



Mark Luby, Chairman

## Dear Shareholder,

### Interim result within market guidance

I am pleased to report that consistent with market guidance given in December 2009, Alesco Corporation Limited's earnings before interest, tax, amortisation and significant items (EBITA) from continuing businesses<sup>1</sup> for the first half was \$30.2 million, down 29% from the prior corresponding period. This result was up from \$26 million for the second half of FY09.

Revenue from the continuing businesses in the first half fell approximately 14% compared with the prior corresponding period. This was in line with the general decline in levels of market activity, reflecting both our exposure to the Australian new housing and renovation sectors and, to a lesser extent, the non-residential construction sectors.

Earnings per share before amortisation and significant items (EPS) for the period was 17.1 cents, down 40% from the prior corresponding period (which included contribution from the Scientific & Medical division).

### Performance weaker than corresponding period but showed improvement on the FY09 second half

Despite the overall fall in earnings, it is encouraging to note that Alesco's trading performance (EBITDA) for the first half of FY10 improved by about 16% on the levels achieved by the continuing businesses in the second half of FY09.

The significant operational improvements being undertaken across our businesses are continuing to position us to benefit from the emerging recovery in housing and renovation activity in Australia and New Zealand.

While EBITA margins fell due to lower volumes and pricing pressures, this was partially offset by our reduced manufacturing cost base and the workforce reduction program completed in early calendar 2009.

Overheads were reduced by approximately 13% compared with the prior corresponding period, due mainly to an 11% reduction in labour costs and a significant reduction in discretionary expenditure.

Overall return on sales declined, with the continuing businesses reporting an EBITA margin of 7.4% against 8.9% in the prior corresponding period. However, this was higher than the 6.9% achieved in the second half of FY09.

The lower Australian dollar experienced in the second half of FY09 also adversely impacted earnings, particularly in the first quarter. The rise in the Australian dollar since mid-2009 is expected to assist profitability in the second half.

- **Net profit after tax of \$9.7 million (2008: \$12.6 million)**
- **Fully franked interim dividend of 7 cents per share (2008: nil cents per share) payable on 5 March 2010**
- **Trading performance weaker than same time last year, but improved from FY09 second half**
- **Overhead reductions, site rationalisation and operating initiatives have softened the impact of difficult economic environment**
- **Evidence is emerging of recovery in our key markets**
- **The Alesco Board continues to expect EPS for the full year to be in the range of 34 to 36 cents**

<sup>1</sup> The Scientific & Medical division was sold on 30 April 2009.

The adverse effect of currency movements in the Functional & Decorative division contributed to the decline in EBITA margin of 1.2 percentage points to 7.0%.

EBITA margins in the Garage Doors & Openers division were relatively robust at 12.9% (down from 13.2% in the prior corresponding period).

The fall in EBITA margin in the Construction & Mining division (down from 10.5% to 8.7%) was driven largely by declining volumes of manufactured product and pricing pressure, particularly in equipment sales.

The Water Products & Services division experienced the greatest decline in revenue, down 21%, which was the key driver for the decline in EBITA margin (down from 7.7% to 3.4%).

### Operating cash flow<sup>2</sup> down but remains solid

The Group generated operating cash flow of \$33.5 million for the first half, versus \$49.8 million in the prior corresponding period. The major contributor to the fall in operating cash flow was the \$12.2 million decline in EBITA during the period.

While working capital management continues to be a key focus, we continue to invest in our business and the major capital expenditure item incurred during the period was the IT implementation in the Water Products & Services division.

### Borrowings and gearing significantly lower

On 24 July 2009, Alesco entered into a \$240 million two and three year unsecured syndicated debt facility with a group of four banks, comprising ANZ Banking Group, BNP Paribas, Commonwealth Bank and National Australia Bank. Proceeds from this facility were used to repay the existing bilateral facilities.

Net debt as at 30 November 2009 was \$138.9 million (2008: \$333.9 million) and gearing (net debt/net debt plus book equity) was 19.8% (2008: 36.8%). Net debt reduced by \$20.7 million during the first half of FY10.

Higher effective interest rates following refinancing of the Group's borrowings and associated costs have resulted in financing costs of \$7.7 million for the first half.

### Interim dividend of 7 cents per share declared

Alesco will pay a fully franked interim dividend of 7 cents per share on 5 March 2010 to shareholders holding Alesco shares as at 5.00pm on 12 February 2010. The dividend reinvestment plan will continue to operate at no discount.

### Full year outlook

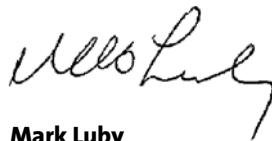
Our management team continues to focus on revenue growth initiatives, including the introduction of new product ranges and channels to market as well as ongoing cost management programs.

However, Alesco's second half FY10 financial performance will continue to be influenced by the timing and pace of the recovery in the new housing and renovations markets and the impact of government stimulus into the broader construction markets.

While we saw signs of this market recovery in December, we remain cautious as trading in January has been softer than expected.

In light of this, the Alesco Board continues to expect EPS for the full year to be in the range of 34 to 36 cents.

Thank you for your continued support.



**Mark Luby**

Chairman

8 February 2010

## Group Financial Summary

Six months to 30 November	Unit	2010	2009	Change
Revenue <sup>3</sup>	\$m	<b>410.2</b>	478.2	-14.2%
EBITA <sup>3,4</sup>	\$m	<b>30.2</b>	42.4	-28.9%
EBIT <sup>3,4</sup>	\$m	<b>24.0</b>	34.9	-31.4%
Profit after tax	\$m	<b>9.7</b>	12.6	-23.2%
Cash flow from operating activities <sup>2</sup>	\$m	<b>33.5</b>	49.8	-32.6%
Net debt/(net debt + book equity)	%	<b>19.8</b>	36.8	-17.0%
Interest cover (EBITDA/interest)		<b>4.2x</b>	4.8x	-0.6x
Earnings per share <sup>5</sup>	¢	<b>17.1</b>	28.5	-39.9%
Dividend per share	¢	<b>7</b>	0	n/a

2 EBITA plus depreciation and movements in working capital less net capital expenditure.

3 Continuing businesses only.

4 Before significant items.

5 Before amortisation and significant items.

# Divisional Performance

## Construction & Mining

\$ million	Revenue		EBITA <sup>1</sup>	
	2010	2009	2010	2009
Six months to 30 November	<b>82.7</b>	99.3	<b>7.2</b>	10.4

1 Before significant items.

- Difficult trading conditions experienced for the half. Overall demand for manufactured product fell and pricing pressure was felt on equipment sales.
- Australian construction products operations consolidated into Parchem Construction Supplies, reducing overheads. Investigation of growth opportunities and product range expansion continuing.
- Planning underway for the three manufacturing and distribution sites to be consolidated into an extended facility at Wyong in NSW over the next 18 months at a capital cost of approximately \$9 million.
- Marathon Tyres revenue steady and EBITA margins slightly higher.
- Three year agreement signed by Marathon to distribute Rubber Liner (RL) products in China. Sales of RL products into Europe commenced.
- New Marathon Tyres site established at Wollongong to service increased demand in that region.

## Garage Doors & Openers

\$ million	Revenue		EBITA <sup>1</sup>	
	2010	2009	2010	2009
Six months to 30 November	<b>89.9</b>	100.4	<b>11.6</b>	13.3

1 Before significant items.

- Solid result, given weakness in housing market in Australia and New Zealand. EBITA margins were maintained and cash flow was strong, despite lower revenue.
- EBITDA from the Australian garage door business improved reflecting manufacturing efficiency, strong customer service, reduced warranty costs and ongoing price improvements.
- Planning underway for introduction of SAP IT system in Victoria, WA and SA by late calendar 2010, providing both cost reductions and capacity to further streamline operations.
- Integration of the NZ and Australian businesses and fewer NZ manufacturing sites enabled the NZ business to breakeven despite a 20% fall in revenue.
- Recent improvement in detached housing approvals is expected to translate to higher demand for garage doors during calendar 2010.
- ATA garage door opener business completed the relocation of its manufacturing operations to a new, low-cost facility based in China. The new facility is delivering forecast savings.

## Functional & Decorative Products

\$ million	Revenue		EBITA <sup>1</sup>	
	2010	2009	2010	2009
Six months to 30 November	<b>148.6</b>	167.4	<b>10.4</b>	13.7

1 Before significant items.

- Performed relatively well despite tough conditions.
- Result impacted by negative currency movements and increased pricing pressure, particularly in the decorative surfaces and cabinet hardware markets.
- Sales of “Viva” cookware appliances and “Robinhood” products increased to both trade and retail customers.
- Workforce reduction and tight discretionary expenditure controls cut expenses by 16% from prior corresponding period.
- Robinhood manufacturing operations in Auckland successfully closed.
- Externally sourced products, including rangehoods and laundry tubs successfully introduced with savings in excess of forecast.
- Integration of Robinhood and Parbury in New Zealand complete.

## Water Products & Services

\$ million	Revenue		EBITA <sup>1</sup>	
	2010	2009	2010	2009
Six months to 30 November	<b>88.4</b>	111.4	<b>3.0</b>	8.6

1 Before significant items.

- Division continues to underperform despite significant restructuring and consolidation work.
- Trading performance improved during the second quarter, with revenue up 31% from the first quarter, and there are signs overall performance will improve during the second half of FY10.
- Restructuring initiatives delivered a 3–4% improvement in gross margin across all businesses in the second quarter, driving earnings recovery.
- New IT system successfully implemented across commercial and retail businesses. Greater controls over pricing, inventory management and commercial work flow are delivering lower costs and improved EBITA margins and cash flow.
- Greater focus placed on revenue opportunities with the establishment of “Centres of Excellence” across the country. Improved sales management resources are expected to drive higher revenue during 2010.

## CORPORATE DIRECTORY

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### **Company Secretary**

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### **Auditors**

KPMG

## FY10 FINANCIAL CALENDAR

**Half-year end** – 30 November 2009

**Year end** – 31 May 2010

**Final results and ordinary share dividend announcement** – 28 July 2010\*

**Annual general meeting** –  
22 September 2010\*

*\*These dates are subject to change*

## ONLINE SHAREHOLDER INFORMATION

Visit [www.alesco.com.au](http://www.alesco.com.au) to access further information on the company and to download announcements, annual and financial reports and other shareholder information.

Register your email address with our Share Registry and you can start receiving Alesco shareholder information electronically. This will save time, paper and money. To register go to [www.linkmarketservices.com.au/public/investors/login.html](http://www.linkmarketservices.com.au/public/investors/login.html). Login using your holding details and click on update your details then communication options. If you have any questions relating to your Alesco shareholding please contact Alesco's share registrar, Link Market Services Limited.

*Note: This is an extract summary of the company's interim results for the half-year ended 30 November 2009, lodged with the ASX on 28 January 2010. To review the full announcement and the complete results please go to [www.alesco.com.au](http://www.alesco.com.au).*

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