

1 May 2009

Dear Shareholder

### **Sale of Alesco's Scientific & Medical division strengthens balance sheet**

The Alesco board is pleased to announce the completion of the sale of its Scientific & Medical division (**Biolab**) to Thermo Fisher Scientific Inc. for \$175 million.

Your board believes that this transaction is an excellent result for shareholders. It substantially strengthens our financial position. It is also consistent with Alesco's stated objective of reducing overall debt levels and with our portfolio management strategy.

Over the past ten years Alesco has delivered its strategy of building a portfolio of leading industrial brands through a combination of acquisition and operational improvement initiatives. Biolab is a great example of this strategy in action. Achieving an earnings multiple significantly higher than the current multiple being applied by the market to the Alesco group, is clearly in the best interests of shareholders and recognises the value that consistent and focused execution of our strategy can generate over time.

After transaction costs, Alesco will book an estimated profit on the sale of Biolab of \$65<sup>1</sup> million before tax. Alesco's net debt at the end of April was approximately \$170 million and gearing level (as measured by net debt: net debt plus book equity) approximately 23.3% (down from 36.8% at 30 November 2008). Interest cover (EBITDA/Net Interest) has improved from 4.8 times for the 12 months to November 2008 to a pro-forma forecast of 6.6 times for the 12 months to 31 May 2009.

Alesco now has four divisions:

- Construction & Mining
- Functional & Decorative Products
- Garage Doors & Openers
- Water Products & Services

These divisions operate in the renovations and residential sectors as well as the water and infrastructure sectors in Australia and New Zealand. As announced at the half-year results in January 2009, we have accelerated

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<sup>1</sup> Net profit on sale will be treated as a significant item at year end

operational improvement programs within these divisions to improve their performance. The benefits of this work have started to flow in the second-half of FY09 and the company is now in a stronger position to face the market conditions forecast for the remainder of 2009.

The sale of Biolab substantially strengthens Alesco's financial position allowing us to continue to invest in our remaining businesses and further improve their operational efficiency and financial performance. As a result, Alesco is well positioned to benefit from the recovery of the residential housing cycle and the overall economy. It also gives the company the flexibility to take advantage of any sensible bolt-on acquisition opportunities that may arise where they add value to the businesses within the portfolio.

### **Banking facilities**

The sale of Biolab has significantly deleveraged Alesco's balance sheet and allowed the company to reduce its current committed facilities from \$410 million to \$270 million. Alesco now intends to review its overall banking arrangements in conjunction with its lenders in light of its significantly reduced gearing level. The board expects to be in a position to further update shareholders on Alesco's banking arrangements when it releases its FY09 financial results on 28 July 2009.

The company will also take advantage of the current low interest rate environment and reduce its existing interest rate hedges which, in addition to lower debt levels, will further decrease ongoing finance costs. The cost of exiting current hedge positions will be up to \$15 million before tax and will be treated as a significant item in the year end accounts.

These transactions have been agreed to by Alesco's lenders.

### **Dividends to resume**

Alesco has strong cash generative businesses and will have a significantly stronger balance sheet post the sale of Biolab. Accordingly, it is the board's intention to resume paying dividends. However a decision on the quantum of the FY09 final dividend will not be made until the company's full-year FY09 audited results are finalised and will be considered in light of the business outlook at that time and prevailing external conditions.

The past 12 months has been challenging and unprecedented. However, your board believes that the actions taken have been in the best interest of shareholders and, as a result, Alesco is well positioned to deal with future challenges and well positioned to capitalise on any recovery in the economy.

Yours sincerely



**SP Wareing**  
Chairman