalents
  - Direct lambda equivalent on 25mm & 40mm
  - £6m opportunity
- Highest performing PIR plasterboard laminates
- Separate project for ECO implementation
- 25 year guarantee mandatory
- Training course being scoped & delivered through Saint-Gobain academies
Celotex Energy Assessments

- Launched September 2013. Unique service offering for PIR
- Dedicated Celotex service - conjunction with Darren Evans Assessments
- Customer benefits
  - Celotex Energy Calculations
  - Pre-tender Planning Advice
  - Sustainability Assessment Service
- Broad appeal for all those clients requiring calculations across the built environment
  - Pull 'focus' including housing, architects, contractors etc
- Business benefits
  - Steps up our technical excellence offering to customers
  - Assist in holding specifications
  - Unique offering versus our competitors
  - Part of move to greater “pull”

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Off-site Manufacture

- Space 4
  - Timber frame division of Persimmon
  - Located in Birmingham
  - Precision engineered structural wall panels

- Bespoke 73mm board solution designed for Space 4 systems

- July-September sales £600k

- Similar bespoke OEM opportunities exist covering...
  - IWI
  - ETICS
  - HVAC
Innovation - 2014
Market study commenced August/September
- 7 Celotex interviewers
- Approx 50 interviews completed
- Three main target markets
- 20 more interviews required

Full market analysis to be completed by year end
Two initial density improvement trials completed
Results from density trials encouraging
Requires engineering improvements to Hennecke line due to plate misalignment (April 2014)
- Board specification requires this to be manufactured on Hennecke line

- Below 50mm board trials with positive results though

- Same engineering improvements as flat roofing project

- Changes to BBA certification being made to include second line manufacture which can be passed to BG to assist with certification
ETICS

- Two rig tests failures so far – November 2012 & May 2013
- Line trials to rig testing remains the key to project success
- Weber project team established with quarterly meetings established
- Two facer suppliers involved with over 10 different sample facers tested or currently being testing
- Lambda reduction through foam improvement working as a separate project
- UK, Germany & France testing rigs being sourced to offer multiple testing options in a within a ten week lead time
## 2014 Actions - NPD

<table>
<thead>
<tr>
<th>Project</th>
<th>Launch</th>
</tr>
</thead>
<tbody>
<tr>
<td>Launch above 18m solution</td>
<td>Q1 2014</td>
</tr>
<tr>
<td>Thermal laminates ready for use in ECO projects</td>
<td>Q1 2014</td>
</tr>
<tr>
<td>Achieve at least one additional OEM opportunity to deliver £1m sales</td>
<td>Q2 2014</td>
</tr>
<tr>
<td>OEM supply to British Gypsum for plasterboard laminate*</td>
<td>Q2 2014</td>
</tr>
<tr>
<td>OEM supply for ETICS with improved lambda*</td>
<td>Q2 2014</td>
</tr>
<tr>
<td>Flat roofing improved offer to market*</td>
<td>Q3 2014</td>
</tr>
<tr>
<td>Achievement of lambda 20 PIR solutions**</td>
<td>Q4 2014</td>
</tr>
</tbody>
</table>

* Dependent on Hennecke engineering improvements
** Dependent on R&D solution
## 2014 Actions – Product & Technical

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Timing 2014</th>
<th>Budget £</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost modelling by application vs. other insulation types</td>
<td>Q2</td>
<td>20,000</td>
</tr>
<tr>
<td>Improved messages for sustainability</td>
<td>Q3</td>
<td>10,000</td>
</tr>
<tr>
<td>CSR position</td>
<td>Q4</td>
<td>5,000</td>
</tr>
<tr>
<td>Technical arguments for partial fill PIR vs. full-fill PIR</td>
<td>Q2</td>
<td>15,000</td>
</tr>
<tr>
<td>Improved BIM position</td>
<td>Q4</td>
<td>20,000</td>
</tr>
<tr>
<td>Part L campaign</td>
<td>Q1 &amp; Q2</td>
<td>10,000</td>
</tr>
</tbody>
</table>
## 2014 Actions – Communications

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Timing 2014</th>
<th>Budget £</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dedicated specification literature</td>
<td>Q1 – Q3</td>
<td>30,000</td>
</tr>
<tr>
<td>Segmentation strategy</td>
<td>Q1 – Q4</td>
<td>15,000</td>
</tr>
<tr>
<td>Improved CPD presentation / delivery format</td>
<td>Q1</td>
<td>15,000</td>
</tr>
<tr>
<td>Installer videos</td>
<td>Q3</td>
<td>25,000</td>
</tr>
<tr>
<td>Advertising</td>
<td>Q1 – Q4</td>
<td>100,000</td>
</tr>
<tr>
<td>New product launch campaigns inc Part L</td>
<td>Q1 – Q4</td>
<td>75,000</td>
</tr>
<tr>
<td>Point of sales and promotions for trade customers</td>
<td>Q2</td>
<td>25,000</td>
</tr>
</tbody>
</table>
2014 Sales Plan
## Sales Activities

- New Regional Sales Management team
- National Account / Commercial role introduced
- Re-Define operational standards
- Implemented Salesforce CRM
- Target VAP growth in major accounts
- Increase technical competence
- Improve Price visibility and comparison
- Safety Culture introduction

## Customers

- Share growth in SIG and TP
- Maintained share in CCF
- Protect price in Encon
- Create sole supply position and grow MKM account
- Cemco share lost to low price competitor – hold price / resist commoditisation
- Improve Key Customer contact network
- Introductions to New Merchant account prospects
- Develop platform ahead of IWI system launch
## Key Sales Initiatives: 2014

<table>
<thead>
<tr>
<th>Specification Training</th>
<th>Key Actions</th>
<th>New Volume E2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Training</strong></td>
<td>• Training&lt;br&gt;• Update training to be application and sector based&lt;br&gt;• North &amp; South sessions&lt;br&gt;• Update Application literature</td>
<td></td>
</tr>
<tr>
<td><strong>Specifications Volumes</strong></td>
<td>• Specifications generated (per ASM)&lt;br&gt; 1000m² CG monthly&lt;br&gt; 2000m² FR monthly&lt;br&gt; 500m² PL monthly&lt;br&gt; 60% win ratio</td>
<td>£3.5M</td>
</tr>
</tbody>
</table>

| VAP focused application targets | • FR – Rainscreen Cladding, Pitched Roof and TF<br> • CG – Cavity Wall<br> • PL – Timber Frame and New Build |                  |

| VAP focused customer targets | • FR – Timber Frame Manufacturers, Insulation Installers, Flat Roof & Cladding Contractors and Dryliners<br> • CG – Brick & Blockwork Contractors<br> • PL – Timber Frame Manufacturers and Housebuilders |                  |

---

Calculation for Specification new volume: 3000m² of FR and CG per month per ASM (Using 60mm FR at less 30, 15, 25% = £7.30 x 3000 x 12 x 11 = £2.9M). 500m² PL per month per ASM (Using 50mm PL at less 52, 25 = £8.14 x 500 x 12 x 11 = £540,000).
<table>
<thead>
<tr>
<th>Market</th>
<th>Key Actions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Main Contractor Activity</strong></td>
<td>• D&amp;B Main Contractors (Project Team required to ID targets)&lt;br&gt;   • Objective – Increase awareness and specification on FR CG and Thermal laminates.&lt;br&gt;• Proposition – Project pricing, value engineering, u-value calcs, CEA.</td>
</tr>
<tr>
<td><strong>Housing Developers</strong></td>
<td>• Housebuilders (Project team required to ID tools &amp; technical differentiation)&lt;br&gt;   • Objective – Grow share &amp; specification on FR, CG and Thermal laminates.&lt;br&gt;• Proposition – SAP, value engineering, u-value calcs, CEA.</td>
</tr>
<tr>
<td><strong>Sub Contractor Activity</strong></td>
<td>• Sub - Contractors (Drylining, Brickwork &amp; Timber Frame)&lt;br&gt;   • Objective – Increase awareness and specification on FR CG and Thermal laminates.&lt;br&gt;• Proposition – Project pricing, value engineering, u-value calcs, CEA.</td>
</tr>
<tr>
<td><strong>Local Auths / Social Housing landlords</strong></td>
<td>• LA/Building Control (Project teams required)&lt;br&gt;   • Objective – Improve awareness of performance importance &amp; increase specifications of IWI&lt;br&gt;• Project – Sample area in north, CPD and training presentations to BC&lt;br&gt;• Project – IWI target LA’s, training &amp; tools required.</td>
</tr>
</tbody>
</table>

Top distribution customers whose total turnover represents at least 50% of the total company turnover
Please add slide if necessary
Strategy – New Markets / New Customers

✓ Identified selection of new customer targets and tender timescales
✓ Considerations
  ➢ CEMCO business likely to go Eco-Therm not Ballytherm
  ➢ Need to maintain price legitimacy
  ➢ Cognisant of market balance
  ➢ Perceived value of a brand by customer
  ➢ Ability to meet volume
  ➢ Stability needed with existing key accounts
  ➢ Merchant focus
  ➢ Protection of VAP pricing
Strategy – Pricing

✓ Any y-o-y rebate movement on GA only
✓ Price increase
  ➢ Low on GA
  ➢ Higher on VAP’s
✓ Sprint – commence Nov. ’13
✓ Retain pricing legitimacy
✓ New customers
  ➢ Limited range
  ➢ Balance competitiveness v’s volume legitimacy
✓ Price increase – March ’14
✓ Development of project pricing processes Q2
Strategy – Project Specification

- Howitt consulting engaged for a 2 year training programme – commenced Sept. ‘13
- 2 x Specification Sales budgeted for 2014
- Sales force KPI’s / bonus to be adjusted 2014
- Greater sub-contractor focus for sales team
- Monthly training sessions in place
- Use of CRM Database to manage project activity and set actions for individuals
- Dedicated specification literature for 2014
- Website data capture to be used to segment communications & drive future actions
- Specifications tracked together with supportive contractors and distributors
Budget 2014
Industrial & Operations
## 2013 Operations Review

### Successes

- Zero TF1 and TF2 since April
- Both lines better than standard on online rejects
- Best volume attainments in company history
- Loading times improved by 30%
- Multi skilling of workforce 80% complete
- Improved board quality with resultant drop in customer complaints
- First Kaizen events completed achieving £200K of cost reduction

### Challenges

- Maintain zero TF1 And TF2
- Further line improvements in OEE, reject and volume (see later)
- Improve OTIF to >96%
- EOL packaging improvement
- Roll out of successful WCM programme to deliver 3% hard savings on delivered cost
Indirect
An increase of 4 broken down as follows

1x Engineering and WCM manager
2x WCM engineers
1x R&D Chemist

These appointments underpin
- Our WCM programme for 2014 onwards to deliver hard cost savings
- Reinforce our NPD team to deliver on our innovation strategy
- Underpin delivering anticipated volume growth
### WCM Programme – Safety & Reliability Pillars

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Reason</th>
<th>Timing 2014</th>
<th>Targeted Saving £</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pedestrian Segregation – Phase 1</td>
<td>Safety</td>
<td>Q1</td>
<td>0</td>
</tr>
<tr>
<td>LOTO</td>
<td>Safety</td>
<td>Q1</td>
<td>0</td>
</tr>
<tr>
<td>• Best practice visit Runcorn – Q4 2013&lt;br&gt;• Training for personnel – Q4 2013&lt;br&gt;• Pilot in Dec 2013 rollout Q1 2014 onwards</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SS</td>
<td>Safety</td>
<td>Q1 to Q4</td>
<td>0</td>
</tr>
<tr>
<td>• Pilot area launched Oct 2013 (Engineering workshop)&lt;br&gt;• Hennecke pump Area – Q4 2013 / Hipchen foamhead Area – Q1&lt;br&gt;• Roll-out remainder of site in phases 2014</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kaizen Focused Improvements</td>
<td>Efficiency</td>
<td>Q1 to Q4</td>
<td>750,000</td>
</tr>
<tr>
<td>AM / PM</td>
<td>Efficiency</td>
<td>Q2</td>
<td>100,000</td>
</tr>
<tr>
<td>• Training – Q1&lt;br&gt;• Pilot machine Q2&lt;br&gt;• Further roll out Q3 onwards</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>WCM Training</td>
<td>Efficiency</td>
<td>Q3</td>
<td>0</td>
</tr>
<tr>
<td>• Instructors course – Op’s Dir. / WCM Facilitator – Q3&lt;br&gt;• Green belt training tbc</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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## WCM Programme – Kaizen’s

<table>
<thead>
<tr>
<th>Kaizen Initiative</th>
<th>Timing 2014</th>
<th>Saving 2014 £</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduce waiting for crew time on Hennecke Line</td>
<td>Q1</td>
<td>176,000</td>
</tr>
<tr>
<td>Reduce average start up time on Hennecke line (SMED)</td>
<td>Q2</td>
<td>149,000</td>
</tr>
<tr>
<td>Improved procedures on Hipchen line pull roll</td>
<td>Q1</td>
<td>96,000</td>
</tr>
<tr>
<td>Improved layout and procedures in finishing area on Hennecke line</td>
<td>Q2</td>
<td>64,000</td>
</tr>
<tr>
<td>Improve procedures on crosscut saw on Hennecke line</td>
<td>Q3</td>
<td>80,000</td>
</tr>
<tr>
<td>Reduce waiting for crew time on the Hipchen line</td>
<td>Q1</td>
<td>80,000</td>
</tr>
<tr>
<td>Improved procedures on crossovers on Hennecke line</td>
<td>Q3</td>
<td>74,000</td>
</tr>
<tr>
<td>Improve profile and facer on infeed pick up on SBS</td>
<td>Q4</td>
<td>59,000</td>
</tr>
<tr>
<td>Improved process in finishing area on Hipchen line</td>
<td>Q2</td>
<td>48,000</td>
</tr>
<tr>
<td>Improved procedures on M1/Collator on Hipchen line</td>
<td>Q4</td>
<td>32,000</td>
</tr>
<tr>
<td>Totals:</td>
<td></td>
<td><strong>858,000</strong></td>
</tr>
</tbody>
</table>
Targeted Improvements in 2014

- **Lamination line**
  - Establish third shift
  - 33% uplift in volume capability to meet anticipated demand
  - Investigate automation options to target labour savings

- **SBS**
  - Elimination of dust and pack alignment issues
  - Third shift training and 30% uplift in volumes
  - Engineered solution on cut width changes

- **Engineering Stores**
  - Fully re-laid stores
  - Eriks to provide Stores Manager 2014
  - Targeted >10% saving on spares and consumables = £ 35,000
Operations Summary

- **Safety**
  - Key aspects
    - Pedestrian Segregations
    - LOTO

- **WCM**
  - Priorities are clear
  - Saving targeted 2014 = £858K
  - Engineering resource / training essential

- **OEE**
  - Hipchen 75%
  - Hennecke 70%

- **Capacities**
  - 2014 – risk of not meeting peak demands
  - WCM / OEE improvements vitally essential
  - Shift / manning assessments required Q1
  - Other options – business proposals Q1
**BU 14 - Key assumptions**

**Sales**
- Volume: +9.4% above 2013 levels
- Price: +1.3% in 2014
  - Rebate increase of 1.25% on net price
  - Price increase of +5% in April

**Inflation / Purchasing price variances**
- Fx Euro at 1.176, Dollar @1.158. Hedging required to reduce risk
- MDI / Polyol — prices have stabilised, but pressure remains

**Industrial performance**
- Resource investment +13 in plant
- WCM savings targeted at +£1.0m
- Density changes forecast at -£0.85m

**Fixed costs**
- Continued investment in plant through maintenance and safety measures
- Training budget increased
### Profit & Loss

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>BU 13</th>
<th>BF 13</th>
<th>BU 14</th>
<th>LRP 14</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales</strong></td>
<td>102.5</td>
<td>100.0%</td>
<td>98.3%</td>
<td>100.0%</td>
<td>102.5%</td>
</tr>
<tr>
<td>Freight on sales</td>
<td>-7.6</td>
<td>-7.4%</td>
<td>-7.4%</td>
<td>-7.4%</td>
<td>-7.4%</td>
</tr>
<tr>
<td>Variable selling costs</td>
<td>0.0</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Foreign exchange impacts</td>
<td>0.0</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Actual variable costs</td>
<td>-83.4</td>
<td>-82.3%</td>
<td>-82.3%</td>
<td>-82.3%</td>
<td>-82.3%</td>
</tr>
<tr>
<td><strong>Fixed costs</strong></td>
<td>0.0</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Other manufacturing expenses</td>
<td>0.0</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>Operating gross margin</strong></td>
<td>12.3</td>
<td>14.9%</td>
<td>15.3%</td>
<td>15.7%</td>
<td>16.3%</td>
</tr>
<tr>
<td>Overheads</td>
<td>-5.1</td>
<td>-6.2%</td>
<td>-7.1%</td>
<td>-4.2%</td>
<td>-5.6%</td>
</tr>
<tr>
<td>Royalties</td>
<td>0.0</td>
<td>1.0%</td>
<td>1.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Operating P&amp;L</td>
<td>0.0</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>out of which contingency</td>
<td>0.0</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td>7.2</td>
<td>14.9%</td>
<td>15.3%</td>
<td>15.7%</td>
<td>16.3%</td>
</tr>
<tr>
<td>EBIT</td>
<td>0.0</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>Business income</strong></td>
<td>7.2</td>
<td>14.9%</td>
<td>15.3%</td>
<td>15.7%</td>
<td>16.3%</td>
</tr>
<tr>
<td>Factory fixed costs</td>
<td>-4.3</td>
<td>-8.2%</td>
<td>-8.3%</td>
<td>-8.4%</td>
<td>-8.5%</td>
</tr>
</tbody>
</table>

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Price improvement with the mid year 2013 increase and the 2014 1st April

Plant costs include Safety, wastage, and warehouse plus investment in engineers

Mix improves with +£2.4m of new sales

Carriage at 3% €fx moves to 1.176
Payroll +2.5%

Central cost include investment in sales team, support into habitat, improvements in training, and move to SGTS
# Cost of factors evolution

<table>
<thead>
<tr>
<th></th>
<th>Turnover</th>
<th>price evolution</th>
<th>price effect</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
<td>RF3 13</td>
<td>BU 14</td>
</tr>
<tr>
<td>batch (Raw mat + Ext. cullets)</td>
<td>-6.1</td>
<td>-10.6</td>
<td>+2.1%</td>
</tr>
<tr>
<td>resin</td>
<td>-6.1</td>
<td>-10.6</td>
<td>+2.1%</td>
</tr>
<tr>
<td>other binder</td>
<td>-6.1</td>
<td>-10.6</td>
<td>+2.1%</td>
</tr>
<tr>
<td>facing</td>
<td>-6.1</td>
<td>-10.6</td>
<td>+2.1%</td>
</tr>
<tr>
<td>packaging</td>
<td>-6.1</td>
<td>-10.6</td>
<td>+2.1%</td>
</tr>
<tr>
<td>Sub-total raw material</td>
<td>-6.1</td>
<td>-10.6</td>
<td>+2.1%</td>
</tr>
<tr>
<td>electricity</td>
<td>-6.1</td>
<td>-10.6</td>
<td>+2.1%</td>
</tr>
<tr>
<td>gas</td>
<td>-6.1</td>
<td>-10.6</td>
<td>+2.1%</td>
</tr>
<tr>
<td>Sub-total energy</td>
<td>-6.1</td>
<td>-10.6</td>
<td>+2.1%</td>
</tr>
<tr>
<td>EPS Beads</td>
<td>-28.6</td>
<td>-33.1</td>
<td>+1.6%</td>
</tr>
<tr>
<td>MDI</td>
<td>-33.6</td>
<td>-45.2</td>
<td>-1.4%</td>
</tr>
<tr>
<td>Polyol</td>
<td>-34.5</td>
<td>-45.2</td>
<td>-1.4%</td>
</tr>
<tr>
<td>fx</td>
<td>-34.5</td>
<td>-45.2</td>
<td>-1.4%</td>
</tr>
<tr>
<td>other raw material</td>
<td>-34.5</td>
<td>-45.2</td>
<td>-1.4%</td>
</tr>
<tr>
<td>Subtotal w/o freight and manpow</td>
<td>-59.6</td>
<td>-66.4</td>
<td>+1.6%</td>
</tr>
<tr>
<td>variable labor cost</td>
<td>-7.0</td>
<td>-8.5</td>
<td>+2.0%</td>
</tr>
<tr>
<td>freight on sales</td>
<td>-7.0</td>
<td>-8.5</td>
<td>+2.0%</td>
</tr>
<tr>
<td>Total Cost reporting</td>
<td>-66.6</td>
<td>-73.9</td>
<td>+2.0%</td>
</tr>
</tbody>
</table>

Produced on behalf of Celotex Limited

C_03002

CEL00003006_0093
### Fixed production Costs - Factory

<table>
<thead>
<tr>
<th>Em</th>
<th>2012</th>
<th>RF3 13</th>
<th>RF3 13:2012</th>
<th>BU 14</th>
<th>RF3 to BU2014</th>
<th>BU 14:RF3 13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maintenance</td>
<td>-0.78</td>
<td>-0.81</td>
<td>4.2%</td>
<td>-1.01</td>
<td>-0.21</td>
<td>25.5%</td>
</tr>
<tr>
<td>Labour</td>
<td>-0.25</td>
<td>-0.28</td>
<td>10.1%</td>
<td>-0.43</td>
<td>-0.15</td>
<td>52.8%</td>
</tr>
<tr>
<td>Other</td>
<td>-0.52</td>
<td>-0.53</td>
<td>13.1%</td>
<td>-0.58</td>
<td>-0.06</td>
<td>11.1%</td>
</tr>
<tr>
<td>Factory overheads</td>
<td>-2.31</td>
<td>-2.35</td>
<td>17.1%</td>
<td>-2.61</td>
<td>-0.26</td>
<td>110.0%</td>
</tr>
<tr>
<td>Labour</td>
<td>-1.20</td>
<td>-1.15</td>
<td>8.2%</td>
<td>-1.22</td>
<td>-0.08</td>
<td>8.6%</td>
</tr>
<tr>
<td>Other</td>
<td>-1.11</td>
<td>-1.20</td>
<td>8.5%</td>
<td>-1.38</td>
<td>-0.18</td>
<td>15.1%</td>
</tr>
<tr>
<td>Warehouse</td>
<td>-0.4</td>
<td>-0.4</td>
<td>3.8%</td>
<td>-0.6</td>
<td>-0.22</td>
<td>55.5%</td>
</tr>
<tr>
<td>Labour</td>
<td>-0.33</td>
<td>-0.35</td>
<td>3.5%</td>
<td>-0.38</td>
<td>-0.01</td>
<td>2.5%</td>
</tr>
<tr>
<td>Other</td>
<td>-0.06</td>
<td>-0.05</td>
<td>-23.3%</td>
<td>-0.27</td>
<td>-0.22</td>
<td>423.6%</td>
</tr>
<tr>
<td>Total excl. depreciation</td>
<td>-3.51</td>
<td>-3.56</td>
<td>1.6%</td>
<td>-4.25</td>
<td>-0.69</td>
<td>19.3%</td>
</tr>
<tr>
<td>Depreciation</td>
<td>-0.83</td>
<td>-0.84</td>
<td>0.7%</td>
<td>-0.97</td>
<td>-0.12</td>
<td>14.9%</td>
</tr>
<tr>
<td>Total fixed cost</td>
<td>-4.34</td>
<td>-4.40</td>
<td>1.4%</td>
<td>-5.22</td>
<td>-0.81</td>
<td>18.5%</td>
</tr>
</tbody>
</table>

| m2 equiv. produced | 39.3 | 41.8  | 6.5%       | 45.7  | 3.92          | 9.4%         |

- Labour costs increase £0.159m for 3 additional recruitments
- Maintenance costs increase £0.06m on RF3 to deliver the WCM savings
- Waste costs increase by £0.1m
- Safety budgeted at £0.075m
- Warehousing required to support downtime from capital projects and volume expansion £0.2m
- Depreciation from 2013 and 2014 increases £0.1m
**Overheads**

*Recharges: recharge from the delegations, PRC estate or activity (if other group recharges, please specify)*

<table>
<thead>
<tr>
<th>Overhead Type</th>
<th>2012</th>
<th>BU 13</th>
<th>RF 13</th>
<th>BU 14</th>
<th>LRP 14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial overheads</td>
<td>% sales: -1.7%</td>
<td>-1.535</td>
<td>-1.526</td>
<td>-1.691</td>
<td>-1.704</td>
</tr>
<tr>
<td>Marketing overheads</td>
<td>% sales: -0.9%</td>
<td>-0.9%</td>
<td>-0.9%</td>
<td>-1.0%</td>
<td>-0.9%</td>
</tr>
<tr>
<td>Technical overheads</td>
<td>% sales: -0.5%</td>
<td>-0.5%</td>
<td>-0.5%</td>
<td>-0.5%</td>
<td>-0.5%</td>
</tr>
<tr>
<td>Management overheads</td>
<td>% sales: -2.4%</td>
<td>-2.3%</td>
<td>-2.3%</td>
<td>-2.4%</td>
<td>-2.3%</td>
</tr>
<tr>
<td>Total overheads</td>
<td>% sales: -5.5%</td>
<td>-5.0%</td>
<td>-5.0%</td>
<td>-5.1%</td>
<td>-5.4%</td>
</tr>
</tbody>
</table>

Produced on behalf of Celotex Limited
## Headcount / productivity

<table>
<thead>
<tr>
<th>Full-time equivalent headcount (inc. Temp) - +W02T</th>
<th>2011</th>
<th>2012</th>
<th>BU 13</th>
<th>RF3 13</th>
<th>BU 14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales &amp; Marketing (R51)</td>
<td>29</td>
<td>29</td>
<td>29</td>
<td>29</td>
<td>32</td>
</tr>
<tr>
<td>Sales Marketing</td>
<td>24</td>
<td>24</td>
<td>24</td>
<td>24</td>
<td>26</td>
</tr>
<tr>
<td>Finance &amp; Admin (R52)</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>Technical staff (R53)</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Overheads</td>
<td>47</td>
<td>47</td>
<td>47</td>
<td>48</td>
<td>53</td>
</tr>
<tr>
<td>Direct</td>
<td>70</td>
<td>80</td>
<td>84</td>
<td>82</td>
<td>95</td>
</tr>
<tr>
<td>Indirect</td>
<td>40</td>
<td>43</td>
<td>43</td>
<td>46</td>
<td>49</td>
</tr>
<tr>
<td>Plants</td>
<td>110</td>
<td>123</td>
<td>127</td>
<td>128</td>
<td>144</td>
</tr>
<tr>
<td>Total headcount</td>
<td>157</td>
<td>170</td>
<td>174</td>
<td>176</td>
<td>197</td>
</tr>
<tr>
<td>+ headcount reinvoiced to</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- headcount reinvoiced from</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Entity headcount</td>
<td>157</td>
<td>170</td>
<td>174</td>
<td>176</td>
<td>197</td>
</tr>
</tbody>
</table>

**Evolution of sales**  
- +36.9%  
- +2.7%  
- +4.3%  
- +7.2%  
- +10.8%

**Evolution of headcount**  
- -8.3%  
- +2.4%  
- +3.5%  
- +11.9%

**Evolution of productivity**  
- +36.9%  
- -5.6%  
- +2.0%  
- +3.6%  
- -1.1%
2013
- Capital -£1.2m
- Operating working capital +£0.6m including
  - +£0.3m of debtor reduction – including creation of the £0.2m bad debt provision
  - +£0.5m on creditors
  - Stocks increase -£0.3m as we build towards forecast 2014 Q1 volumes
  - OWC days at 16.9

2013 v B2013
- Working capital days increase to 16.9 from the forecast 14.1
- Stock levels increased as we support customer demand +£0.5m
- Debtors levels increase following price impact in May 2013
- Creditor improvement plan being put into place -£0.3m

2014
- Profit +7.1m, plus depreciation of +£1.0m
- Capital -£1.9m
- Operating working capital +£0.2m including
  - Hold stock levels with a 9.4% increase in volume
  - Target Debtor reduction days move from 31.4 in 2012 to 29.2
  - Hold Trade creditor and rebate targets at RF3 levels
  - OWC days at 13.8
Operating free cash flow

<table>
<thead>
<tr>
<th>Year</th>
<th>R50</th>
<th>Depreciation</th>
<th>CFLEO</th>
<th>ΔOWC</th>
<th>CAPEX</th>
<th>R67</th>
<th>ΔB203</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>0.7</td>
<td>1.9</td>
<td>2.6</td>
<td>3.8</td>
<td>1.7</td>
<td>0.7</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>0.7</td>
<td></td>
<td>2.6</td>
<td></td>
<td>0.9</td>
<td>0.7</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>0.7</td>
<td></td>
<td>2.6</td>
<td></td>
<td>0.8</td>
<td>0.7</td>
<td>1.2</td>
</tr>
<tr>
<td>2014</td>
<td>1.0</td>
<td></td>
<td>1.7</td>
<td></td>
<td>1.0</td>
<td>1.9</td>
<td>1.9</td>
</tr>
<tr>
<td>LRP</td>
<td>1.0</td>
<td></td>
<td>1.9</td>
<td></td>
<td>1.9</td>
<td>1.9</td>
<td>1.9</td>
</tr>
</tbody>
</table>

**Celotex Insulation Specialists**

- R50
- Depreciation
- CFLEO
- ΔOWC
- CAPEX
- R67
- ΔB203

*Produced on behalf of Celotex Limited*
Operating Cash Flow evolution: 2012 - BU 14

£m

<table>
<thead>
<tr>
<th></th>
<th>R50</th>
<th>R87</th>
<th>Dep.</th>
<th>ΔOWC</th>
<th>ΔB203</th>
<th>CAPEX</th>
<th>RF3 13</th>
<th>R50</th>
<th>R87</th>
<th>Dep.</th>
<th>ΔOWC</th>
<th>ΔB203</th>
<th>CAPEX</th>
<th>BU 14</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>6.9</td>
<td>5.5</td>
<td>6.3</td>
<td>6.3</td>
<td>5.5</td>
<td>6.3</td>
<td>5.5</td>
<td>6.3</td>
<td>5.5</td>
<td>6.3</td>
<td>5.5</td>
<td>6.3</td>
<td>5.5</td>
<td>6.3</td>
</tr>
</tbody>
</table>
### Operating Working Capital

<table>
<thead>
<tr>
<th></th>
<th>Average 12 months</th>
<th>Year End</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
<td>BU 13</td>
</tr>
<tr>
<td><strong>k or M local currency</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventory</td>
<td>4.2</td>
<td>4.0</td>
</tr>
<tr>
<td>Receivables</td>
<td>7.4</td>
<td>6.8</td>
</tr>
<tr>
<td>Payables</td>
<td>-7.2</td>
<td>-7.4</td>
</tr>
<tr>
<td>Operating W.Capital</td>
<td>4.4</td>
<td>3.3</td>
</tr>
</tbody>
</table>

| Days of Sales                |                   |          |        |       |       |       |        |       |
|------------------------------|                   |          |        |       |       |       |        |       |
|                              | 2012              | BU 13    | RF3 13 | BU 14 | 2012 | BU 13 | RF3 13 | BU 14 |
| Inventory                    | 18.2              | 16.8     | 18.3   | 18.8  | 18.6 | 17.1  | 18.6   | 17.2  |
| Receivables                  | 32.0              | 28.6     | 29.9   | 28.6  | 32.7 | 29.2  | 30.5   | 30.2  |
| Payables                     | -31.2             | -31.5    | -31.6  | -31.9 | -31.9| -32.2 | -32.2  | -32.5 |
| Operating W.Capital          | 19.0              | 13.9     | 16.6   | 12.6  | 19.4 | 14.1  | 16.9   | 13.8  |

- RF3 improves +2.5 days on 2012
- Budget 2014 improves a further +3.1 days
- Total improvement over the 2 year period - +5.6 days
Budget 2014

Conclusion
Key Actions and Milestones

**Safety**
- Zero TF1 & TF2
- Priorities
  - LOTO
  - Control of Contractors
  - Pedestrian segregation
- Follow through on behavioural safety

**Innovation**
- Target of £2.4M
- Key projects
  - ETICS
  - PL
  - Flat Roofing
- R&D resource critical

**Operational efficiency & quality**
- Embed AM / PM
- 5S – Min. m/c standards
- Continue plant investment to address historical underspend
- OEE to 70% & 75% critical

**Customers**
- Targets
  - H&B £6.2M annualised
  - CBA £4.8M annualised
- Specification approach
- Reliance on Top 3
  - Remains at 90%

**Push to Pull**
- Roll-out of specification training
- Implementation of Salesforce CRM
- Scotland role – to be recruited as spec. orientation
- Spec. Mgr’s for North & South to drive large projects

**Resource**
- Plant at crucial point with capacity
- Specification and segmentation approach needed to build sustainable competitive advantage
- Engineering investment critical
- R&D – future proofing
## Opportunities & Risks

### Opportunities

- Improved plant performance
  - AM / PR
  - Availability / yield
  - Quality
- Innovation
  - ETICS
  - Flat Roof
  - PL for BG
  - Services
- Price increase
  - 5.0% for 2014 budgeted at 3.2%
  - Bias toward VAP increase
- Specification Focus
- New customers
- Market leading digital position

### Key Risks

- Fx
  - Each 1 Euro Cent = £35k OP
  - Drop by 1 Euro Cent = c£400k impact
- Further commoditisation
  - Pricing on GA – likely to decline further
- >90% in Top 3
- Price increase
  - Competitors do not follow
- Sales
  - New customer acquisition destabilises PIR market structure
  - Price integrity gets undermined to secure new customers

[celotex.co.uk](http://celotex.co.uk)
2013-2014: Business Environment

Macro Eco Environment
- Inflation staying low through period of plan
- Government stimulating house buyer market
- Less enthusiasm for “zero carbon”
- Economic recovery taking higher prominence
- Housebuilder influence high
- Housing starts forecast to increase from 139k to 150k
- Trend is toward more semi-detached / detached properties
- Green Deal & ECO – little momentum
- Slowdown in legislative frameworks that drive PIR growth
- New customer acquisitions key for Cx
- CCF restructure – more focus on insulation, looking to take back share
- SIG – targeting continued aggressive growth
- Potential growth from Merchant Buying Groups

Markets
- Xtratherm – becoming more innovative
- Quinltherm – looking for sale of business, pricing still aggressive
- Kingspan – remain specification focused, resource going into ECO / Green Deal
- Recticel – leveraging quality position, taking strong number 2 stance
- Pricing pressure inc. – overcapacity / loss of shares / product commoditisation

Competition
- MDI – delta small for volume purchasing / need to leverage other factors
- MDI / Polyol – price increase expected Q2
- Strategic relationships with major raw matl. suppliers is key
- Continue to leverage SG opportunities – purchasing, R&D
- Headcount increases to meet growth / R&D needs / NPD

Others
- MDI – delta small for volume purchasing / need to leverage other factors
- MDI / Polyol – price increase expected Q2
- Strategic relationships with major raw matl. suppliers is key
- Continue to leverage SG opportunities – purchasing, R&D
- Headcount increases to meet growth / R&D needs / NPD

celotex.co.uk

Produced on behalf of Celotex Limited
Employee productivity

- Revenue productivity
  - 2013 +3.6%
  - 2014 +1.1%
- People investment in Direct labour
  - Required to support volume growth, and growth into 2015 and beyond
  - Move to 3rd shift: not forecast until 2015.
Overheads R51: Sales & Marketing

- Overall cost increase +£0.4m
- Investment in heads +5
- Salary inflation @ 2.5%
- Recharges include Habitat to support NPD growth and closer align to Construction products
- Operational costs include +£0.1m in advertising to launch new products
Overheads R52: Administrative expenses

- Overall cost increase +£0.2m
- Headcount remains at 2013 levels
- Salary inflation @ 2.5%
- Recharges include SGTS and payroll support
- Construction products recharge forecast at 2013 levels
- Operational costs include the required increase in training
Overheads R53: Technical expenses

- Overall cost increase: +£0.1m
- Headcount increases by +2 for Service and Development officer
- Salary inflation: 2.5%
- Operational costs include the increase in laboratory testing and equipment required
Directs
- +9 to support growth
- +4 on foam head to ensure succession planning and skill gap closure

Plant
- +2 WCM engineers and +1 in technical R&D

Sales & Marketing
- +2 spec managers +1 communication exec

Technical
- +2 technical service officer and development officer
RTM Evolution: 2013

<table>
<thead>
<tr>
<th>Distributors (53.3%)</th>
<th>PIR MKT = £343.0</th>
</tr>
</thead>
<tbody>
<tr>
<td>CCF - £34.4</td>
<td>£183.0</td>
</tr>
<tr>
<td>SIG - £91.8</td>
<td></td>
</tr>
<tr>
<td>Encon - £28.8</td>
<td></td>
</tr>
<tr>
<td>Minster - £18.0</td>
<td></td>
</tr>
<tr>
<td>Others - £10.0</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Builders Merchant (44.2%)</th>
<th>£151.5</th>
</tr>
</thead>
<tbody>
<tr>
<td>TP / Keyline - £45.3</td>
<td></td>
</tr>
<tr>
<td>Jewson - £28.5</td>
<td></td>
</tr>
<tr>
<td>Grafton - £22.0</td>
<td></td>
</tr>
<tr>
<td>CBA - £16.0</td>
<td></td>
</tr>
<tr>
<td>CEMCO - £8.0</td>
<td></td>
</tr>
<tr>
<td>NBG - £15.0</td>
<td></td>
</tr>
<tr>
<td>H&amp;B - £7.0</td>
<td></td>
</tr>
<tr>
<td>Others - £8.7</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Others (2.5%)</th>
<th>£8.5</th>
</tr>
</thead>
<tbody>
<tr>
<td>OEM Directs Roofing</td>
<td></td>
</tr>
</tbody>
</table>

N.B. Flows quoted in revenue £'s M

1st tier Customer: distribution
2nd tier Customer: installer

Please duplicate if needed for the technical insulation sales

Produced on behalf of Celotex Limited
RTM Evolution: 2014

PIR MKT = £370.4 (+8%)

£194.0 (+6%)
Distributors (52.3%)
CCF
SIG
Encon
Minster
Others

167.4 (+10.5%)
Builders Merchant (45.2%)
TP / Keyline
Jewson
Grafton
CBA
CEMCO
NBG
H&B
Others

£9.2 (+8%)
Others (2.5%)
OEM
Directs
Roofing

N.B. Flows quoted in revenue £'s M

1st tier Customer: distribution
2nd tier Customer: installer

Please duplicate if needed for the technical insulation sales

Produced on behalf of Celotex Limited
Understanding our Real OTIF

Key issues:
- Plant reliability / availability – stock availability
- Curing capacity / cycle
- Peak demand management – haulier / loading / planning