

Brammer plc

The European Leader in
Mechanical MRO Supplies and
Services

Agenda

- Financials
- Strategy
 - Growth
 - Capabilities
 - Synergies
 - Costs
- Conclusion
- Questions

2009 – A Testing Year

- Impact of economic slowdown in European economies had a substantial negative impact on sales
- Cost and restructuring actions taken to mitigate the decline in sales and contribution
- Major reduction in stock driven by utilisation of enhanced IT systems
- Significant operating cash flow generated on reduced turnover and EBITDA
- Rights Issue changes the profile of the balance sheet and brings the company in line with market norms for gearing
- Strategy unchanged while demonstrating resilience in testing times

Group Results

	Constant Reported Currency	Prior Year
Turnover	£426.1 (10.9)%	£398.5 (16.1)%
Profit before tax, exceptionals and amortisation of acquired intangible	£13.8 (29.9)%	£13.2 (33.0)%
Operational Cashflow pre-exceptional	£33.3	£29.6
SDA costs pre-exceptional	£109.6 (7.9)%	£103.0 (14.5)%
Borrowings	£39.9	£46.0
Net Debt/ EBITDA *	1.98x	2.6x
Interest cover	4.6x	4.48x

* As defined in the banking covenants

Final Results

Year to 31st December 2009

- Turnover £426.1m, down 10.9%.
- Significant cost reduction and restructuring programme resulting in an exceptional charge of £13.7m gross, £12.9m net
- Profit before tax down £5.9m, from £19.7m to £13.8m.*
- Overhead costs down £7.9m (6.7%). Excluding exchange impact, overhead costs were down by £14.5m (11.6%)
- Stock reduction of £32m

* before amortisation of acquired intangibles and exceptional items

Net Borrowings

- Net debt decreased from £84.0m to £39.9m
- Rights issue raised £35.3m (net of expenses)
- Currency exchange effect £6.1m
- Banking facility secured to 2012 (€144.3m)
- Headroom cover £63.6m
- Net debt to EBITDA 1.98x
- Fixed charges ratio 3.08x

Final Results: Ratios

Year to 31st December 2009

£m

	2009	2009 Fx	2009	2008	Change
Turnover	398.5	27.6	426.1	478.4	(10.9)%
Underlying operating profit	17.5	0.9	18.4	26.2	(29.8)%
Return on Sales	4.4%	3.3%	4.3%	5.5%	
Closing operating capital*			159.8	189.6	
Return on capital employed**			24.1%	25.7%	
Return on investment***			11.5%	13.8%	

* Segmental assets including goodwill less liabilities, before current & deferred tax, dividends, cash, loans, deferred consideration & pension liability

** Underlying operating profit as a percentage of operating capital as defined in* but excluding goodwill & acquired intangibles

*** Underlying operating profit as a percentage of operating capital as defined in *

Exceptional items

Year to 31st December 2009

	£'m
Headcount restructuring	6.7
Associated restructuring costs	3.3
Stock scrapped	2.6
Impairment of intangible assets	0.3
Total included in Operating profit	<u>12.9</u>
Finance costs	<u>0.8</u>
Total- continuing operations	13.7
Discontinued operations	(0.7)
Total	<u><u>13.0</u></u>

Cash Flow

Year to 31st December 2009

£'m

	2009	2009 Fx	2009 FY	2008 FY
EBITDA and exceptional items	14.4	1.2	15.6	31.6
Working Capital	15.2	2.5	17.7	(2.4)
	29.6	3.7	33.3	29.2
Outflow from exceptional items	(5.4)	(0.6)	(6.0)	-
Operational cash	24.2	3.1	27.3	29.2
Net capital expenditure	(1.4)	(0.3)	(1.7)	(4.4)
Net proceeds from rights issue	35.3	0.0	35.3	0.0
Acquisitions*	(8.3)	(0.5)	(8.8)	(9.8)
Interest, dividends & pension	(11.4)	(0.1)	(11.5)	(10.6)
Tax	(2.2)	(0.1)	(2.3)	(4.2)
Own shares (purchased)/ issued	(0.3)	0.0	(0.3)	(2.2)
Net cash inflow/(outflow)	35.9	2.1	38.0	(2.0)
Exchange			6.1	(22.6)
Movement in net debt			44.1	(24.6)

* Includes acquired debt and deferred consideration

Working Capital

at 31st December 2009

	2009	2009 Fx on opening w capital	2009	2008	Change
Stock	77.6	(6.8)	70.8	103.1	32.3
Debtors	76.7	(5.5)	71.2	93.9	22.7
Creditors	(91.6)	6.8	(84.8)	(117.4)	(32.6)
Subtotal	62.7	(5.5)	57.2	79.6	22.4

Balance Sheet

at 31st December

£m	2009	2009 Fx	2009	2008	Base change
Fixed assets	24.9	(1.2)	23.7	26.6	(2.9)
Goodwill	82.7	(6.1)	76.6	83.4	(6.8)
Working capital	62.7	(5.5)	57.2	79.6	(22.4)
Def Consideration	(17.1)	1.5	(15.6)	(25.0)	9.4
Tax	(1.9)	0.5	(1.4)	(8.3)	6.9
Net Debt	(46.0)	6.1	(39.9)	(84.0)	44.1
Net pension liability	(25.8)	0.1	(25.7)	(13.3)	(12.4)
Shareholders' equity	79.5	(4.6)	74.9	59.0	

Full Year Results: Ratios

Segments: Year to 31st December 2009

£m	UK	Germany	France	Spain	Benelux	Eastern Europe	Other	Total
Turnover	130.3	93.1	70.9	36.8	41.8	39.2	14.0	426.1
Turnover growth (SPWD) %	-0.4%	-22.0%	-3.8%	-12.4%	-9.8%	-13.4%	4.1%	-10.3%
Underlying operating profit	4.6	4.8	2.8	2.6	1.7	2.0	(0.1)	18.4
Return on sales	3.5%	5.2%	3.9%	7.1%	4.1%	5.1%	0.0%	4.3%
Return on sales 2008	2.8%	7.4%	4.0%	7.9%	8.4%	6.7%	0.0%	5.5%
Capital employed*	15.0	15.1	7.7	3.8	10.5	15.0	4.7	71.9
Return on capital employed	30.7%	31.8%	36.4%	68.4%	16.2%	13.3%	0.0%	25.6%
Return on capital employed 2008	22.2%	41.7%	24.6%	31.7%	29.6%	16.3%	0.0%	25.7%

* Segmental assets excluding goodwill and acquired intangibles less liabilities, before current & deferred tax, dividends, cash, loans, deferred consideration & pension liability

Brammer plc

February 2010

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About Brammer

- We are the European market leader in mechanical MRO (Bearings, Mechanical Power Transmission, Fluid Power and Tools and Maintenance) supplies and services
 - Leading the process of consolidation in a highly fragmented market
- Our customer base of over 100,000 customers is diverse and so our risk is low
 - Top 10 customers in any one country account for less than 10% of sales
- We are the largest European customer of our main strategic suppliers

One Brammer

- 2,250 people
- Over 300 locations
- 16 Countries
- 12 NDC's
- 3% Market Share
- European Leader



Brammer strategy

- Increase organic growth in each location by:
 - Enhancing knowledge of customers' business and processes to use in segment focused marketing
 - Increasing the number of Insites, consistently implementing best practice across group
 - Winning more national and European Key Account customers
 - Establishing a full product offering in all countries
- Supplement organic growth through acquisitions
- Develop consistency through implementation of Group information systems and development of the Brammer brand
- Ensure capability of Group employees is the highest possible through training, development and communications
- Minimise costs across all Group functions

Future Brammer Strategy

Growth	Capability	Costs	Synergies
Country organic growth	People Development	Supplier rationalisation	Business Processes
Corporate accounts	Business Skills Development	European buying	Systems Integration
Insites	Distributed Learning Programme Development	IT cost reductions	Brand Development
Product range extension	Internal Communications and Involvement	Capital Employed Management	Supplier Relationship Management
Geographical development			

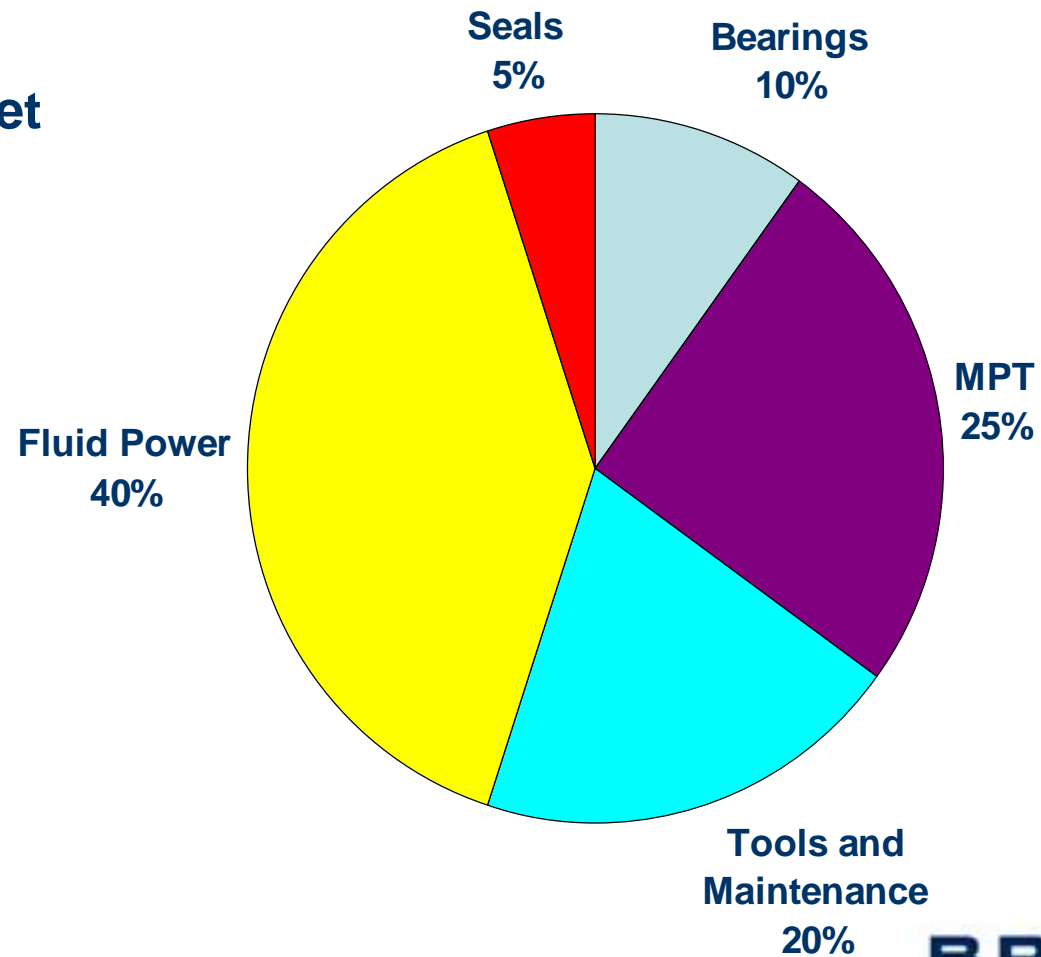
6 Year History

£m	2004	2005	2006	2007	2008	2009	Total
Turnover	270.8	287.4	314.3	379.6	478.4	426.1	
GP%	30.1%	30.9%	30.5%	30.4%	30.0%	30.1%	
TP	9.8	12.5	15.1	19.9	26.2	18.4	101.9
TP%	3.6%	4.4%	4.8%	5.2%	5.5%	4.3%	
Operating cash flow	18.7	15.7	11.9	16.7	29.2	33.3	125.6
Net Debt(€ equiv)	80.7	73.7	80.4	80.9	86.8	44.9	
Total Customer Signed off Cost Savings	0.4	2.6	8.8	15.1	15.0	>22	

Produced 23% more operating cash flow than operating profit over 6 years

Growth Objective the Market Opportunity

Total market
€20Bn



Growth

Market Segmentation

Understanding our customers

- Brammer becomes “expert” in its customers’ business and processes
- Customers are more comfortable with suppliers that:
 - Talk their language
 - Understand their operational needs
- Current business segments:
 - Food & Drink
 - Utilities
 - Pulp & Paper
 - Construction & Aggregates
 - Recycling
 - Automotive
 - Refining
- Researched and published 14 Customer Brochures
- Used as part of local, segment based industrial marketing campaigns
- Rolled out across whole of the business

Market Segmentation - 2009

- 11 Research Reports



Market Segmentation - 2009

- 12 Industry Guides



Market Segmentation - 2009

- 14 Customer Brochures



Growth – Market Segmentation

Segment Focused Results

- Although sales to some segments are down the results from areas of focus in 2009 are encouraging:
 - Food and Drink grew by £11.3 million, or 34%, to £44.3 million and is now our third largest segment
 - Transport grew 18% to £10.8 million
 - Utilities grew 17% to £17.1 million
 - Petroleum grew 15% to £2.6 million
- These improvements offset:
 - Automotive which declined by 32% to £31 million
 - Metals declined by 15% to £47.2 million
 - Industrial Machinery declined by 23% to £90.6 million

Growth

Key Accounts

Key drivers

- Customers are looking to:
 - Reduce total MRO product acquisition costs
 - Improve production efficiency
 - Reduce working capitalAnd hence improve profitability
- This is driving:
 - Consolidation amongst the supply base
 - Rationalisation of MRO product requirements
 - Changes in traditional supply relationships
 - Innovative supply solutions
- Brammer is acknowledged as a market leader offering innovative and bespoke pan-European supply and service solutions

Our Value Proposition

		Our capability...			
		Portfolio	Products	Services	Organisation Solutions
The customer requires...	Reduce Total Acquisition Costs	Brammer Product Portfolio	Product Transformation / Adaption O.E. Parts Conversion Substitute Parts	Transaction Analysis Reporting Consolidated Invoicing Blanket Orders Electronic Ordering / Invoicing Purchase Cards Self Billing	Supplier Reduction Vendor Managed Inventory Training Equipment Surveys Insite Services Energy Survey / Monitoring Consignment Stock Management
	Improve Production Efficiency		Performance Measurement Condition Monitoring Technical Support Repairs Drive Design Application Advice	Technical Consultancy 24/7/365 Service Component Kitting Delivery to Line	
	Reduce Working Capital		Product & Brand Rationalisation Standardisation	Stock Profiling	

Key Accounts Sales Performance 2009

YTD DECEMBER 2009			Total	Brammer	
Multi-Site	Status	Scope	variance	Total £'000	
Tier 1	EU Contract	Part EU Group	YTD 2008 Value	6.1%	27,210
			YTD 2009 Value		28,861
Tier 2	National Contract	Part EU Group	YTD 2008 Value	9.0%	66,295
			YTD 2009 Value		72,258
Tier 3	No Contract	Part EU Group	YTD 2008 Value	7.2%	16,622
			YTD 2009 Value		17,818
Tier 4	National Contract	National Group	YTD 2008 Value	13.0%	31,864
			YTD 2009 Value		36,006
YTD Total 2008 Value			9.1%	141,991	
YTD Total 2009 Value				154,943	

Reference Pan European Supply Agreements



Growth – Key accounts

- 6 new contracts won
 - Coca Cola Enterprises, Emcon, Heinz, Invista, Knorr-Bremse, and Rexam
- 9% overall growth
- Key accounts now represent 36% of total sales
- Over £22 million of documented and signed off cost savings
- Major progress in Food & Drink segment
- Customers wishing to “turbo boost” contract implementation to achieve Brammer guaranteed savings

Growth

Insites

Growth – Insites

- Insite Development
 - Insite Manual
 - Best practice Operational Manual
 - Distributed across the Group
 - Insite Bulletin
 - An Insite newsletter highlighting some case studies from across the Group
- 37 new Insites in 2008
- 77 new Insites in 2009
- 21% growth to £58 million

The yearly bulletin examining the Insites of the Brammer Group

Brammer Insite Bulletin

Issue 01 2008

Brammer's Insites Help Meet Key Challenges in Modern Industry



Are you under pressure to:

- Streamline your Stock?
- Decrease your Transaction Costs?
- Keep your Production Lines Moving?
- Reduce your Working Capital?
- Manage your Energy Consumption?
- Rationalise your Suppliers?
- Minimise Downtime?

A Brammer Insite can help you face all these issues.

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BRAMMER

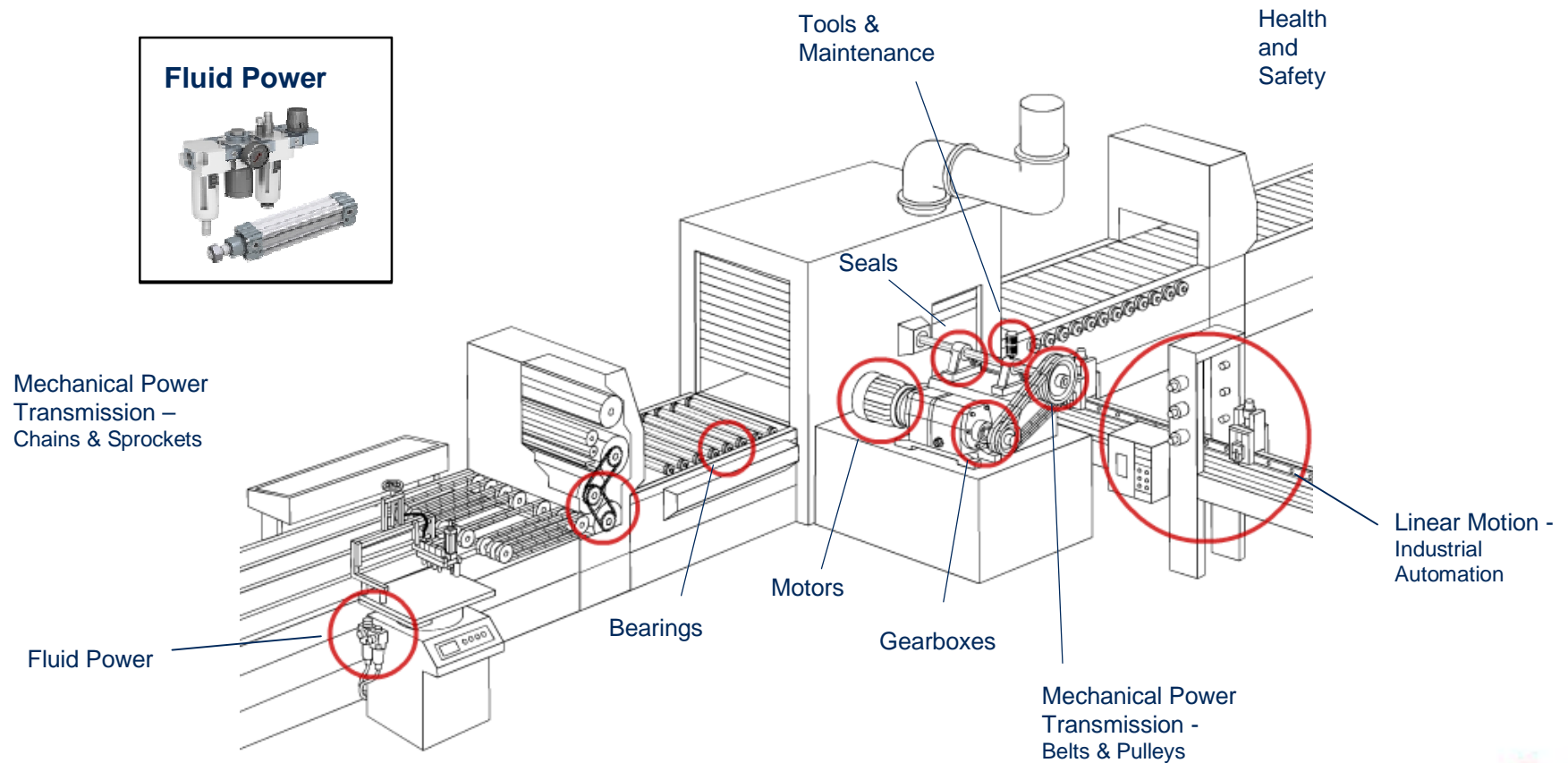
Successful Insites



Growth

Product Range Extension

Growth – Product Range Extension



Growth – Product Range Extension

- New product range introduction continues on the continent
- At reported rates Bearings down 16%, non bearings down 8% (nevertheless, market share gains in bearings!)
- Continued focus in fluid power (down only 5%) and tools and maintenance (growth of 8%) throughout continental Europe
- Catalogue including tools and general maintenance launched in France and Spain (and Germany in January 2010)
- Huge opportunity for further growth through cross-selling - e.g. 0.5% market share in tools and general maintenance compared with 10% share in bearings.

Growth

Acquisitions

Acquired Businesses

- No new businesses acquired in 2009
- Will look to continue consolidation of the market once market conditions improve

Costs & Cash

Cash

Inventory reduction

- Capital Employed Task Force (CETF) – an international, multi-disciplinary cross-functional team – established in 2008
- Use of MDM, Inline, and MOMASSE on a European basis
- Rapid reduction of inventory to newly defined safety stock levels through inter-company trading
- Turns improved – sales down 16%, stock down 28% on a constant currency basis, despite increasing product range.
- Significant further opportunity to increase turns
- Promised return on IT investment over last four years now being delivered

Costs

- Headcount reduction in all territories
- 289 staff (11%) involved in redundancy programmes
- Aggressive control of non-personnel costs
- Annualised saving of £15.8 million
- Significant part of saving is structural and permanent

The results of our Growth Strategy

SPWD Analysis: Year on Year to December 2009

%	Q1-07	Q2-07	Q3-07	Q4-07	Q1-08	Q2-08	Q3-08	Q4-08	Q1-09	Q2-09	Q3-09	Q4-09	YTD-09
UK	11.6%	11.3%	14.5%	12.7%	7.6%	12.1%	7.1%	6.2%	3.4%	-1.8%	-3.6%	0.9%	-0.4%
Germany	14.7%	19.6%	18.9%	16.6%	15.6%	12.5%	6.0%	-2.4%	-22.9%	-37.9%	-35.1%	-26.3%	-30.8%
France	6.0%	10.0%	8.3%	10.1%	17.8%	14.5%	6.9%	-1.2%	-14.7%	-21.8%	-15.8%	-4.9%	-14.6%
Spain	6.0%	7.0%	4.4%	9.4%	32.6%	19.9%	3.7%	-16.6%	-24.7%	-24.7%	-26.9%	-10.8%	-22.3%
Netherlands	17.0%	16.6%	17.9%	22.5%	14.5%	15.6%	12.5%	3.6%	-12.8%	-23.2%	-13.8%	-16.1%	-16.6%
Total	13.9%	20.5%	23.4%	23.0%	21.7%	17.4%	8.3%	1.6%	-10.8%	-21.7%	-19.8%	-11.4%	-16.1%
Organic	13.9%	14.9%	12.6%	13.0%	20.9%	13.5%	3.8%	-3.2%	-10.8%	-21.7%	-19.8%	-11.4%	-16.1%

Notes:

UK's Organic 2008 Quarterly SPWD were +7.6%; +6.8%; +1.1%; & +1.2%.

France's Organic 2008 Quarterly SPWD were +12.8%; +9.2%; +2.2%; & -6.0%.

Spain's Organic 2008 Quarterly SPWD were +7.8%; -0.6%; +9.0%; & -10.9%.

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Geographical development			

Current trading & outlook

- Recent months have seen improvement in all territories – low point for Brammer was in June 2009
- First 7 weeks of 2010 have started well – in line with management expectations
- Will continue to outperform the market via market share gains in key accounts, Insite development, and new products
- Cost reductions benefiting 2010
- Working capital management *will* release cash once again in 2010
- For 2010, Board anticipates a modest increase in demand from recent levels in addition to benefits from Brammer growth drivers
- Cautiously optimistic

Exchange Rates €GBP

	Dec-07	Jun-08	Dec-08	Jun-09	Dec-09
Average	1.459	1.297	1.259	1.113	1.117
Closing	1.362	1.263	1.034	1.174	1.126

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2009