

Heywood Williams Group PLC

2005 Interim Results

15 September 2005

Summary: Significant further progress has been made

- Good first half results
- Group now a focused solutions provider/specialist distributor of branded building products
- Successful restructuring of the Group completed
- Excellent and rapid sale of Plastic Systems completed
- Focus now is on the future growth of the Group
 - LaSalle Bristol
 - Hardware
 - Development opportunities

Financial Review

2005 Interim Results

£ million	2005 H1	2004 H1
Turnover	123.7	121.4
Operating profit	5.1	4.7
Interest	(0.3)	(0.6)
Profit before taxation and non-operating exceptionals	4.8	4.1
Non-operating exceptional items	0.8	-
Profit on ordinary activities before taxation	5.6	4.1
Taxation	(1.2)	(0.9)
Profit attributable to members of the parent company		
Continuing	4.4	3.2
Discontinued	(22.6)	(0.7)
(Deficit)/profit for the period	(18.2)	2.5

UK GAAP to IFRS Income Statement Reconciliation

Operating profit - continuing operations

£ million	2005 H1	2004 H1
UK GAAP	4.4	4.0
Pensions costs	0.6	0.8
Associate income	0.2	-
Investment properties	(0.1)	(0.1)
IFRS	5.1	4.7

There is no impact on discontinued operations as a result of IFRS.

Full year IFRS impact in 2004: £1.2 million

Turnover and Operating Profit

£ million	Continuing		Discontinued		Total	
	2005 H1	2004 H1	2005 H1	2004 H1	2005 H1	2004 H1
Turnover	123.7	121.4	30.2	72.8	153.9	194.2
Operating profit	5.1	4.7	(3.1)	(0.3)	2.0	4.4

£ million	LaSalle Bristol		Hardware		Associates	
	2005 H1	2004 H1	2005 H1	2004 H1	2005 H1	2004 H1
Turnover	79.3	72.3	44.4	49.1	-	-
Operating profit	2.7	1.6	2.1	2.7	0.3	0.4

2005 Interim Results – Discontinued Operations

£ million	2005 H1	2004 H1
Turnover	30.2	72.8
Operating loss pre exceptional items	(3.1)	(0.3)
Operating exceptional items	(18.3)	-
Non-operating exceptional items	(0.8)	0.3
Interest – discounting on provisions	(0.4)	-
Loss before taxation	(22.6)	-
Taxation	-	(0.7)
Loss after taxation	(22.6)	(0.7)

Balance Sheet

£ million

	2005 H1	2004 H1
Tangible fixed assets, investments and associates	14.2	49.0
Goodwill	-	19.2
Working capital	35.2	39.6
Net assets held for sale	(4.8)	-
Net borrowings	(5.2)	(6.4)
Net deferred tax	2.9	3.4
Provisions	(3.2)	(30.1)
Pensions liability	(29.2)	(23.5)
Shareholders' funds – IFRS	9.9	51.2
Reconciliation to UK GAAP shareholders' funds		
Pensions liability	31.0	
Deferred taxation	(6.2)	
Associates	(1.7)	
Other	(0.2)	
Shareholders' funds – UK GAAP	32.8	

Movement on Shareholders' Funds

£ million

As at 1 January 2005	28.8
Deficit for the period	(18.2)
Pension loss net of deferred tax	(1.0)
Share options	0.3
As at 3 July 2005	9.9

Provisions

£ million	Opening	Charge	Transfer to held for sale	Cash flow	Closing
UK restructuring	2.7	-	(0.7)	(1.2)	0.8
Product rectification	20.4	0.4	(19.6)	(1.2)	-
Other warranty	0.7	-	-	-	0.7
Surplus properties	2.5	-	-	(0.8)	1.7
	26.3	0.4	(20.3)	(3.2)	3.2

Cash Flow

£ million

	2005 H1	2004 H1
Operating profit/(loss)#		
Continuing operations	5.1	4.7
Discontinued operations	(3.1)	(0.3)
Working capital	(12.6)	(4.4)
Net capex	1.8	2.2
Taxation	1.0	-
Free cash flow before exceptionals	(7.8)	2.2
- Legacy product rectification	(1.2)	12.0
- Restructuring	(1.2)	(3.6)
Disposals/other	1.1	2.3
Interest	(0.3)	(0.9)
(Decrease)/increase in net funds	(9.4)	12.0
Opening funds/(borrowings)	4.2	(18.4)
Closing borrowings	(5.2)	(6.4)

before exceptionals

Pensions

- Pension deficit under IFRS of £29.2m now on balance sheet
- Additional annual UK contributions of £1.65m since 2003 and proposed additional £1.0m contribution re Plastic Systems disposal
- Pensions Regulator clearance sought re disposal/exit of HW Plastics from UK scheme
- On-going funding position will continue to be reviewed

Plastic Systems Disposal

- Disposal of the shares of HW Plastics Limited (including Spectus Poland and Slovakia)
- Cash consideration £3.0 million cash free/debt free (costs c £1.8 million)
- Buyer assumes all product liability, £17.0 million of potential future product rectification cash flows removed
- Trentham rent contribution £0.35 million for 3 years and repair and maintenance obligation of the floor
- Fund remaining £0.7 million of Elite 70 bevelled tooling
- Proposed £1.0 million additional contribution to UK pension fund
- Evaluating required surplus property and floor repair provisions
- Minimal net cash impact in 2005
- Overall exit (including property provisions) up to £25 million impact on net assets

2005 Interim Financial Highlights

£ million

**2005
H1**

2004
H1

Results for Continuing Operations

Turnover

123.7

121.4

+2%

Profit before tax and non-operating exceptionals

4.8

4.1

+17%

Profit before tax after exceptionals

5.6

4.1

+37%

Profit after tax

4.4

3.2

+37%

Diluted earnings, before exceptionals, per share

4.5p

4.1p

+10%

Net borrowings

(5.2)

(6.4)

Significant further progress has been made

- Group restructuring complete
- Sale of Plastic Systems
- Future focus for the Group
 - LaSalle Bristol
 - Hardware
 - Development opportunities

Plastic Systems : An excellent & rapid sale

- £20 million enterprise value

- Immediate operating break even locked in
 - (£3.1 million loss, H1 2005)

- No future product rectification outflows
 - (£17 million exposure removed)

- £15 million of cash consumed in last four years – now halted

- Best outcome for employees of Plastic Systems

The disposal of Plastic Systems completes the successful restructuring of the Group

	First Half 2003	2005 Post Plastic Systems Sale
Number of loss making companies	8	0
Losses (£m)	7.7	0
Average net debt (£m)	59	5
Number of employees (#)	>3,000	1,150
PLC central costs (£m)	>3	1.6

- Recognised the strengths and opportunities at LaSalle Bristol and Hardware
- Sold/closed non-core or loss making businesses
- Restored/strengthened the balance sheet
- Established strong, experienced management teams

The future direction of the Group is as a specialist distributor

- Design – market – distribute branded building product solutions
- Drive organic development opportunities in North America/UK/Europe
- Capitalise on our strong market shares
- Utilise the capability and expertise in the Group to selectively develop the Group further

LaSalle Bristol & the Hardware Division share similar core business & market approaches

Same Core Business	Similar approach to market
<ul style="list-style-type: none">▪ Create/source building product design solutions for customers (e.g. more secure locking systems; easier to install air ducting)▪ Market their capability to deliver the complete solution▪ Sell multiple building products to a given customer▪ Deliver multiple building products in mixed loads to customers▪ Focus on market leadership with very high market shares in carefully chosen markets	<ul style="list-style-type: none">▪ "In house" design capability/strong innovation record▪ Customers trust our people and solutions▪ Very strong, respected brands▪ Sell our ability to deliver▪ Emphasis on market leadership and expertise

Good Development Opportunities for the Group

Grow Sales

- Manufactured housing market growth off the current historical low
- Growth in the market for and increased penetration of RVs
- Mila expansion into timber and timber/aluminium markets

Improve the Supply Chain & Reduce Costs

- Take a complete supply chain approach to the businesses to simplify operations and reduce cost with appropriate performance measures
- Use a “best in class” supply chain to win market share
- Increase global sourcing in both divisions

Grow Selective, Late Stage Production Capabilities

- Higher margin/no import competition

Use the Group’s capability and expertise for selective further development

LaSalle Bristol

LaSalle Bristol is a leading supplier of building products to the Manufactured Housing, Recreational Vehicle & Modular Housing markets

	Manufactured Housing	Recreational Vehicles	Modular Housing
LSB Sales	65%	25%	10%
Market positions by main product ranges:			
Vinyl Flooring	#1	#1	#1
Plumbing	#1	#1	#1
Air Systems	#1	#1	N/A

- Industry-wide sales coverage
- National distributor
 - Strong market positions in all regions
 - 19 distribution centres
 - 600 employees
- Late stage manufacturing capability in air systems, lighting and plumbing components

LaSalle Bristol had a good first half 2005

- Markets stable
 - Manufactured housing : +3%
 - Recreational vehicles : Flat
 - Modular housing : +3%

- Sales up 10%
 - Increased penetration in all markets
 - Increased prices to reflect cost increases
 - New faucet range launched

- Pre-buy inventory investment
 - Some one-off benefits

- Increased global sourcing
 - Complete product ranges
 - Tools and components

- Current focus
 - Products for post Hurricane FEMA units
 - Rolling out several new product ranges
 - Further global sourcing

LaSalle Bristol : Impact of Hurricane Katrina

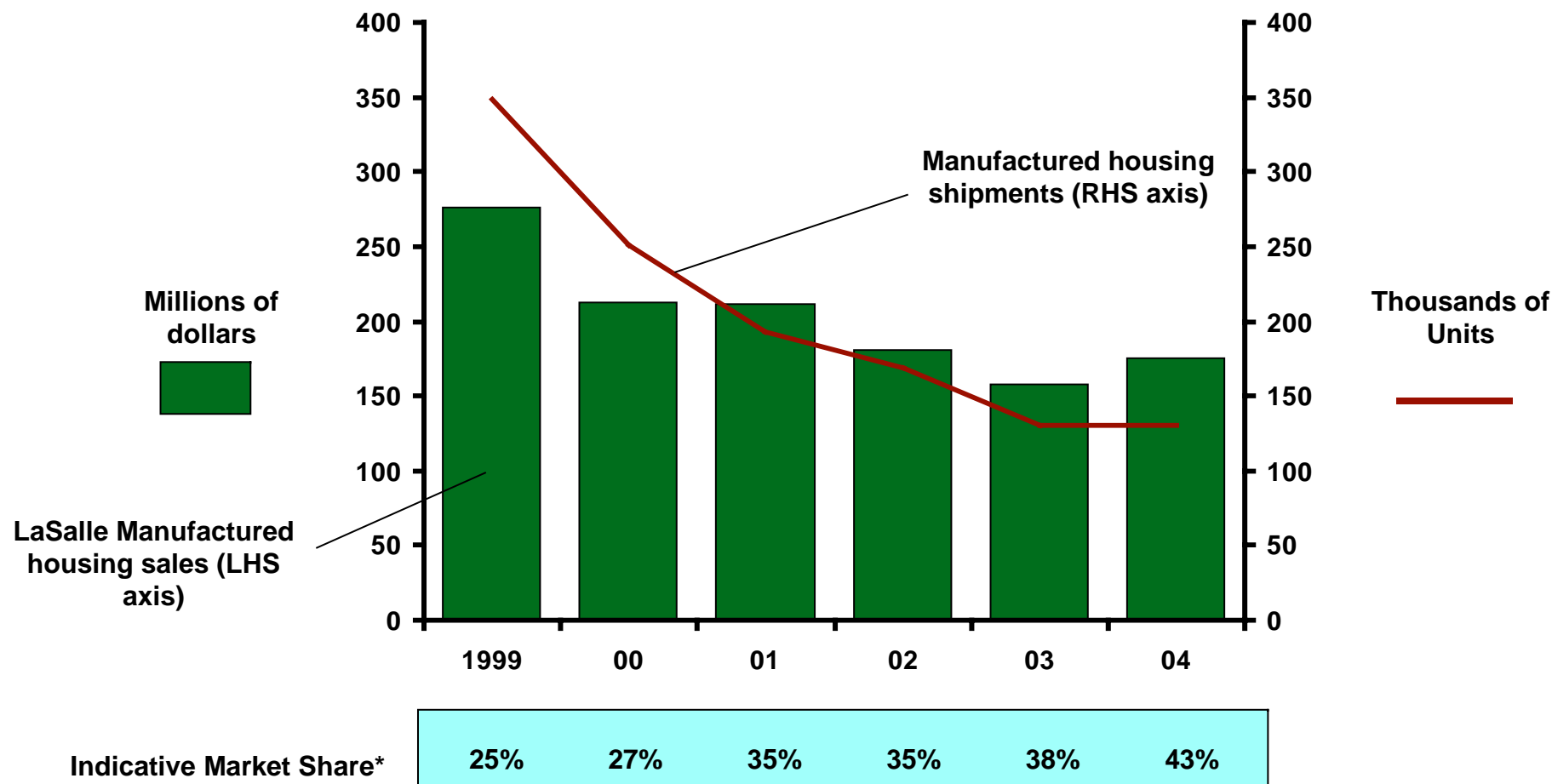
- Scope and implications of the disaster still emerging
 - Housing of displaced people
 - Impact on overall American economy

- Manufactured housing and recreational vehicles are fast, effective disaster housing solutions

- Extent of additional production and its timing still being determined

By broadening product ranges and significant increases in market share, LSB has performed well in the face of a significant drop in its key end market

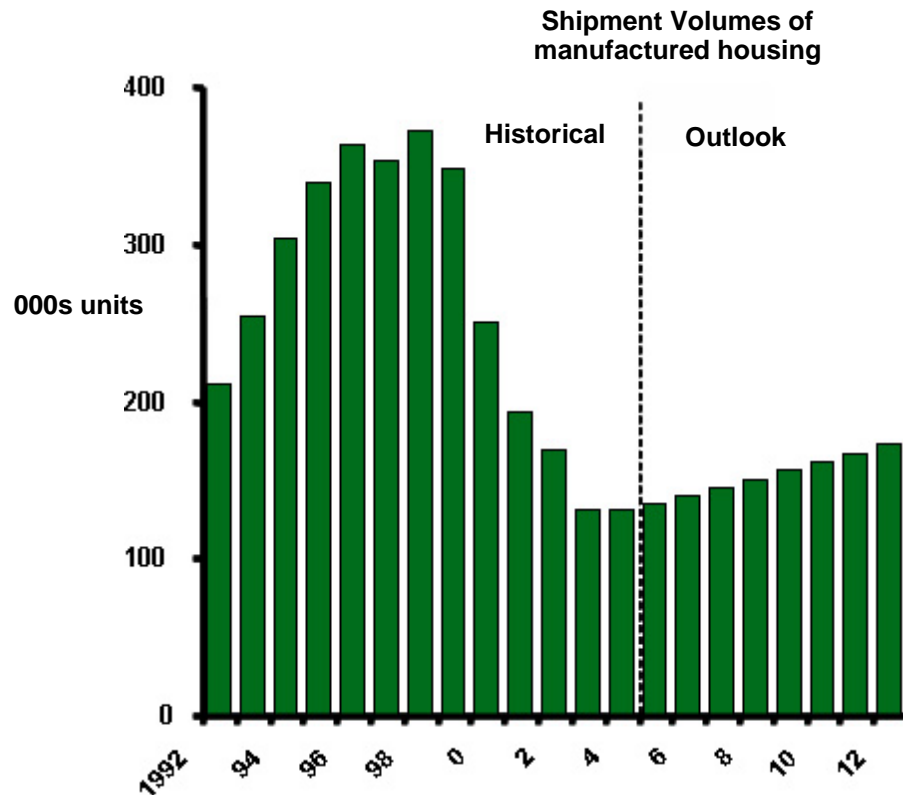
Manufactured Housing – Market shipments and LaSalle Sales



* Based on categories where LSB participates and assuming relatively low overall price inflation from 99 to 04

Source : Manufactured Housing Institute; LaSalle Bristol internal data

Manufactured Housing : Market outlook is encouraging

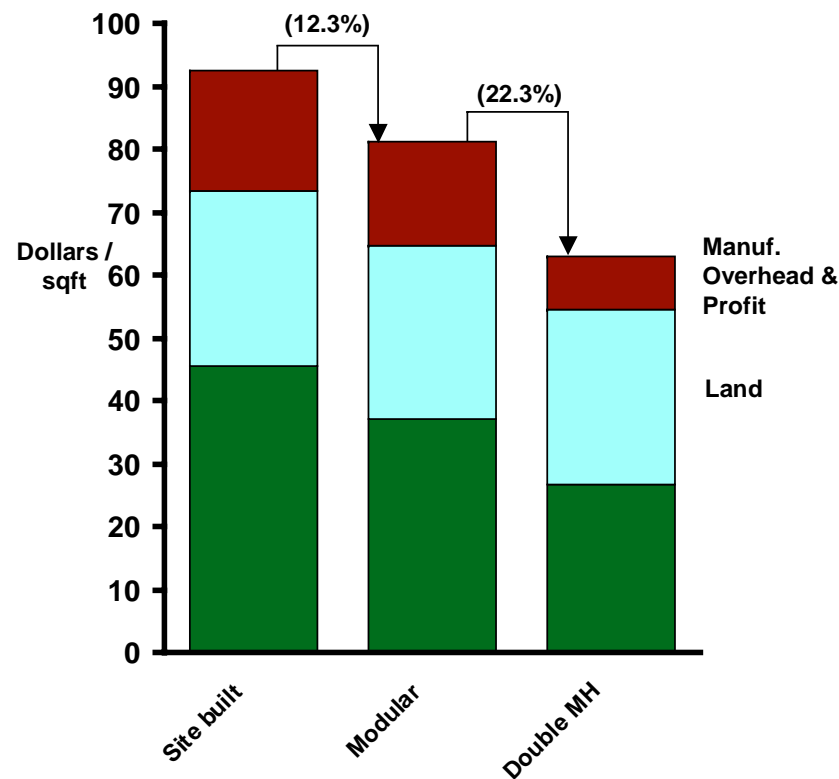


- Unsustainable lending boom in the 1990s
- Repossessions reduced shipments
 - currently estimated at 50k units per annum
- New attractive uses for manufactured housing
 - retirees
 - low cost new housing subdivisions
- Outlook is for rising volumes

Source : Freedonia; First Dallas Securities; L.E.K. interviews; L.E.K. Analysis

The underlying economic attractiveness of both Modular & Manufactured Housing is significant and is sustainable

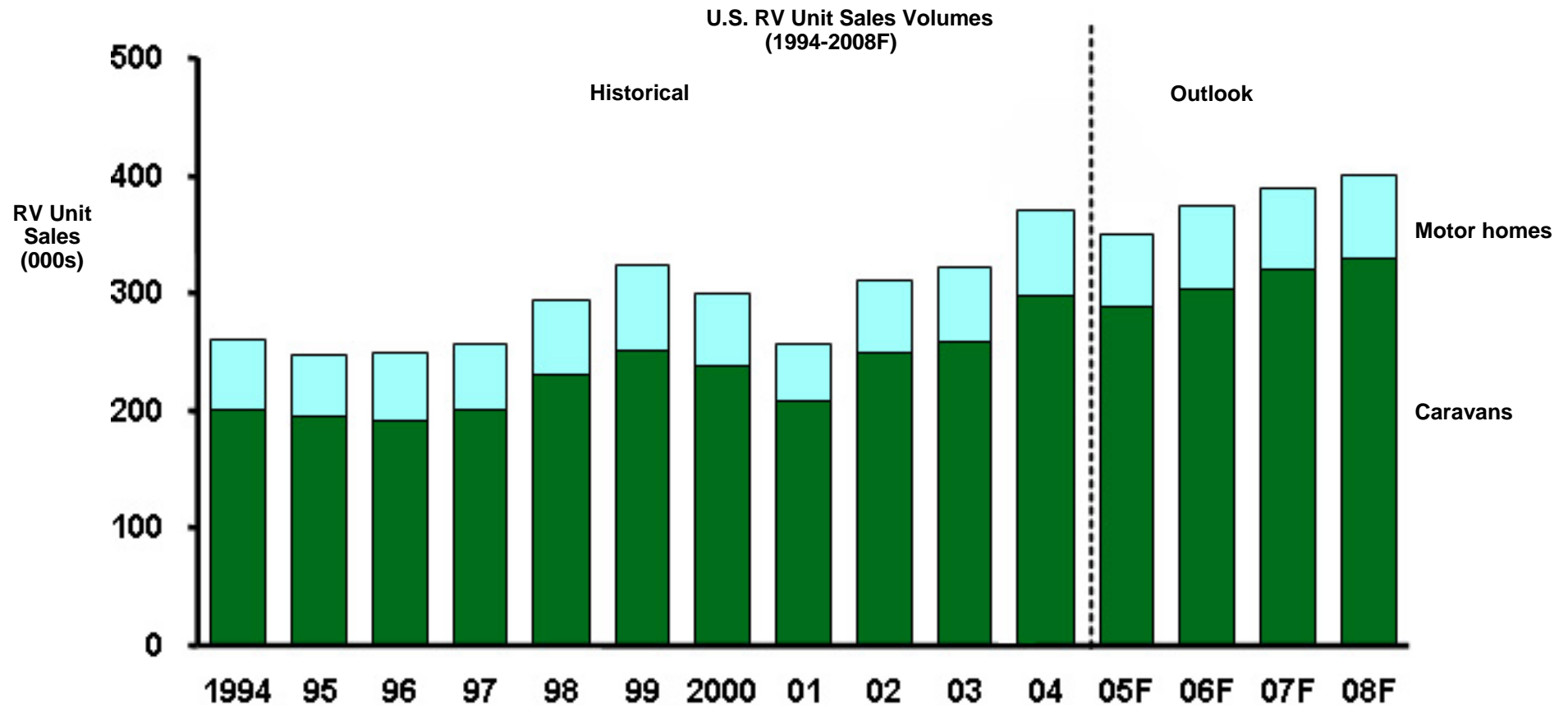
Cost Comparison – Private Land Housing (2002E*)



- Manufactured Housing
 - Excellent entry level solution
 - Large, sustainable demographics
- Modular Housing
 - Cost effective mid-range housing
- Both solutions offer:
 - Speed of build
 - Less reliance on scarce trades
 - Factory quality

Notes: *Estimated based on 1998 split and 2002 total cost data; comparison of 2,000 sq.ft. properties; *** 1998 Census Bureau data
 Source: NAHB; LEK analysis; US Census Bureau

Recreational Vehicles : “Baby boomer” demographics driving medium term growth



Source: L.E.K. Analysis, Recreational Vehicle Industry Association

Hardware Division

The Hardware Division in UK/Europe supplies hardware & door panels primarily for PVC doors, windows & conservatories

Division	Market	Market Position
Hardware	UK	#1
Door Panels	UK	#1
Hardware	Ireland	#1
Hardware	Scandinavia	#1
Hardware	Baltics	#1

)
)UK : 60% of Sales
)
)
)Europe : 40% of Sales
)
)

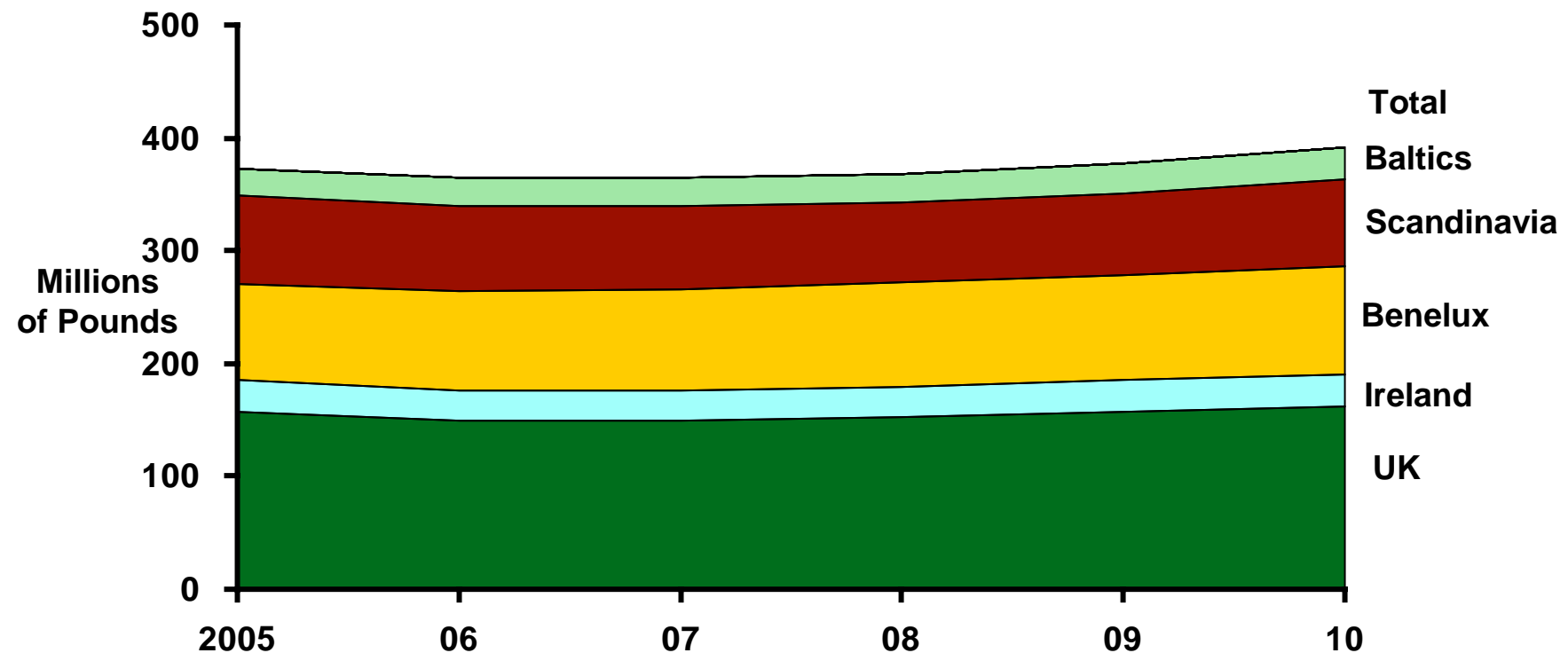
- Design – develop – global source – distribute – technical support
- 27 patents and designs filed in last 4 years

The Hardware Division had a challenging first half 2005

- UK market down 15% and Coldseal impact
- Sales initiatives mitigated the impact to a 10% decline
 - New business won
 - Maintained market share in the UK
 - Garant™ timber/aluminium hardware range piloted successfully in Denmark
 - Sales in Europe up 19%
- Supply chain and cost reduction plans achieved
 - Increased global sourcing
 - Daventry facility closed
 - 17% headcount reduction
- Current focus: Grow market share - cost reduction - new products

Hardware : Long term outlook in key markets is encouraging

Core Hardware Market Sizes



Source : Management Information; L.E.K. Analysis

Heywood Williams now has the capability & expertise to pursue further selective development opportunities

CRITERIA

- Solutions provider/specialist distributor of branded products
- Current or closely related markets
- Increase market share in existing businesses
- Add a new product in existing businesses
- Achieve synergies – cost and revenue
- Proven business with capable management

Summary: Significant further progress has been made

- Good first half results
- Group now a focused solutions provider/specialist distributor of branded building products
- Successful restructuring of the Group completed
- Excellent and rapid sale of Plastic Systems completed
- Focus now is on the future growth of the Group
 - LaSalle Bristol
 - Hardware
 - Development opportunities