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Record of interview:.

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Alesco Corporation Limited (ALS) today announced record financial results for the half-year ended 30 November 2006. Revenues grew 14.3% to \$353 million, EBITA rose 15.1% to \$47 million on a margin that expanded from 13.2% to 13.3% and EPS (pre amortisation of intangibles) grew 10.1% to 41.5c. What were the most significant influences on this profit growth?

CEO Justin Ryan

Our growth has been delivered primarily through contributions from acquisitions but also through organic developments. Trends within our end markets varied somewhat, but our record financial results demonstrate the value of our diversified portfolio.

The Scientific & Medical and Construction & Mining divisions were both strong organically and they also both saw earnings enhanced through contributions from recent acquisitions. On the other hand subdued trading conditions in the new housing market limited the organic performance of Garage Doors & Openers. Our Building Products division, which was formerly known as Kitchen & Laundry, felt similar end market conditions.

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Revenues rose in three of your four divisions whilst EBITA margins and contributions rose in two of the four. Can you summarise how each of the divisions performed versus your expectations? What were the key factors behind any divergence from anticipated results?

CEO Justin Ryan

Our Construction & Mining and Scientific & Medical operations both saw EBITA grow by 60% or more. Roughly one third of that growth was organic with the remaining two thirds coming from acquisitions. We're very pleased with this achievement and especially with the underlying organic growth rate. In addition both divisions saw margins expand significantly – by 2.8% for Construction & Mining and by 0.9% in Scientific & Medical.

However, in Garage Doors & Openers and Building Products our margins did decline slightly. As indicated previously generally this reflects the more difficult trading conditions in the new housing market. More specifically Garage Doors & Openers saw additional costs as a result of our SAP implementation which went live in New South Wales in September and Queensland in November. We were pleased that our Australian revenues in our B&D business actually went up slightly even through this implementation phase which demonstrates that we were able to maintain our service offer through what can be a difficult period. These SAP related costs are of course transitional and one off in nature.

Overall, each of the businesses delivered results in line with our expectations.

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What have been the key market trends in the reporting period? How do you expect these trends to develop over the coming months? What impact has increased interest rates had on your activities?

CEO Justin Ryan

The new home market was subdued, with new housing commencements continuing to weaken, especially in New South Wales. The environment elsewhere was more stable with commencements by and large flat in Victoria and Queensland, whilst Western Australia plateaued somewhat.

Post the acquisition of Lincoln Sentry our biggest single end market is the renovations sector which influences the Garage Doors and Openers and Building Products divisions. In Australia, Alterations and Additions approvals have seen a near 10% growth in value in the last year which in theory should flow through to the market. Similarly strong trends are being seen in the New Zealand marketplace, which is a comforting lead indicator.

We are also encouraged by a recent up tick in new building approvals and by continued growth in new housing loans. Traditionally these have been reliable lead indicators of the direction of housing spending. We therefore think the signs are good for new construction, both in Australia, especially New South Wales and also in New Zealand where both detached housing and apartment consents have been growing for some months. We are hopeful of a potential recovery by the end of the calendar year.

Elsewhere within our portfolio we continue to believe we have strong growth prospects in both the medium and long term. For example, within Scientific & Medical after the settlement of the recently announced EnviroEquip acquisition the

Environmental business will have pro-forma annual revenues of approximately \$50 million, close to one third of the division's sales. EnviroEquip is a leading supplier of environmental equipment and instrumentation in Australia and New Zealand which has particular application in the monitoring, sampling and remediation of water, soil and air. Given the current water shortage around the country, we see exciting applications for this technology as both federal and local governments seek to solve water supply challenges.

As for the question of interest rate effects we believe the increases through last year, along with some other structural impediments such as favourable tax treatment of superannuation and a very strong share market, has delayed the housing recovery.

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Alesco has made numerous acquisitions in recent months. Which of these have had an impact on the results reported today, and how big were the effects? When do you expect the other transactions to have a financial impact?

CEO Justin Ryan

The main acquisitions that had a direct impact were Promedica and App-Tek. They are in the Scientific & Medical portfolio. As stated before, of the EBITA growth in that division, two thirds came from the acquisitions and one third was driven organically. In the Construction & Mining division there was an annualisation impact from Concrete Technologies and Flextool. Again, these contributed roughly two thirds of the EBITA growth.

All recent acquisitions have contributed positively in the period and all have performed equal to or better than our expectations.

In addition, we are closing the Lincoln Sentry deal today. This should have a small positive impact on the full year results, and a more material impact through the 2007-2008 financial year. The other acquisitions, Hanson Sales, Conquip, Concrete Plus and EnviroEquip won't have much impact till next financial year by nature of their small size.

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Can you update us on the progress you have made in the restructuring programs Project Icon (B&D) and Project Foundation (Construction and Mining)? How much further benefit is yet to be delivered from these programmes?

CEO Justin Ryan

In Project Icon we're nearing the completion of putting new IT systems into the business. In Australia this is SAP, which already operates in Parbury and Construction & Mining and in New Zealand this is a BPCS system. These implementation projects should be substantially complete by the end of this financial year. With those completed we will then move into the final phase of Project Icon with full annualised benefits of \$4 million being achieved during the financial year 2008.

In the case of Project Foundation, we have started the process of site rationalisation in Melbourne and Brisbane, and we have streamlined the management structure of the organisation. We are still on track to deliver \$2 million in savings by the end of financial year 2009.

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The group generated operational cash flow of \$22 million for the six month period. This was down 27% from the comparable period. What has caused this reduction in cash generation? If the causes were one off in nature, do you expect them to reverse at any stage in the near future?

CEO Justin Ryan

Our Garage Doors & Openers division was affected by our SAP implementation towards the end of the reporting period. As stated previously this had a cost impact but it also led to a temporary increase in working capital carried through to closure of the reporting period. November is typically the busiest month for B&D, the same month that we implemented SAP in Queensland, and as such we carried extra inventory in order to transition through the systems change. We believe this to be temporary and that our working capital will return to normal levels in the second half of the year.

In addition, during the half, we made some payments on our restructuring programmes which didn't impact our earnings but did impact operating cash flow. We expect similar payments for at least the next 6-12 months as we implement our announced restructuring programmes. Obviously, we expect these to result in both profit and cash flow growth in the medium and longer term.

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You have changed your target gearing range. Why have you done this? What are the new metrics you have adopted in place of the old ones? Under these new guidelines and after completion of all announced acquisitions, how much firepower do you consider you still have available?

CEO Justin Ryan

We have decided to set our gearing targets primarily from the point of view of our ability to service debt instead of from the traditional book equity point of view. We believe this is the more appropriate way to run a portfolio of highly cash generative businesses.

We are targeting interest cover, on an EBITDA basis, of not less than 5.0x and net debt to net debt plus book equity of between 40 and 50%.

After the Lincoln Sentry acquisition, we'll be right in the middle of that range at 45%, and with interest cover of approximately 6.0x. Even after this acquisition, working within the above guidelines will give us approximately \$60 million of debt capacity to pursue opportunities that may arise. Of course using this capacity just because it's there is not important to us, but having the flexibility to create value for our shareholders is.

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On 1 December 2006 you announced the \$84 million acquisition of Lincoln Sentry. That deal is scheduled for completion today. Having reviewed the business in detail, what integration costs and resulting benefits do you now foresee? How do you intend to go about integrating the hardware activities of Parbury and Lincoln Sentry?

CEO Justin Ryan

We have established an integration team of Parbury and Lincoln Sentry executives and have begun preliminary planning for the integration of the Parbury hardware business into Lincoln Sentry. This is expected to be completed prior to the end of the current financial year. Whilst not yet finalised it is expected that a “one-off” cost of approximately \$2 million will be incurred during the transition with an annual saving of around \$1 million being achieved from the beginning of the next financial year.

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You have previously given guidance of single digit EPS growth for the year ending May 2007. What expectations do you now have for the full year? What expectations do you have for your dividend for the full year?

CEO Justin Ryan

We believe EPS, before amortisation of intangibles and significant items, will grow by close to 10% for the year. Our dividend policy remains the same, with a payout ratio of approximately 85% of full year EPS.

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Thank you Justin.

For more information about Alesco, visit www.alesco.com.au or call Justin Ryan or Neil Thompson (Chief Financial Officer), on +61 2 9248 2022.

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