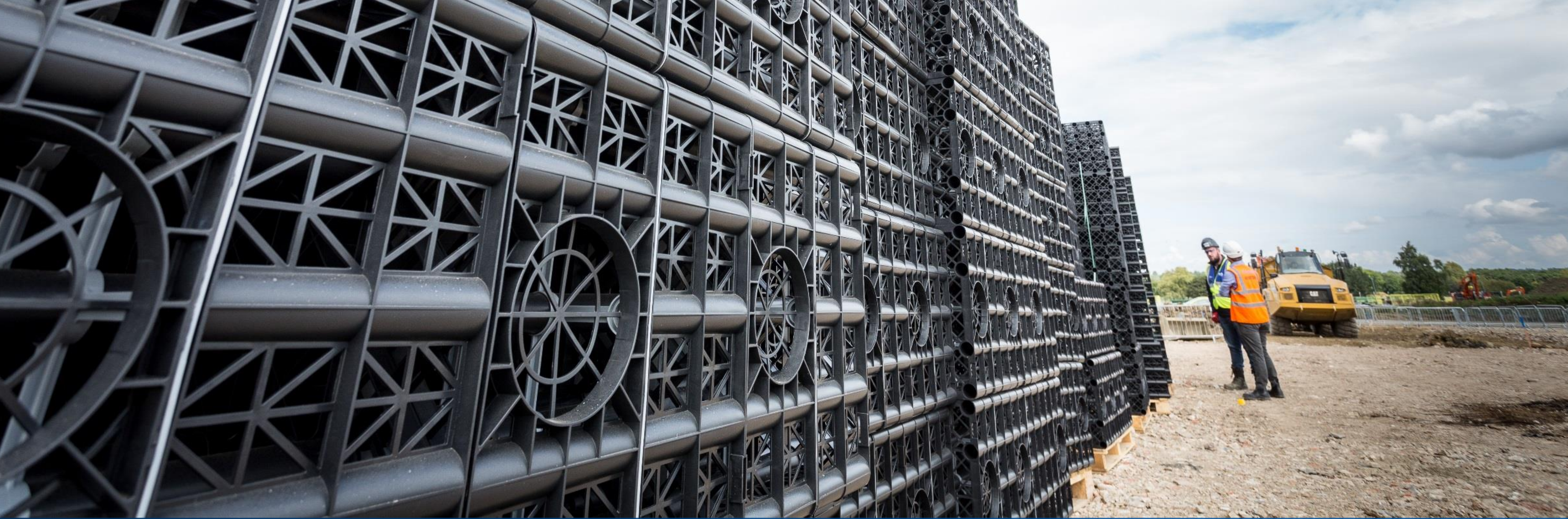


Polypipe Group PLC

Interim results, August 2018

Polypipe

Agenda

1 INTRODUCTION

2 FINANCIAL REVIEW

3 BUSINESS REVIEW

4 SUMMARY & OUTLOOK

Polypipe

Highlights

- Group revenue 0.1% higher despite adverse weather and mixed market conditions
- UK revenue up 0.9%
- Margins remain strong
- Improved cash generation
- Disposal of Polypipe France completed March 2018
- Dubai factory closure and alternative manufacturing strategy, using sub-contracted partners, on plan
- Second half started well, on track to deliver full year results in line with management expectations

Agenda

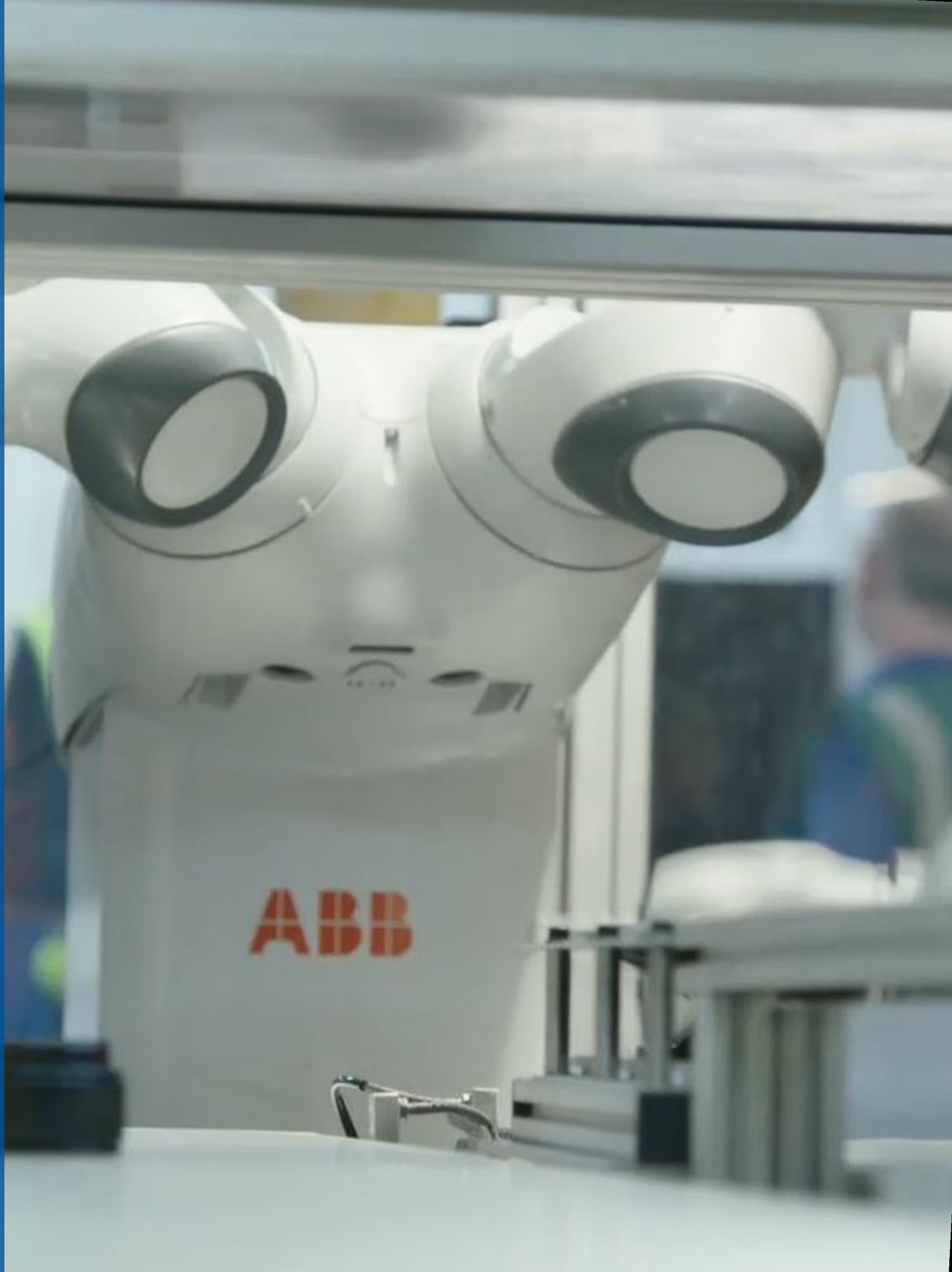
1 INTRODUCTION

2 FINANCIAL REVIEW

3 BUSINESS REVIEW

4 SUMMARY & OUTLOOK

Polypipe



Financial highlights

- UK revenue 0.9% ahead
- UK growth excluding the £8m estimated impact of adverse weather in February and March approximately 5%
- Basic earnings per share from continuing operations down 4.3% at 13.5 pence
- Cash generated from operations 5.7% higher at £22.3m
- Net debt of £145.8m at 30 June 2018 is 1.7 times LTM EBITDA compared to 2.0 times in the prior year
- Interim dividend increased 2.8% to 3.7 pence per share

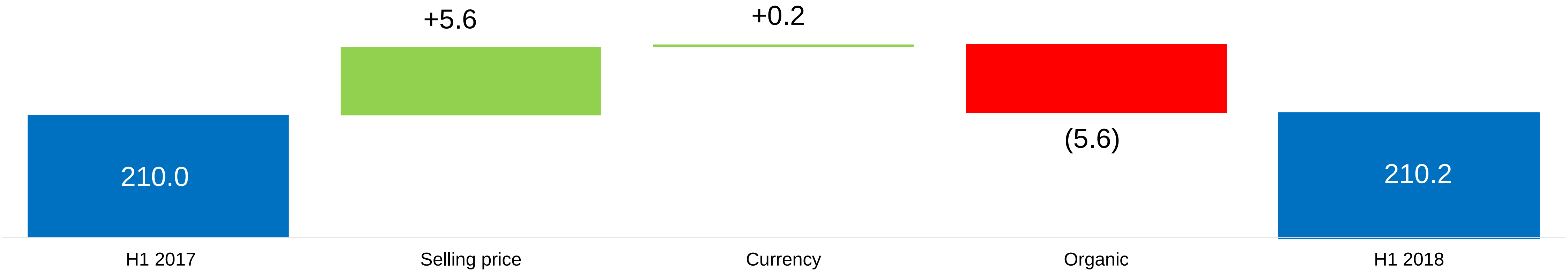
Underlying results summary

£m	H1 2018	H1 2017 *	% Change
Revenue	**210.2**	**210.0**	**0.1%**
Cost of sales	(121.4)	(119.1)	
Gross profit	**88.8**	**90.9**	**(2.3)%**
Gross margin	*42.2%*	*43.3%*	
Selling & distribution costs	(34.3)	(33.2)	
Administrative expenses	(18.2)	(19.8)	
Underlying operating profit	**36.3**	**37.9**	**(4.2)%**
Operating margin	*17.3%*	*18.0%*	
Finance costs	(3.4)	(3.4)	
Underlying profit before tax	**32.9**	**34.5**	**(4.6)%**
Underlying tax	(6.0)	(6.6)	
Underlying profit after tax	**26.9**	**27.9**	**(3.6)%**
Basic earnings per share from continuing operations (p)	**13.5**	**14.1**	**(4.3)%**
Dividend per share (p)	**3.7**	**3.6**	**2.8%**
Underlying tax rate	*18.2%*	*19.1%*	

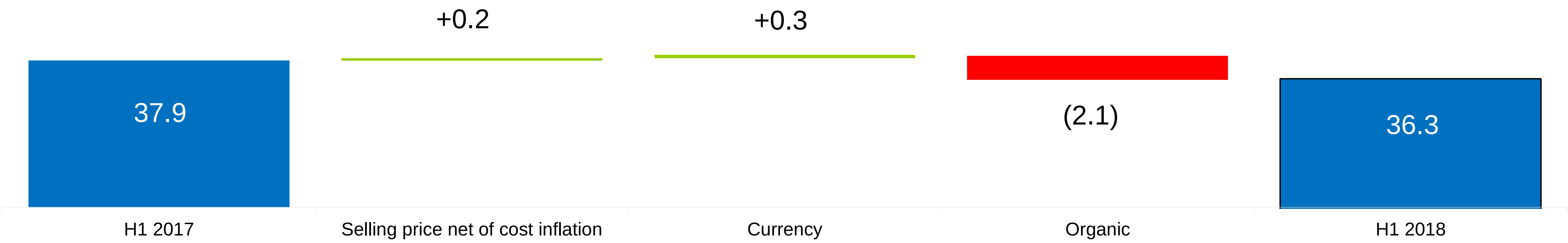
* H1 2017 restated to exclude discontinued operations (Polypipe France)

Revenue and underlying operating profit bridge
– *organic growth impacted by adverse weather*

Revenue (£m)



Underlying operating profit (£m)



Balance sheet summary

£m	H1 2018	H1 2017	Change	31 December 2017
Non-current assets				
▪ property, plant & equipment	101.3	94.9	6.4	98.6
▪ goodwill	319.7	319.7	-	319.7
▪ other intangible assets	34.0	39.5	(5.5)	36.8
Net assets classified as held-for-sale	0.7	26.2	(25.5)	13.1
Net working capital	20.2	16.5	3.7	0.4
Net debt	(145.8)	(178.0)	32.2	(148.4)
Taxation	(13.5)	(14.0)	0.5	(12.6)
Other	(3.5)	(4.2)	0.7	(5.6)
Net assets	**313.1**	**300.6**	**12.5**	**302.0**

- No defined benefit pension scheme

Net working capital

£m	H1 2018	H1 2017 *	Change	31 December 2017
Inventories	52.7	50.9	1.8	53.5
Trade and other receivables	44.2	44.7	(0.5)	34.5
Trade and other payables	(76.7)	(79.1)	2.4	(87.6)
Net working capital	**20.2**	**16.5**	**3.7**	**0.4**

* H1 2017 restated to exclude discontinued operations (Polypipe France)

- First half working capital increase part of normal working capital cycle
- Stock levels remained broadly stable after increasing to normal levels in 2017
- Working capital days all broadly in line with 30 June 2017

Cash flows

£m	H1 2018	H1 2017	Change	31 December 2017
EBITDA (before non-underlying items) [1]	**44.5**	**47.0**	**(2.5)**	**90.2**
Capital expenditure, net of disposals of property, plant & equipment	(10.7)	(11.1)	0.4	(23.2)
Profit on disposal of property, plant & equipment	(0.2)	(0.1)	(0.1)	(0.1)
Movement in net working capital	(21.0)	(26.1)	5.1	(10.0)
Share-based payments	0.5	0.6	(0.1)	0.8
Operating cash flows after capital expenditure	**13.1**	**10.3**	**2.8**	**57.7**
Finance costs – net interest paid	(3.2)	(3.2)	-	(6.6)
Taxation	(4.8)	(6.4)	1.6	(12.6)
Dividends paid	(14.9)	(13.9)	(1.0)	(21.0)
Cash flows before non-underlying cash items, share purchases	**(9.8)**	**(13.2)**	**3.4**	**17.5**
Non-underlying cash items	(1.5)	(0.3)	(1.2)	(0.5)
Disposal of subsidiary undertaking net of overdraft divested	13.8	-	13.8	-
Purchase of own shares, net of option exercise proceeds	0.3	-	0.3	(0.7)
Movement in unamortised debt issue costs & foreign exchange	(0.2)	(0.2)	-	(0.4)
Decrease / (increase) in net debt	**2.6**	**(13.7)**	**16.3**	**15.9**
Cash conversion rate	36%	26%	+10pp	78%

[1] Including EBITDA from discontinued operations (Polypipe France)

Banking facilities

Headroom at H1 2018:

£m	Drawn as at H1 2018	Facility	Headroom
Bank loan	185.0	290.0	105.0
Cash and cash equivalents	(38.5)	-	38.5
Net debt excluding unamortised debt issue costs	**146.5**		**143.5**
Unamortised debt issue costs	**(0.7)**		
Net debt	**145.8**		

Covenant	Covenant requirement	Position at H1 2018
Interest cover (Underlying operating profit : Finance costs excluding debt issue cost amortisation)	>4.0:1	11.1:1
Leverage (Net debt : EBITDA)	<3.0:1	1.7:1

Agenda

1 INTRODUCTION

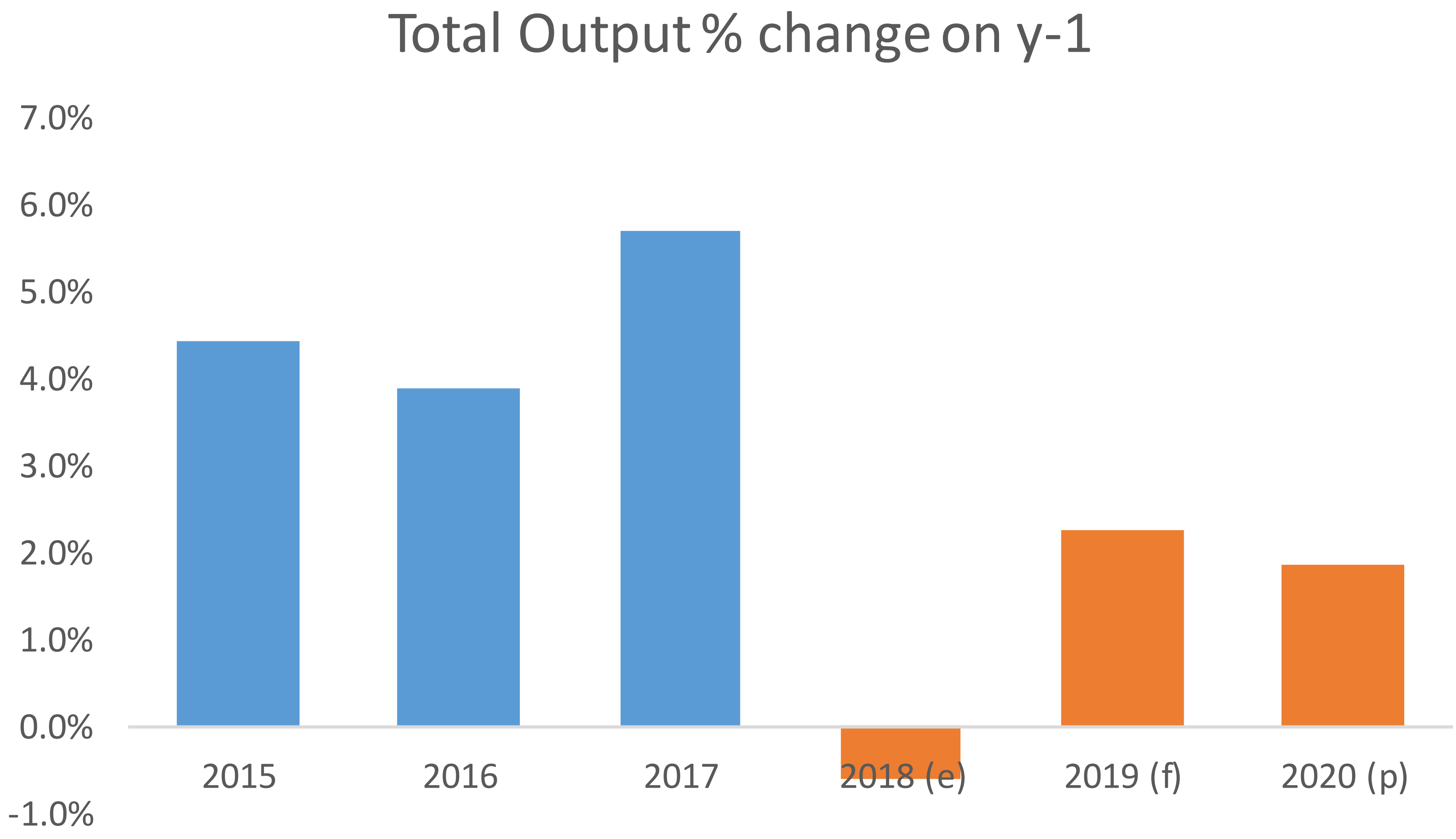
2 FINANCIAL REVIEW

3 **BUSINESS REVIEW**

4 SUMMARY & OUTLOOK

Polypipe

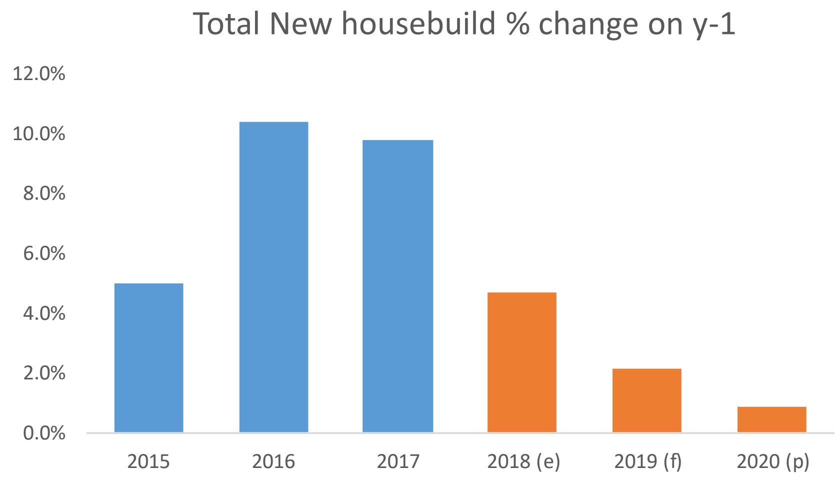
UK Construction Market



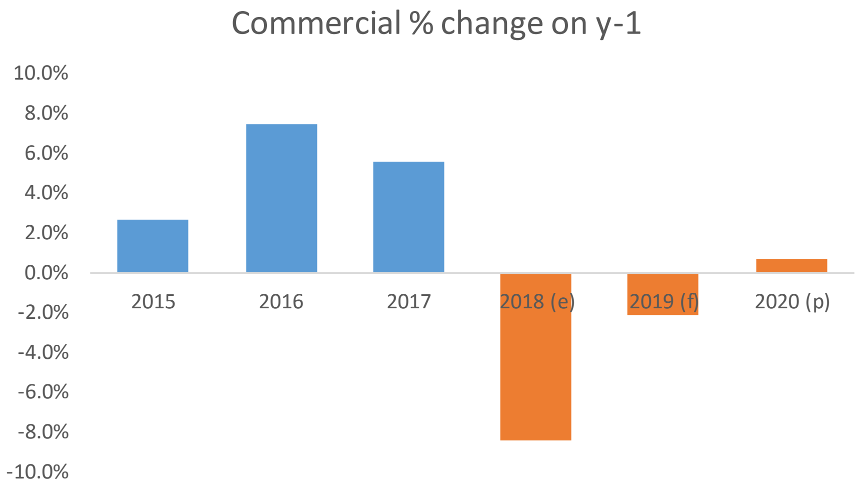
Source: Construction Products Association (CPA) Summer forecast 2018

UK Construction Market

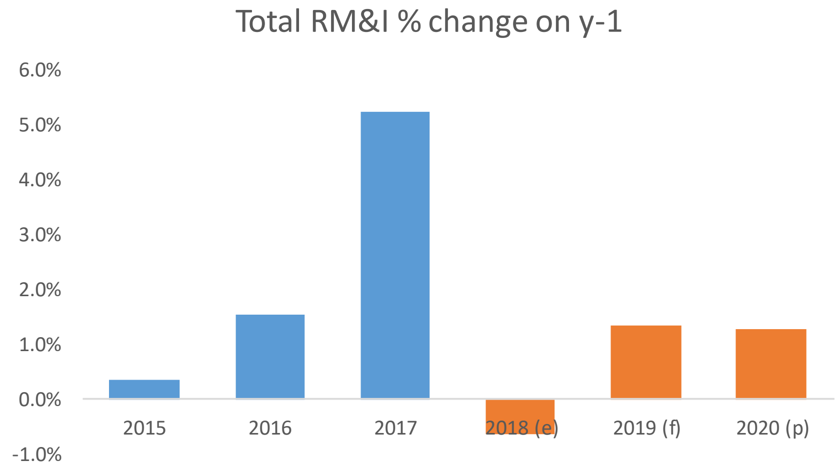
New housebuild



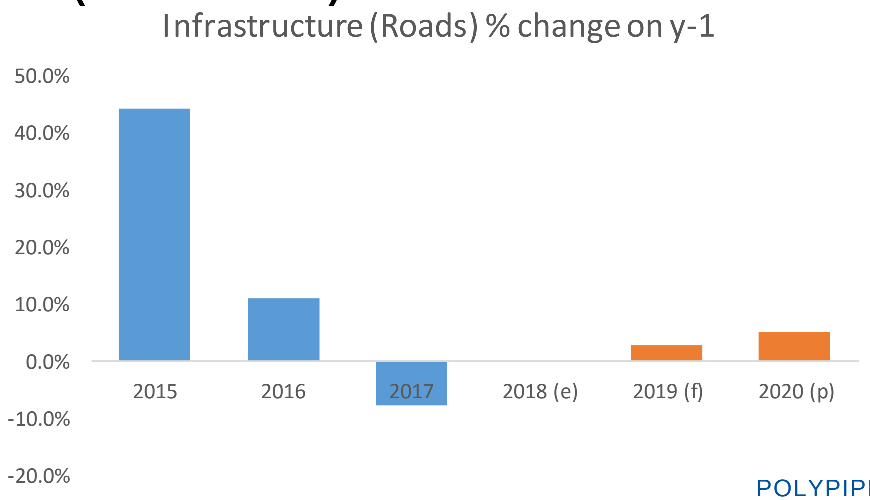
Commercial



RM&I

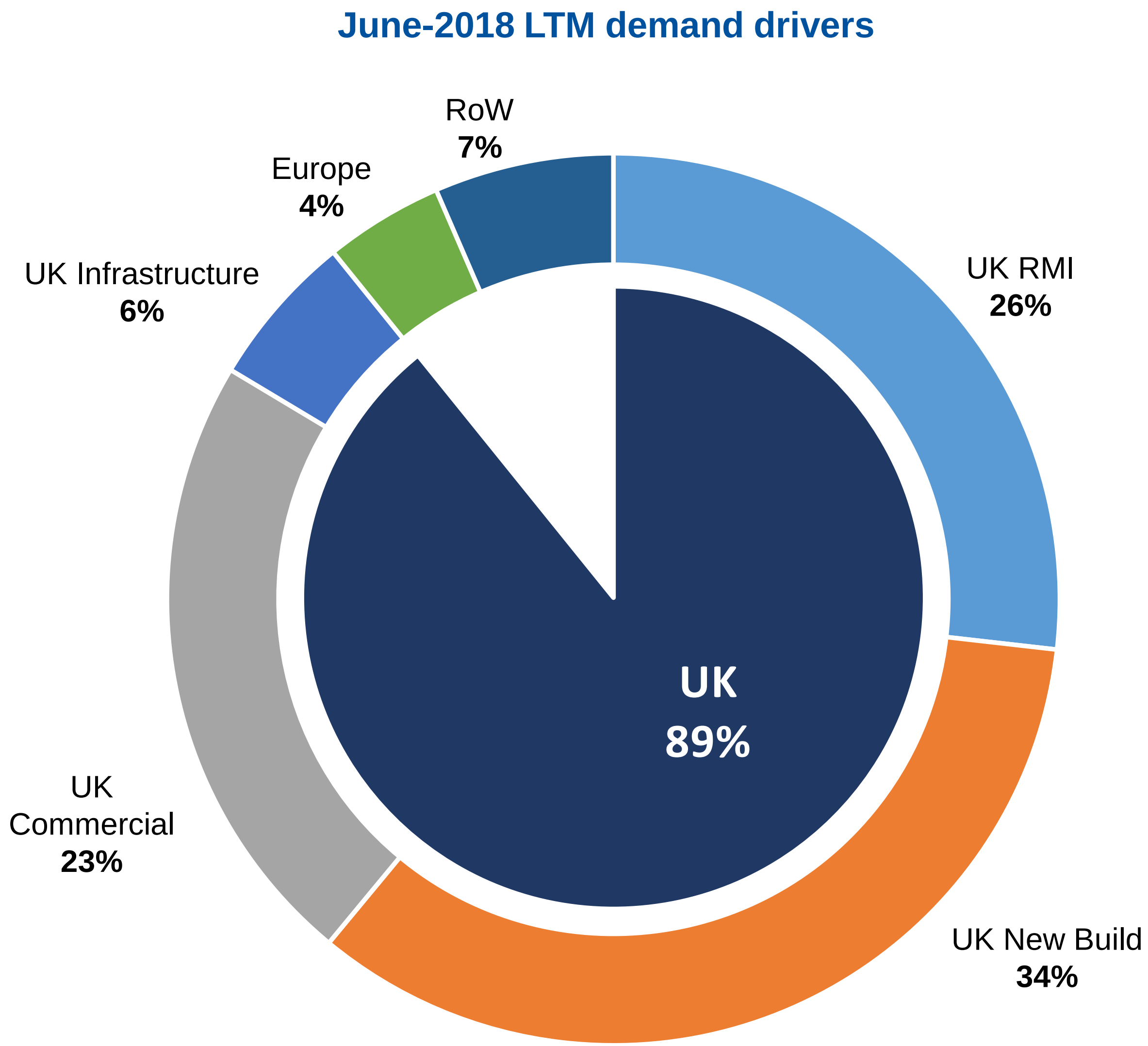


Roads (Infrastructure)



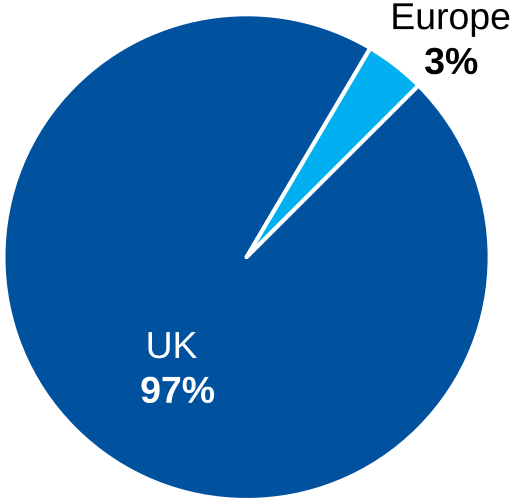
Source: Construction Products Association (CPA) Summer forecast 2018

Demand drivers



Operating segment review – Residential Systems

H1-2018 geographic revenue split

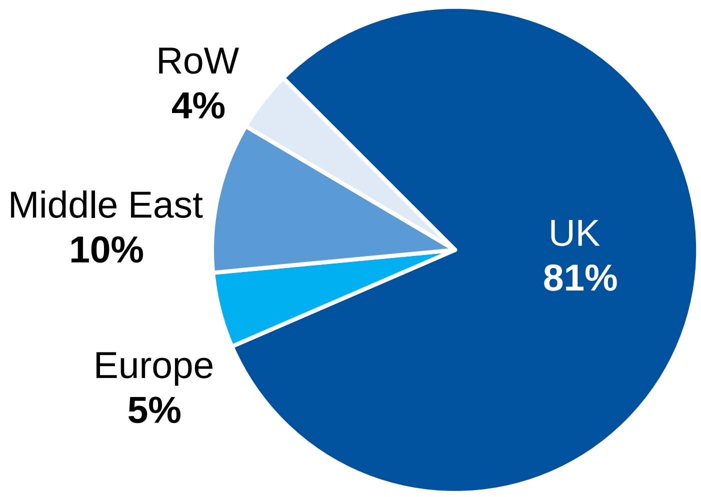


Residential Systems	H1 2018	H1 2017	% Growth
Segmental revenue	£121.3m	£115.0m	
Inter segment revenue	(£2.3m)	(£2.6m)	
Revenue	£119.0m	£112.4m	5.9%
Underlying operating profit	£23.8m	£22.9m	3.9%
Underlying operating margin	20.0%	20.4%	

- 5.9% growth driven by a continued UK new build activity
- Impacted by adverse weather conditions
- Revenue growth in May / June of 7.8% on prior year
- RMI markets difficult – private RMI broadly flat; public RMI contracting due to austerity and diversion of budgets towards fire safety
- Margins remain strong
- New multi-layer waste pipe and fittings range launched incorporating BioCote™ technology.

Operating segment review – Commercial and Infrastructure Systems

H1-2018 geographic revenue split



Commercial and Infrastructure Systems	H1 2018	H1 2017	% Growth
Segmental revenue	£95.0m	£102.0m	
Inter segment revenue	(£3.8m)	(£4.4m)	
Revenue	£91.2m	£97.6m	(6.6)%
Underlying operating profit	£12.5m	£15.0m	(16.7)%
Underlying operating margin	13.7%	15.4%	

- 6.6% revenue decline reflecting softer commercial and infrastructure markets
- UK revenue down 6.4%, Overseas revenue down 8.5%
- Impacted by adverse weather conditions
- Carillion demise created project delays
- A14 road upgrade project underway
- Large diameter continuous corrugator running well, in line with plan
- Dubai factory exit and alternative strategy going to plan
- Signs of some improvement in second half

Agenda

1 INTRODUCTION

2 FINANCIAL REVIEW

3 BUSINESS REVIEW

4 SUMMARY & OUTLOOK

Polypipe

Summary & outlook

- Resilient performance in first half despite mixed market conditions and adverse weather
- Improved cash generation
- Good outlook for UK new housebuild, some signs of H2 improvement in Commercial and Infrastructure
- France disposal completed
- Second half started well, on track to deliver full year results in line with management expectations

Questions & Answers

Polypipe

Appendix

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Statutory results

£m	H1 2018	H1 2017	31 December 2017
Underlying profit after tax	**26.9**	**27.9**	**53.9**
Non-underlying items:			
- Middle East closure and other projects	-	(1.2)	(4.6)
- Amortisation of intangible assets	(2.8)	(2.8)	(5.5)
Tax effect of non-underlying items	0.5	0.5	1.2
Profit/(loss) from discontinued operations	0.3	0.7	(11.3)
Profit for the period	**24.9**	**25.1**	**33.7**

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