The Alumasc Group plc

Interim Results to 31 December 2014

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Levolux Ltd – Blackfriars Station, London

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Paul Hooper
Chief Executive

Andrew Magson
Finance Director

Overview

Alumasc's best first half year result since 2008

Continuing Operations

- **Revenues up 8% to £49.0 million**
- **Underlying PBT up 14% to £4.0 million**
- **Underlying EPS up 17% to 8.9 pence**
- **All growth driven by the Building Products division (revenues up 11% and profit up 22%)**

Discontinued Operations

- **Discussions with potential trade buyers to sell Alumasc Precision Components are ongoing**
- **Pendock (a non-core Building Products business) was sold in September 2014**
- **Overall pre-tax loss from discontinued operations of £0.2m (2013: loss of £0.5m)**

Group

- **Overall PBT up by 24% to £3.0m**
- **Basic EPS of 6.6p up by 27%**
- **Net debt unchanged at £7.7m compared to both 30 June 2014 and 31 December 2013**
- **Interim dividend increased by 14% to 2.5 pence reflecting improved performance and prospects**

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Alumasc Façades - Swisslab External Wall Insulation – Boxtree Lane, Harrow

Paul Hooper
Chief Executive

Andrew Magson
Finance Director

Strategic Development

In September 2014 the Board announced that it was refreshing its appraisal of how best to direct the group's resources in building value for shareholders. Following the review:

1. **The group's strategic focus will be on accelerating the growth of its Building Products business:**

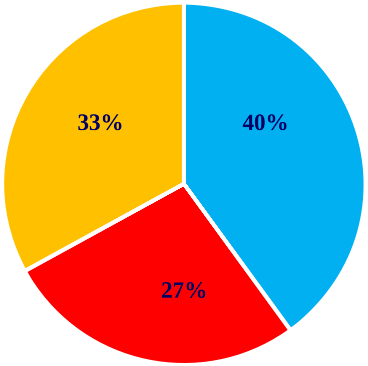
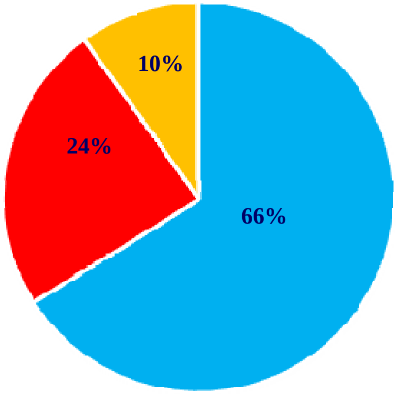
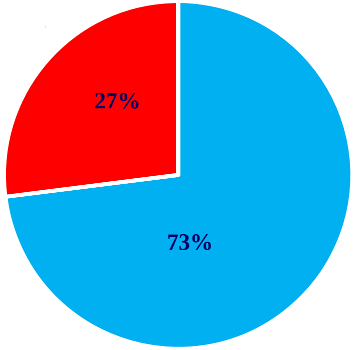
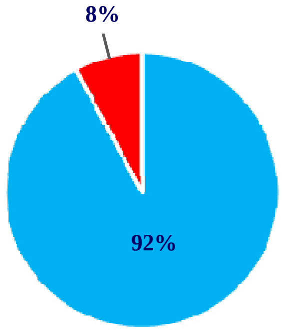
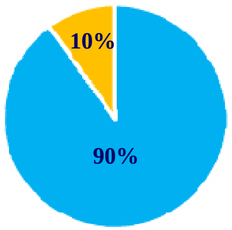
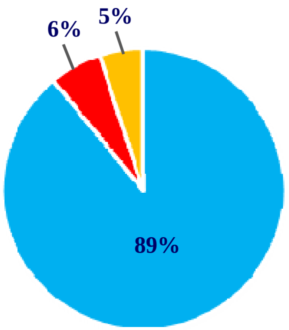
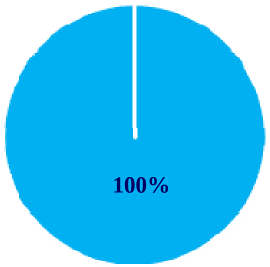
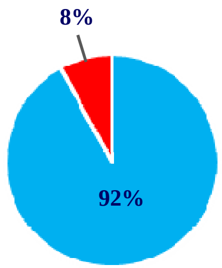
    a) **The strategic positioning of our Building Products activities (sustainable energy & water management niches) is already delivering an acceleration of growth and continued out-performance relative to the UK construction market.**

    b) **We are proactively seeking Building Product acquisition opportunities to leverage this ongoing organic growth.**

    c) **The non-core Pendock Profiles business was sold in September 2014. We do not intend to divest any other Building Products businesses.**

2. **The decision has been taken to divest Alumasc Precision Components. Discussions with a number of potential acquirers are ongoing.**

Increasing Strategic Focus:
Improving earnings and quality of earnings

	10 years ago	Pre-financial crash	Last full year	Current H1
	2004/05	2007/08	2013/14	2014/15 H1 (Continuing Operations)
Revenue				
	£121.0m	£125.8m	£113.4m	£49.0m
Underlying Operating Profit				
	£6.4m (NB: Engineering Products in Loss)	£10.8m	£6.8m (NB: Engineering Products in Loss)	£4.3m
Operating Margin (%)	5.3%	8.6%	6.0%	8.8%

Commentary

- In the last 10 years Alumasc has almost fully transformed from a diversified group into a focused niche Building Products business
- Opportunities for inter-group synergies are increasing and being actively exploited
- Earnings have been substantially rebuilt since the 2008 crash
- The quality of earnings and operating margins are improving with increased strategic focus

Key: Building Products Division, Engineering Products Division, Industrial Products Division

Building Products Division, Dyson Diecasting

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Rainwater & Drainage Limited – Harmer SML - Terminal 1, Stansted Airport

Paul Hooper
Chief Executive

Andrew Magson
Finance Director

Income Statement Summary (£m)
6 months to 31 December

	2014	2013	Change %
Continuing Operations:*			
Revenue			
Building Products	45.2	40.7	+11
Dyson Diecasting	3.8	4.5	-15
	49.0	**45.2**	**+8**
Underlying Operating Profit			
Building Products	4.6	3.7	+22
Dyson Diecasting	0.3	0.8	-56
Unallocated Costs	(0.6)	(0.7)	
	4.3	**3.8**	**+12**
Interest on borrowings	(0.3)	(0.3)	
Underlying PBT	**4.0**	**3.5**	**+14**
IAS19 pension costs	(0.7)	(0.5)	
Brand amortisation	(0.1)	(0.1)	
Discontinued Operations*	(0.2)	(0.5)	
Reported PBT	**3.0**	**2.4**	**+24**
Underlying operating margin – continuing operations (%)	8.8	8.5	+30 bps
Underlying EPS (p)	8.9	7.6	+17
Dividends per share (p)	2.5	2.2	+14

* Note: Discontinued operations are Alumasc Precision Components and Pendock Profiles

Cash Flow Summary (£m)
6 months to 31 December

	2014	2013	Change
EBITDA - continuing operations	**4.9**	**4.5**	**0.4**
Underlying change in working capital	(0.5)	(0.5)	-
Short-term changes in working capital on large construction contracts	(1.7)	0.1	(1.8)
Operating cash flow	**2.7**	**4.1**	**(1.4)**
Capital expenditure	(0.8)	(0.9)	0.1
Pension funding	(1.5)	(1.2)	(0.3)
Interest	(0.2)	(0.2)	-
Tax	(0.5)	(0.5)	-
Dividends	(1.0)	(0.9)	(0.1)
Deferred consideration (Rainclear)	-	(0.2)	0.2
Operating cash flow from discontinued activities	(0.1)	(0.2)	0.1
Sale of Pendock Profiles	1.4	-	1.4
Net cash flow	**-**	**-**	**-**
Net debt	**7.7**	**7.7**	**-**
Average ongoing trade working capital % sales (excluding Kitimat & discontinued operations)	**11.3%**	**11.3%**	

Balance Sheet Summary (£m)

	31 Dec 2014	30 June 2014	31 Dec 2013
Tangible fixed assets	7.4	12.0	12.6
Intangible fixed assets	19.3	19.3	19.3
Working capital	8.8	10.0	8.3
Other net liabilities	(2.2)	(2.3)	(2.0)
Capital invested	33.3	39.0	38.2
Current assets available for sale (APC)	6.5	-	-
Net debt	(7.7)	(7.7)	(7.7)
Pension obligations (1)	(17.1)	(14.3)	(12.2)
Net assets	15.0	17.0	18.3
ROI (post tax) (2)	20.7%	13.4%	13.2%
Gearing	51%	45%	42%
Interest cover (times) (3)	18.6	17.2	15.0
Net debt/EBITDA (times) (4)	1.0	1.0	1.0

(1) IAS19 basis of valuation, net of related deferred tax asset
(2) Annualised post-tax underlying operating profit divided by average capital invested (continuing operations only in H1 2014)
(3) Underlying EBITDA from continuing operations divided by net interest cost on borrowings (banking covenant is > 4x)
(4) Net debt plus contingent liabilities/trailing 12 months underlying EBITDA (banking covenant < 3 times)

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Rainwater & Drainage – Apex Heritage Cast Iron Rainwater – Duke Street, London W1

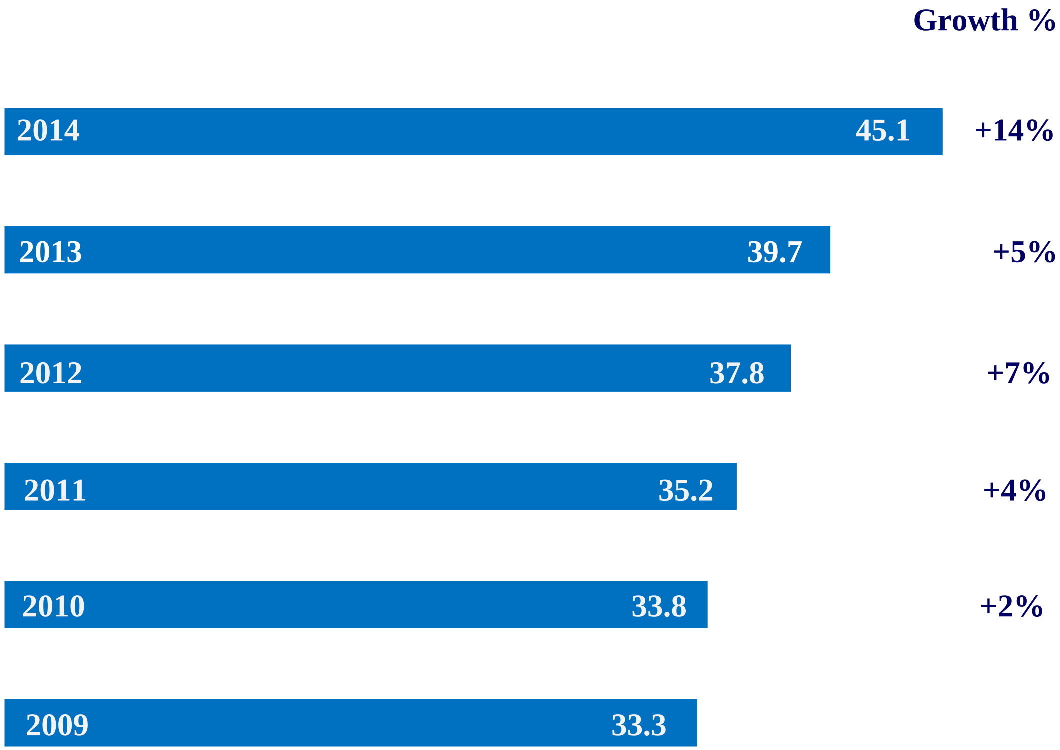
alumasc

Paul Hooper
Chief Executive

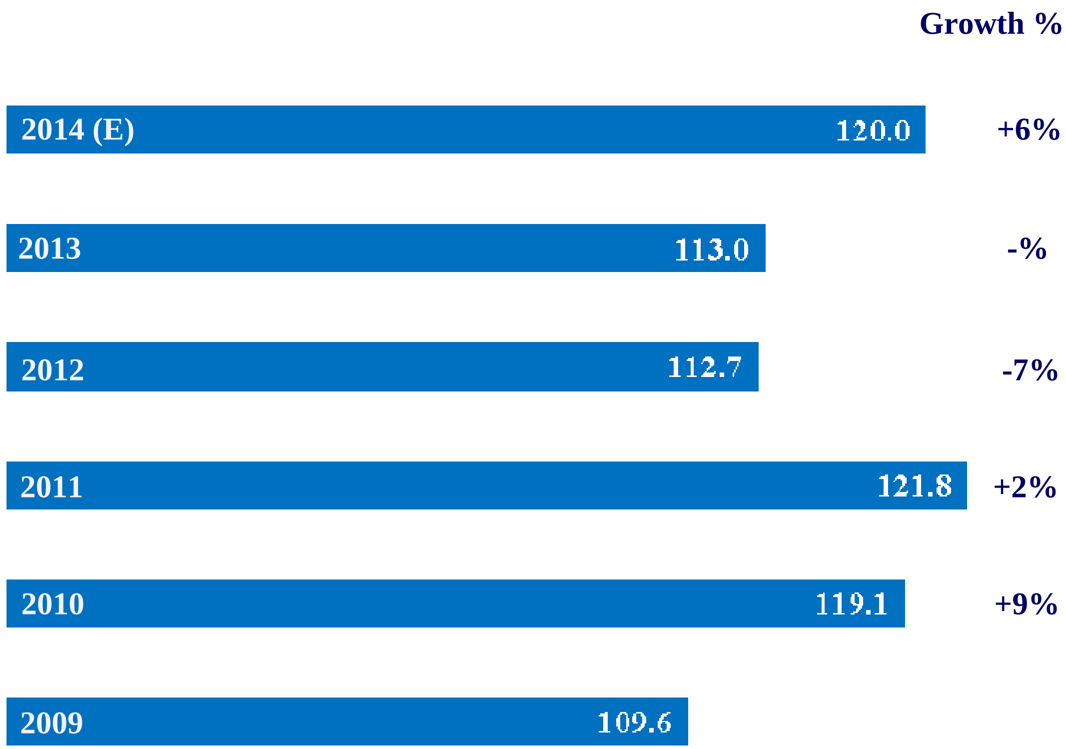
Andrew Magson
Finance Director

Building Products Division
– Continuing to Outperform the UK Construction Market

Revenue
Excluding £12m Canadian Kitimat project (2012 – 2014)
– Half Year to 31 December (£m)



UK Construction Output £bn
(at 2011 Constant Prices - Source : Experian)



Alumasc's performance driven by:

- Leading niche brands focused on energy & water management
- Strong management teams
- New product introductions
- Increased focus on London & South East
- Increased refurbishment sector sales

Building Products Division
– Energy Management

	Solar Shading	Roofing & Walling	Energy Management Total
Revenue (£m)			
H1 2014/15 H1 2013/14 Change (%)	8.2 9.1 -11%	16.9 13.7 +24%	25.1 22.8 +10%
Underlying Operating Profit (£m)			
H1 2014/15 H1 2013/14 Change (%)	0.4 0.3 +18%	2.2 1.1 +100%	2.6 1.4 +84%
Underlying Operating Margin (%)			
H1 2014/15 H1 2013/14	4.7% 3.6%	13.0% 7.9%	10.3% 6.1%

Solar Shading

- Enquiries and orders improving but UK new build commercial market still over 30% below 2008 peak.
- H1 benefited from final Chiswick Park contract (due to complete in H2) and further work on the major non-commercial building in London (now close to completion).
- Export development progressing steadily with most success so far in North America.

Roofing & Walling

- Resurgent Roofing business performance:
  - widened Euroroof product range;
  - strengthened management and sales resources;
  - centre of gravity of UK sales moving more towards South East.
- Façades benefiting from new product launches and strong demand in Scotland (HEEPs Scheme).
- Kitimat project nearing completion. It did not have a material impact on first half profit.

Building Products Division
– Water Management & Other

	Construction Products	Rainwater, Drainage & Housebuilding Products	Water Management & Other Total
Revenue (£m)			
H1 2014/15 H1 2013/14 Change (%)	8.1 7.6 6%	12.0 10.2 +17%	20.1 17.8 +12%
Underlying Operating Profit (£m)			
H1 2014/15 H1 2013/14 Change (%)	0.6 0.9 -37%	1.4 1.4 -	2.0 2.3 -16%
Underlying Operating Margin (%)			
H1 2014/15 H1 2013/14	6.9% 11.6%	11.8% 14.2%	9.8% 13.1%

Construction Products

- Satisfactory performance from Gatic in absence of any large UK contract so far this year.
- Multi-million US Dollar Doha port access cover contract now under way.
- New line drainage products being launched in April to help build traction for Slotdrain in the USA.
- SCP (scaffolding and related building products) performed well, benefiting from broadening of product ranges and routes to market.

Rainwater, Drainage & Housebuilding Products

- Strong momentum of prior year continued, with revenue growth of 17%.
- This led to some capacity constraints which in the short term added to cost and impacted efficiency.
- Rainclear (acquired in 2012) continues to develop under new Alumasc management and again performed strongly.

Engineering Products

Alumasc Precision Components

- Discussions ongoing with a number of potential trade buyers to sell the business.
- The business is held on the group balance sheet as a current asset available for sale of £6.5m.
- Trading losses reduced due to exit from loss making work, purchasing savings, operational efficiencies and strong overhead control.
- In the Autumn we were notified that certain export work to Europe would not be renewed. At the same time we received significant unexpected retrospective claims for alleged quality and delivery issues, some of which have since been settled, with some still being negotiated.
- Provision has been made for the expected value of the settlement of the claims, increasing APC's overall total H1 operating losses to £1.1m (2013: £0.7m loss).

Dyson Diecasting

- Solid H1 performance, but unable to match record prior first half which had benefited from initial stocking of some new product lines.

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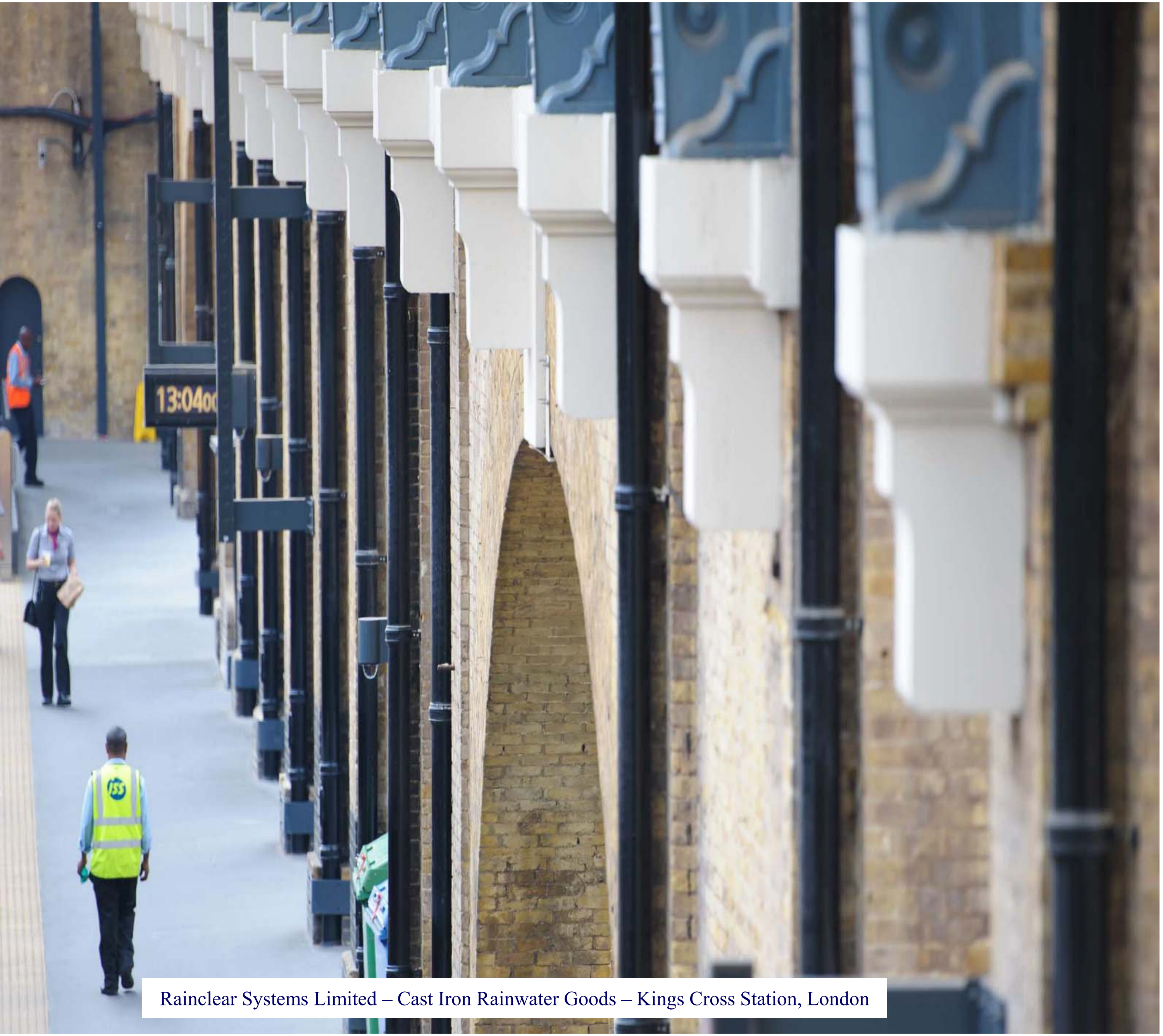


Rainclear Systems Limited – Cast Iron Rainwater Goods – Kings Cross Station, London

Paul Hooper
Chief Executive

Andrew Magson
Finance Director

Outlook

- **The traditional bias in Alumasc's results towards H2 is expected to be offset this financial year by timing of large projects which are anticipated to make a more significant contribution to the first half.**

- **This is reflected in Building Products' order books:**

  - **H1 order intake was up by 30% to £48.9 million (including orders scheduled for beyond this financial year);**

  - **Closing order book value of £19.2m at 31 December was similar to prior full year end as billing on large contracts offset growth in demand for more general work.**

- **The Board believes the group is well positioned to continue to grow its Building Products business both in this financial year and beyond.**

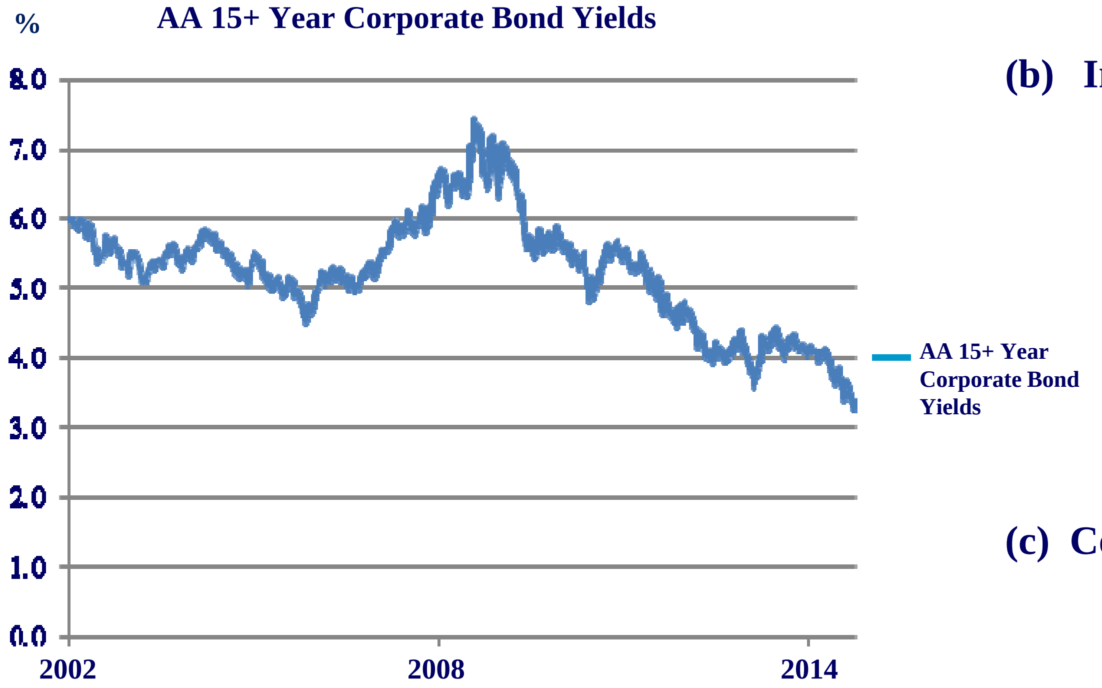
Appendix 1
Underlying to Statutory Profit Reconciliation

	H1 2014/15			H1 2013/14		
	Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
Underlying profit before tax	4.0	-	4.0	3.5	-	3.5
IAS19 pension costs	(0.7)	-	(0.7)	(0.5)	-	(0.5)
Brand amortisation	(0.1)	-	(0.1)	(0.1)	-	(0.1)
Alumasc Precision Components	-	(1.1)	(1.1)	-	(0.7)	(0.7)
Pendock Profiles	-	0.9	0.9	-	0.2	0.2
Statutory profit before tax	3.2	(0.2)	3.0	2.9	(0.5)	2.4
Tax	(0.8)	0.2	(0.6)	(0.6)	0.1	(0.5)
Statutory profit after tax	2.4	-	2.4	2.3	(0.4)	1.9

Appendix 2
Pensions

Interim Accounting Valuation

- The pre-tax deficit of £21.4m at 31 December 2014 reflects close to record low AA bond yields used to discount pension liabilities to present values.



- There is no direct impact on company deficit reduction/expenses contributions which will next be formally assessed in 2016.
- Each 10 basis point movement in the bond yield impacts Alumasc's balance sheet liability/deficit by £1.4m.

Actions Being Taken to Address the Deficit

(a) Reducing liabilities
- Offer to buy-out small pension "pots" <£30k.
- Opportunities from new capital drawdown flexibility being explored.

(b) Improving returns on assets
- Increased proportion of "alternative" return seeking assets at lower risk/volatility.
- Increased proportion of property and property debt investments to improve yield.
- Reduced investment management costs.
- An investment strategy review is underway in view of continued low gilt/bond yield environment.

(c) Company deficit repair contributions
- Currently £3.0m pa (including scheme running expenses).

The Alumasc Group plc
Interim Results to 31 December 2014