



The Alumasc Group plc

Annual Results to 30 June 2010

Emerging from
Recession a Stronger
Business

Contents



- 1. Overview**
- 2. Financial Review**
- 3. Business Review, Strategy & Outlook**

Paul Hooper
Chief Executive

Andrew Magson
Finance Director

Levolux Shading System Incorporating Trinit[®]i Brackets

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ZinCo Green Roof, The Co-operative, Oakham

Overview

Alumasc emerging from recession a stronger business

- **Delivered profits, strong cash flows, a maintained dividend and developed the business**
- **A challenging environment as we predicted last September:**
 - a more difficult year for our late cycle Building Products businesses
 - partial recovery in our early cycle Precision Engineering business
- **Strong management of fixed costs & cash flows – ahead of internal expectations:**
 - fixed cost savings of £8.5m in the last 2 years
 - period end net debt £1.0m lower at £9.3m
- **Pension deficit and future pension contributions substantially reduced**
- **Order books up 34% since the half year, and this momentum has continued post year end**
- **Steps have been taken to realise strong medium term growth potential:**
 - strengthened operating company management
 - selective investment in sales and marketing resources
 - established a network of sales reps to develop chosen international markets

Financial Overview

- **Group revenues £93.0m (2008/09 : £109.1m)**
- **£4.3m of fixed cost savings delivered (£8.5m over last 2 years) – ahead of target**
- **Underlying PBT £4.1m (2008/09 : £5.2m)**
- **Underlying EPS 7.9p (2008/09 : 10.0p)**
- **Reported PBT (after lower non-recurring charges) £3.4m (2008/09 : £1.8m)**
- **Strong cash flow performance : net debt reduced by £1.0m to £9.3m, gearing 33%**
- **Pension deficit more than halved⁽¹⁾, future cash funding payments reduced by > £1m pa**
- **Order books at 30 June 2010 of £35.5m, 34% ahead of 31 December 2009**
- **Dividend maintained at 10p per share**

(1) Based on advanced draft triennial actuarial valuation

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Aqualine Rainwater System, Rochford Hospital

Income Statement Summary (£m)

12 months to 30 June 2010



	<u>2010</u> <u>£m</u>	<u>2009</u> <u>£m</u>	<u>Change</u> <u>%</u>
Revenue	93.0	109.1	(14.8)
Underlying Operating Profit	5.6	6.7	(15.7)
Net Interest Cost	(1.5)	(1.5)	-
Underlying Profit Before Tax	4.1	5.2	(21.5)
Brand amortisation and non-recurring items ⁽¹⁾	(0.7)	(3.4)	
Profit Before Tax	3.4	1.8	87.3
Operating Margin (%)	6.1	6.1	-
Underlying EPS (pence)	7.9	10.0	(21.2)
Basic EPS (pence)	6.2	2.9	100.0+

(1) Brand amortisation and non-recurring items in 2009/10 consist of restructuring costs £0.4m (2008/09: £0.9m), brand amortisation £0.3m (2008/09: £0.3m) and asset impairment £2.2m in 2008/09

Income Statement : Segmental Analysis

12 months to 30 June



	<u>2010</u>		<u>2009</u>		<u>2010</u>	<u>2009</u>
	<u>Revenue</u>	<u>Operating Profit⁽¹⁾</u>	<u>Revenue</u>	<u>Operating Profit⁽¹⁾</u>	<u>Operating Margin⁽¹⁾</u>	
	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>%</u>	<u>%</u>
Energy Management	33.6	1.9	45.5	6.1	5.8	13.4
Water Management & Other	30.9	3.4	33.0	3.1	11.0	9.4
Building Products	64.5	5.3	78.5	9.2	8.3	11.7
Alumasc Precision	23.9	1.3	24.1	(1.5)	5.5	(6.2)
Alumasc Dispense	5.5	-	7.6	0.1	-	0.7
Engineering Products	29.4	1.3	31.7	(1.4)	4.3	(4.6)
Intercompany / Unallocated	(0.9)	(1.0)	(1.1)	(1.1)		
Total Group	93.0	5.6	109.1	6.7	6.1	6.1

(1) Stated on an underlying basis

Cash Flow Summary (£m)

12 months to 30 June



	<u>2010</u>	<u>2009</u>	<u>Change</u>
EBITDA	8.5	10.0	(1.5)
Change in Working Capital	2.2	1.7	0.5
Operating Cash Flow	<u>10.7</u>	<u>11.7</u>	<u>(1.0)</u>
Capital Expenditure	(0.8)	(2.1)	1.3
Pension Deficit / Expenses Funding	(3.8)	(4.3)	0.5
Interest	(0.7)	(0.7)	-
Tax	(0.2)	(0.5)	0.3
Recurring Free Cash Flow	<u>5.2</u>	<u>4.1</u>	<u>1.1</u>
Dividends	(3.6)	(3.6)	-
Property & Asset Disposal Proceeds	-	0.1	(0.1)
Restructuring & other	(0.4)	(1.4)	1.0
Acquisitions / deferred consideration	(0.2)	(0.1)	(0.1)
Net Cash Flow	<u><u>1.0</u></u>	<u><u>(0.9)</u></u>	<u><u>1.9</u></u>
Average Trading Working Capital % Sales	<u><u>16.2</u></u>	<u><u>17.2</u></u>	

Balance Sheet Summary (£m)

12 months to 30 June



	<u>2010</u>	<u>2009</u>	<u>Change</u>
Tangible Fixed Assets	15.1	16.7	(1.6)
Intangible Fixed Assets	20.9	21.4	(0.6)
Working Capital	12.2	14.8	(2.2)
Other Net Liabilities	(2.7)	(2.8)	(0.1)
Capital Invested	45.5	50.1	(4.5)
Net Borrowings	(9.3)	(10.3)	1.0
Pension Obligations ⁽¹⁾	(8.4)	(9.0)	0.6
Net Assets	27.8	30.8	(2.9)
ROI (post tax) ⁽²⁾	8.2%	8.9%	
Gearing	33.5%	33.5%	
Interest Cover (times) ⁽³⁾	8.4	10.7	

(1) Calculated on an IAS19 basis, net of related deferred tax asset

(2) Adjusted post-tax underlying operating profit divided by average capital invested

(3) Underlying operating profit divided by net interest cost on borrowings

Pensions – Triennial Actuarial Valuations

A significant reduction in the pension deficit and future deficit reduction payments

Pension Scheme	<u>March 2007/08 Valuations</u>				<u>2010 Valuations ⁽¹⁾</u>			
	<u>Assets</u> <u>(£m)</u>	<u>Liabilities</u> <u>(£m)</u>	<u>Deficit</u> <u>(£m)</u>	<u>Funded</u> <u>%</u>	<u>Assets</u> <u>(£m)</u>	<u>Liabilities</u> <u>(£m)</u>	<u>Deficit</u> <u>(£m)</u>	<u>Funded</u> <u>%</u>
The Alumasc Group	33.9	52.2	18.3	65%	40.7	46.7	6.0	87%
The Benjamin Priest Group	38.1	48.3	10.2	79%	40.0	45.4	5.4	88%
Total	72.0	100.5	28.5	72%	80.7	92.1	11.4	88%
Pension deficit cash payments (£m p.a.)				3.4				2.3⁽²⁾

Notes:

- The Benjamin Priest Scheme was closed to future accrual in March 2009
- The Alumasc Group Scheme was closed to future accrual in March 2010
- The pre-tax IAS19 combined scheme deficit at 30 June 2010 was similar to the triennial valuation at £11.6m

(1) Advanced drafts agreed with Pension Trustees, but still subject to final sign off

(2) Average annual deficit contribution level agreed over the next 3 years, effective from September 2010

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Blackdown Green Roof, Edge Hill University, Ormskirk

Building Products Division

- **Revenues reduced by 17.8% to £64.5m due to:**
 - **a 44% divisional exposure to late cycle new build commercial segment**
 - UK market activity levels down 23% in 2009 with a further 10% reduction predicted for 2010⁽¹⁾
 - **late building construction cycle exposure for Energy Management products**
 - **Solar Shading, Roofing & Walling**
- **Profit & operating margins both impacted by lower Energy Management revenues**
- **Positive decisions taken to protect key people and know-how in the solar shading and green roofing businesses – significant strategic potential; order books rising**
- **Water Management profit contribution up with operating margin improving to 11% from 9% due to cost savings**

(1) Source: Construction Products Association

Building Products Division II

Energy Management

- **Affected by stage of the construction cycle after record results last year**
- **Levolux remained strongly profitable & cash generative in difficult circumstances, but continued to invest in NPD and international expansion**
- **A very challenging year for roofing and walling products - we have strengthened management and sales & marketing resources**
- **Social housing refurbishment demand for exterior wall insulation continues to hold up well (being assisted by CESP), albeit the market is increasingly competitive**

Water Management & Other

- **Resilient performances in infrastructure and refurbishment markets, with some recovery in house building demand**
- **Profits improved despite lower revenues due to cost savings**
- **Strong sales of access covers and good international demand benefited Gatic**
- **Robust rainwater & drainage performances, and key Wolseley account regained**
- **A turnaround performance at Timloc as the house building market partly recovered**
- **Pendock's margins benefited from FSC accreditation and Contour Ply acquisition last year**

Engineering Products Division

Divisional results improved from a £1.4m operating loss in 2008/09 to a £1.3m profit in 2009/10 despite revenues 7% lower

Alumasc Precision:

- **Turnaround performance under new management**
- **A quality award from Caterpillar facilitated further new work wins from this customer**
- **Work on the new Jaguar XJ model bedded in well and exceeded volume expectations**
- **Further new work secured from existing customers (Deutz, BMW, Aston Martin) and new customers Bentley, Bernard Actuators, Edwards High Vacuum and McLaren**
- **Subsidiary established in China to provide direct shipments sourced through existing local suppliers**
- **Operational performance is improving and there is plenty of spare capacity**

Alumasc Dispense:

- **Continued muted demand, but break-even levels have been reduced from £9m to £5.5m in the last 2 years**
- **Recent work wins for an international font with a global brewer & glassware for Magners cider**

Strategy and Potential

- **Alumasc's strategy is to grow shareholder value through:**
 - **development of our sustainable building products businesses (UK & overseas)**
 - **re-establishing value in the group's Precision Engineering business to build on the resurgence of the last eighteen months**
- **The group's Solar Shading, Construction Products and Precision Engineering businesses**
 - **represent more than 50% of group revenues; and**
 - **each have the opportunity to grow substantially over the medium term, including development of international markets**

Business Development

New Products

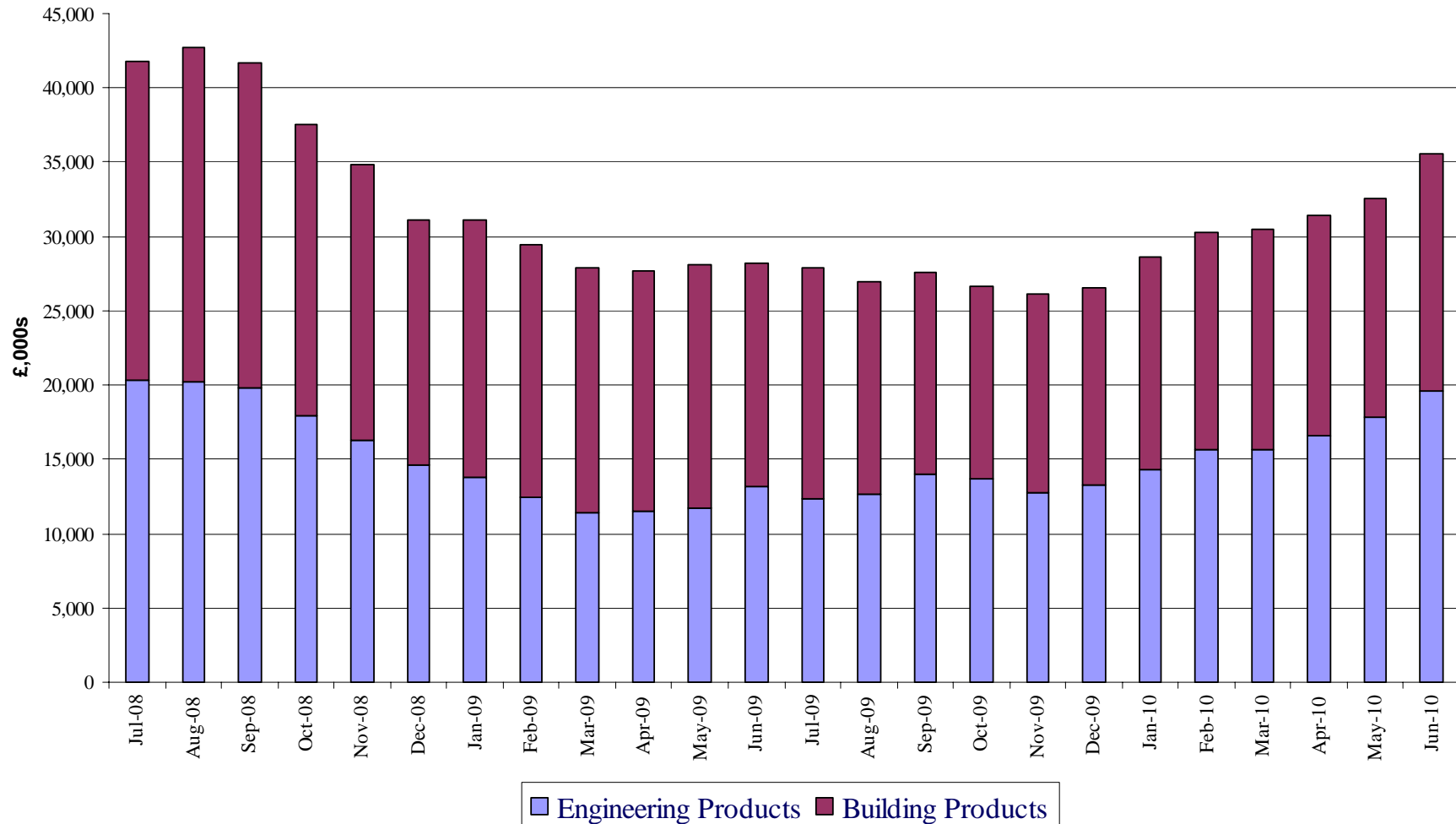
- **Shading systems incorporating photovoltaics (Levolux)**
- **Light redirection system and Trinitati® bracket (Levolux)**
- **Sophisticated green roof horticulture to expand the market by encouraging bio-diversity in roofing environments (Blackdown)**
- **Firestone waterproofing brand introduced in January bedded in well (recent £1m+ project win at Caterpillar in Leicester)**
- **New generation Harmer shower drain range launched in April**
- **Industrial/process control applications being developed at Alumasc Precision**

New International Markets

- **North American sales reps in place now supported by a new export sales manager (Levolux)**
 - \$2m+ of specifications so far
- **Middle East sales manager appointed (Levolux)**
 - early success for an office project in Dubai
- **Sales reps & a sub-contract manufacturer appointed in the USA to develop Gatic Slotdrain sales**
 - early success at Minuit Plaza in New York
- **Increasing international sales at Alumasc Precision being leveraged through a new subsidiary in China**

Order Book Development

Orders in Hand at Month End



- Order book at 30 June 2010 £35.5m, 34% up on 31 December 2009

Outlook

- **The group's order book momentum has been positive since December 2009**
- **Based on strong order books, we expect the recent resurgence at Alumasc Precision to continue**
- **Order books are growing in the Building Products Division, although uncertainties remain as to the UK economy and the impact of lower public spending**
- **Alumasc is well positioned to continue to make progress through uncertain times. The group's balance sheet remains strong. The funding of our pension schemes has improved significantly and we have demonstrated our ability to control costs and cash.**
- **Our export strategies should bear fruit as the year progresses and the Board has confidence in the exciting medium and longer term strategic potential of the group.**



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Building Products' Revenue Analysis by End Use Segment

