



2010 ANNUAL GENERAL MEETING OF ALESCO CORPORATION LIMITED

**Wednesday 22 September 2010 at 2.30pm
Museum of Sydney
Chairman's Address**

Introduction

Good afternoon ladies and gentlemen and welcome to Alesco's 99th Annual General Meeting. I would also like to welcome listeners through our webcast.

My name is Mark Luby and this is my first meeting as Chairman of your company.

I would like to introduce to you my fellow Directors.

From your left the Directors are Rob Aitken, James Hall, Bob McKinnon, Ern Pope, Jenny Tait, our new Managing Director, Peter Boyd and Finance Director, Neil Thompson.

Jenny Tait is a recent appointment having attended her first Alesco board meeting yesterday and I would like to extend a very warm welcome to Jenny.

Also with us today is Luci Rafferty, our Company Secretary.

I would also like to welcome Philip Napier, representative from the Company's external auditors, KPMG.

Today I will provide some commentary on the performance of the Company for the past financial year and then ask our CEO Peter Boyd to discuss the FY10 financial year results and outline his future plans for the Company. I am then happy to take questions from the floor at the conclusion of Peter's presentation.

Following your questions, we will then proceed to the more formal part of the meeting to consider, discuss and vote on the resolutions set out in the Notice of Meeting.

At the end of the meeting, all shareholders and visitors are invited to join the Board for refreshments in the foyer outside.

I confirm that the Company Secretary has advised me that a quorum is present in person or by proxy and, accordingly, I declare the meeting open.

In addition to those shareholders present at today's meeting, I can confirm that the holders of approximately 43 million ordinary shares or approximately 46% of the Company's shareholders are represented by proxies.

There is no hiding from the fact that the past two years have been extremely challenging for Alesco and the 2010 financial year was a very disappointing year for the Company and its shareholders.

We acknowledge the personal impact on shareholders and employees of the Company's performance, including the substantial fall in share price and the reduction in dividend payout. This outcome is also unacceptable to the Board and management team.

The Board and management recognise that we have considerable work to do to restore investors' confidence in the Company and its prospects for the future.

I assure you that we are working hard to rebuild that confidence.

Today I would like to take the time to provide some commentary in the following key areas:

1. External market conditions and their impact on the our FY10 performance;
2. Significant items and their subsequent impact on dividends;
3. Our immediate priorities to improve performance through Project Restore – our business improvement program;
4. The Board's approach to remuneration;
5. Board succession; and
6. Finally, how we are seeing our current operating performance and market environment with the first quarter now behind us.

External Market Conditions and FY10 Performance

Firstly, let me touch on the economic backdrop and the impact this has had on the markets in which we operate over the twelve months to May 2010.

In the aftermath of the global financial crisis, the world economy has remained volatile.

Compared with many international markets, the Australian economy held up reasonably well in FY10 and the government stimulus benefited certain sectors of the economy.

Despite this, the ongoing fallout of the global financial crisis continued to be widely felt and, in particular, activity in the Australian and New Zealand construction markets continued to decline.

In Alesco's case, our financial performance is strongly leveraged to the new housing and renovations markets and the non-residential construction markets in Australian and New Zealand.

New housing approvals improved in FY10 after a significant decline in FY09. However, the full impact of this upturn is yet to be felt by Alesco as typically our products are installed towards the end of the building construction period.

While approvals for renovations increased over the past year, there was no discernible increase in renovation activity. Further, non residential construction, outside the federal government schools building program, continues to decline.

While market conditions in our Garage Doors & Openers division are improving into FY11, off the back of increased detached housing approvals, activity in FY10 remained subdued as it did across all markets in our other divisions.

The breaking of the drought in many parts of Australia and the withdrawal of Government rebates for community water initiatives slowed demand significantly for our Water Product and Services division in FY10.

This, together with sluggish renovation activity, a lack of consumer confidence and the slow recovery in private investment contributed to difficult and uncertain operating conditions for our business divisions.

Against the backdrop of this difficult operating environment, Group revenues were down by \$83 million year on year to \$773 million. The operating profit subsequently declined to \$47 million, down \$22 million from the prior year on a like for like basis.

Our significant cost reduction program over the past two years, including the retrenchment of over 500 people across the business did not fully compensate for the margin impact of an \$83 million decline in revenues across the Group.

In recent months the Group has taken further actions to improve our operating performance under the banner of Project Restore and Peter Boyd will talk in more detail about this critical initiative in his address.

Significant Items and Dividend Impact

I would now like to talk through the significant items recorded in the FY10 financial results which led to the Company delivering a loss of \$125 million for the year and the impact this had on the FY10 final dividend.

As you are aware, we reported three significant items:

- an impairment charge of \$133.1 million for Water Products and Services division (**WPS**);
- costs of \$1.7million associated with the resignation of the former CEO, Justin Ryan; and
- the acceleration of a non cash accounting expense of \$5.1 million in respect of the group's senior executive share loan plan.

The impairment charge in the Water Products and Services division is an extremely disappointing outcome. The performance of this business is unsatisfactory and well below the expectations of the Board at the time of the acquisition in 2007.

Despite the business performing broadly to our expectations in FY08, the first year of our ownership, no-one could have predicted the extent of the downturn in the market demand within this business over the past two years.

The impact of the global financial crisis, changes in government incentives, elimination of tank rebates to households, water restrictions banning sprinklers in Victoria and Western Australia and increased rain patterns following a prolonged drought all contributed to a tough operating environment for WPS.

Additionally, the anticipated \$10 billion Federal Government funding of water infrastructure announced just prior to the acquisition has not yet resulted in the expected demand for our products and services.

This rapid deterioration in market demand resulted in FY10 revenues of \$169 million in WPS compared with revenues of \$228 million in FY08 – a decline of \$59 million equal to 26% of the revenue base over two years.

This compounded the challenge of integrating 14 separate businesses all with different systems, cultures and processes.

This is not to suggest for one moment that the Board and management don't accept they have a significant responsibility in the performance of the business but the task was made even more difficult as a result of the external environment.

There is no question we have much work to do before this business is performing to expectations.

We have made good progress in strengthening the management team, improving information systems, inventory control, safety systems and basic business disciplines but it is clear that the turnaround of this business is a longer term project and will require focus, discipline, hard work and improved market demand.

Plans are being implemented to drive revenue growth and improve operational performance but it will take time before we see the results of this work.

In addition, management is in the process of completing a strategic review of the market attractiveness of each channel within this business and Peter will touch on this in his presentation.

The second significant item was the \$1.7 million termination payment to Mr Ryan which was strictly in accordance with the terms of his employment contract entered into in 2006. This payment was due to Mr Ryan irrespective of whether his employment was terminated by the Company or through his resignation.

Importantly, Peter Boyd's CEO employment contract does not provide for any additional termination payments other than base salary, which was not the case in the former CEO's contract.

The third significant item was the acceleration of the non-cash accounting expense triggered by the extension of the loans under the Share Plan to Mr Ryan. The Board carefully considered a number of factors before deciding to use its discretion to extend the loans as provided for under the rules of the Share Plan.

The Board initially assessed the overall recoverability of a shortfall of approximately \$3.0 million between the outstanding loan amount and the value of the shares at the time of Mr. Ryan's resignation.

While the loan was, and still is, fully recourse to Mr. Ryan any potential legal action that may have been required in order to recover this shortfall would have resulted in the Company incurring legal costs as well as potentially putting at risk the Company not recovering the full amount of the loan.

Other factors taken into account by the Board when deciding whether we should use our discretion included:

- The Company has a holding lock over the shares preventing Mr Ryan from selling the shares before repaying the loans;
- Future dividends will be applied to reduce the loan amounts;
- Mr Ryan is not entitled to any loan waiver due to any performance hurdle targets in the relevant measurement period being met;
- the Company has at its discretion an irrevocable power of attorney permitting the Company to sell the shares at any future time to repay the loans

Finally, the Board also needed to consider the impact of any decision made in relation to Mr Ryan on other key executives in the Company who also participate in the Share Plan and have a significant shortfall on their loans. These senior executives have suffered the same deterioration in the value of their shareholding as other shareholders.

It is critical that these key executives remain motivated to drive future improvements in shareholder value and the Board considered that taking legal action to recover the loan from Mr Ryan was not going to be good for management morale at a time when shareholders need them absolutely focussed on driving business improvement.

Taking all these factors into account the Board decided that the best course of action to fully recover the outstanding loan was to extend the loan repayment period so that future capital growth in the shares and dividends would enable the loans to be repaid and in time recover the full value of the shortfall for shareholders.

I want to emphasise that the Board has not forgiven the loans and, importantly, has an irrevocable power of attorney from Mr Ryan permitting the Company at its discretion to sell the shares at a future time to repay the loans.

As a consequence of deciding to extend the repayment of the interest free loans to Mr Ryan, the Company was required to change the accounting treatment for all participants so that the

full expense of the remaining interest-free loan benefit be recognised in the FY10 financial statements and applied to all plan participants.

Historically, the Company has recognised this non-cash accounting expense progressively each year which has been off-set by notional interest income in that same year.

While the acceleration of the non-cash accounting expense impacts the FY10 financial results, this will reverse with the Company progressively recognising the notional interest income over the remaining period of the loans.

As a result, there is zero financial impact on the Company over the life of the Share Plan.

Due to these three significant items, the Company has negative retained earnings as at 31 May 2010 of \$104 million. Despite recent changes to the law relating to the payment of dividends out of capital, the Board confirms its decision that no final dividend for FY10 will be paid.

This decision has not been made lightly. However, the Board believes that, given the current year's capital investment program and the continued uncertainty surrounding our external markets, the Company's best interests are served by retaining capital in the short term.

I know that for many Alesco shareholders, particularly those who have been with the Company for a long time, dividends are important in addition to share price appreciation. The Board recognises shareholder frustration as a result of the reduced overall dividend payouts over the past two years and we are working hard to restore dividends in FY11.

Each of our divisions is cash generative and, subject to the Group's performance and financial position as well as the outlook at the time, the Board expects to resume paying dividends with the interim dividend in March 2011.

Today we are asking shareholders to approve a change to the Company's Constitution to bring it up to date with recently introduced legislation relating to new dividend payment laws to enable dividends to be paid out of capital.

Immediate Priority Project Restore – our business improvement program

Let me now turn to our immediate priorities for the Company in the light of our disappointing results in FY10.

Alesco's success in the past has been through acquiring industrial branded businesses and increasing shareholder value with strategic bolt-on acquisitions and the disciplined application of operational improvement programs to drive return on equity.

This was most recently demonstrated with the Scientific & Medical division which was built up over a period of six years and sold in April last year, realising a \$60 million profit to shareholders.

The foundation of our business continues to be excellent industrial brands, products and services. Our success in the future will depend upon leveraging off this foundation, combined with a much improved and disciplined operational focus.

The Board is confident that with Peter Boyd's strong hands on leadership and his disciplined operational skills and focus, shareholders will start to see an improved performance from the Company as Peter and his team executes Project Restore and positions the Group to take full advantage of any recovery in the market environment.

Project Restore – a disciplined program to drive operational improvement and growth across the portfolio – will form the foundation of our turnaround in financial performance and basis for improving shareholder returns. Peter will talk to Project Restore in more depth in his presentation shortly.

Board's Approach to Remuneration

Let me now touch on the Board's approach to remuneration.

Shortly shareholders will be voting on the FY10 Remuneration Report in the formal part of the meeting. I will be happy to respond to any questions or comments at that time.

However, I would like to touch on this area now to provide further explanation on the actions we have taken in relation to executive remuneration. It is clearly a critical function entrusted by shareholders to the Board and it is a role the Board takes seriously.

The current performance of the Company creates a challenging environment in which to properly motivate and remunerate our workforce. Having regard to the Company's poor

financial performance over the past two years, the Board has worked to balance this need and the expectations of stakeholders.

One of the changes to the remuneration structure implemented by the Board for FY11 is the proposed introduction of the Performance Rights Plan. This plan, if approved by shareholders today, is intended to replace all legacy long term incentive plans. The Board believes that this new approach will bring significant simplification and clarity to our long term incentive structures going forward.

Importantly, the Rights Plan now has two triggers. The first is an EPS hurdle which is to be based on EPS *after* significant items and amortisation - as distinct from the current plan which was *before* significant items and amortisation.

The second trigger is Total Shareholder Return (TSR) which was not previously a trigger for vesting in the share plans. The Board believes these two important changes to the vesting provisions of the Plan will more align management with actual shareholder returns.

I want to assure shareholders that when setting the EPS performance hurdle targets for FY11, the Board did not use the EPS performance for the previous year as the starting point. A number based on the EPS budget for FY11 has been used. Like most companies, the Board is reluctant to disclose the budget for any year, largely because it is an internal objective for management that generally incorporates a desired growth outcome. More relevant though is that a budget can be considered a forecast and it is somewhat early in the year to have a clear view of the earnings for the year. What I can say is that the starting point is a substantial step up from what the FY10 EPS would have been if there had been no significant items.

In short, the Company needs to deliver in excess of 10% compound annual growth in EPS over three years above the FY10 results (before significant items) before any grants under the Plan will be made to any executives at threshold.

The Board has demonstrated in the past that it demands this stretch level of Company performance before any long term incentives vests to executives. Over the past two years, no executive has been awarded a long term incentive benefit.

Additionally in FY10, the Board, with the support of management, adopted the following remuneration practices in direct response to the Company's operating environment and performance.

- There was no increase in non-executive directors' fees, although the Board committees were restructured to re-allocate work-loads following the retirement of the former Chairman. Upon my appointment the Board reduced the Chairman's base fee from \$280,000 to \$250,000.
- All executives' FY10 salaries were frozen at levels set in June 2008.

As foreshadowed last year, a remuneration review and assessment was conducted with the assistance of Egan Associates, an external and independent remuneration consultant and the following remuneration framework for FY11 is being implemented:

- Directors' annualised fees remain unchanged.
- Peter Boyd's, annual base salary is fixed at \$750,000 (compared to the former managing directors' annual base salary of \$1 million). Mr Boyd's total potential remuneration in FY11 is lower by approximately \$1.1 million (30%) than Mr Ryan's package in FY10.
- There are no salary increases for executives except in circumstances relating to new appointments and one market adjustment.
- Divisional executives are required to achieve divisional threshold hurdles before being given the opportunity to participate in any corporate short term incentive component. Corporate key management personnel are subject to 100% group performance.

Board Succession

Over the past two years the Board has been working through an orderly Board succession renewal program to ensure that corporate memory and experience is appropriately retained on the Board. This program has resulted in the resignation or retirement of three Directors from the Board in the last two years.

During this time we have appointed Bob McKinnon, I became Chairman last October and, more recently, we announced the appointment of Ms Jennifer Tait as a non-executive and independent director to the Board of Alesco.

The Board believes that it is the best interests of all shareholders that board succession and renewal happens in a timely, orderly way to ensure corporate memory, experience and the right mix of skills and competencies are present on the Board at all times.

This planned, orderly Board succession is particularly important for Alesco at this time given the difficult trading environment we face and the support our new CEO Peter Boyd requires given this is his first public company CEO role.

Two of our most experienced Directors Jim Hall and Ern Pope are standing for re-election today for a final term as non-executive Directors of your Company. Jim and Ern hold the important positions of Chair of the Audit Committee and Chair of the Safety, Health and Environment Committee respectively.

Our most experienced Director Rob Aitken, Chairman of the Remuneration Committee, retires in two years and recruiting appropriately experienced Directors to replace Jim, Ern and Rob in a planned orderly manner will be a key priority for the Nominations Committee and Board over the next couple of years.

The Board are unanimously recommending the re-election of Ern, Jim and our Finance Director Neil Thompson. Their strong Board contribution, experience and the critical competencies they bring will enable the Board to work through our current challenges and support our new CEO Peter Boyd. It will also continue the orderly approach to Board succession we have undertaken.

We are delighted to have Jenny Tait join the Board as we believe Jenny's background and skills will add significant value to the ongoing growth of Alesco.

Jenny has a strong background in manufacturing, supply chain, logistics and change management with more than 30 years experience in consumer retail, pharmaceutical and natural health industries, both locally in Australia and internationally. During the period from 2003 to 2008 she was Blackmores' Chief Operating Officer and sole direct report to Chairman, Marcus Blackmore.

You will see from the notice of meeting that Jenny is required to seek election at today's meeting and the Board also unanimously recommends her appointment to the Board.

If elected, it is intended that Jenny join the Safety, Health and Environment, Human Resources Committee and Nominations Committees.

I have asked each director standing for election today to address shareholders briefly prior to the resolutions being put to shareholders for their election to the Board.

Current Trading Environment

Now in closing, let me turn to our current trading environment.

It is clear that trading conditions in our markets remain challenging. Across the Group, revenue was down approximately 2% on last year for the first quarter. Although earnings are ahead of prior year, our overall results are below expectations, despite a good performance from the Garage Doors and Openers division.

Our second quarter is traditionally the strongest earnings period for Alesco. However, three weeks into the quarter, we are yet to see any evidence of the usual seasonal uplift in our core markets.

In response Peter is also looking to accelerate the cost reduction program.

Peter and his team are also strongly focused on delivering the Project Restore operational program to deliver improved outcomes for shareholders over the medium term. However, we will need to see stable market conditions for our products and services before we can be confident about FY11 trading results.

Peter Boyd

Before handing over to our Chief Executive, Peter Boyd to talk more about the FY10 results and importantly his future plans for the Company I would like to take the opportunity of formally introducing Peter to our shareholders.

Peter was appointed the Company's new Managing Director and Chief Executive Officer on 3 May 2010.

Peter joined Alesco in March 2007 as Group General Manager of Alesco's Garage Doors & Openers division. Over the past three years, Mr Boyd has consolidated B&D's Australian market leadership position and improved its financial returns and safety performance. In 2009, he oversaw the successful restructure of the New Zealand business and, most recently, the transition of the in-house manufacturing of garage door openers to China.

Prior to joining Alesco, Peter spent ten years with Boral Limited where he was the Executive General Manager of Boral Timber, a division of Boral Limited. Prior to Boral, he was a consultant with the Boston Consulting Group and worked in a variety of operational roles including plant management positions with CSR Building Products. Peter has an engineering degree from UTS, Sydney and completed an MBA at Melbourne University in 1993.

Peter's appointment signals the Board's desire for a strong, process driven operational focus which he has demonstrated over a long period in senior positions at Boral and, more recently, at Alesco's Garage Doors & Openers division. The Board is confident that his disciplined approach will drive improved earnings across the Group. We were also pleased to select the Company's next chief executive from within the senior ranks of the Alesco group.

I will now ask Peter to address the meeting.

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Questions

As you know like many other public companies, Alesco invites its shareholders to submit questions to the auditor pertaining to the audit process on the FY10 accounts or the Chairman relating to shareholder matters.

This year we have received a number of comments and questions from shareholders and we thank you for your interest. Where appropriate, we have responded directly to the shareholder submitting the comment or question or placed the response on our website.

I am happy to now take questions from the floor before the formal proceedings of the meeting begin. I also note that our auditors, KPMG, are present to take questions pertaining to the audit process on the FY10 accounts.

Are there any questions?

I thank you for your questions. The Board and I have noted your feedback.

I look forward to reporting to you next year on an improved performance from the Company. I am confident that under Peter Boyd's leadership the initiatives we have identified will deliver benefits to the group. I will also be working closely with the Board on our succession program for directors.

I will now turn to the formal part of this year's meeting and to the Notice of Meeting.



Alesco Corporation Limited (ALS)

Annual General Meeting

Wednesday, 22 September 2010 at 2.30pm



Construction & Mining



Functional & Decorative



Garage Doors & Openers



Water Products & Services

Agenda

- | | |
|---------------------------|------------|
| + Welcome | Mark Luby |
| + Chairman's address | Mark Luby |
| + CEO Presentation | Peter Boyd |
| + Shareholder Questions | Mark Luby |
| + Business of the Meeting | Mark Luby |



Alesco Corporation Limited (ALS)

Chairman's Address



Construction & Mining



Functional & Decorative



Garage Doors & Openers



Water Products & Services

FY10 performance

- + Past two years have been challenging
- + FY10 very disappointing for the Company and its shareholders
- + The Board acknowledges the personal impact on shareholders and employees
- + The outcome is unacceptable to the Board and the management team
- + The Board and management have considerable work to do to restore investor confidence
- + We are working hard to rebuild that confidence

Today's address

- + External market conditions and impact on FY10 performance
- + Significant items and dividends
- + Our immediate priorities – Project Restore – our business improvement program
- + Approach to remuneration
- + Board succession
- + Current operating performance and market environment

External market conditions - impact on FY10

- + Australian and New Zealand construction markets continued to decline
- + Alesco strongly leveraged to the recovery in the new housing and renovations markets and the non-residential construction markets
- + Activity remained subdued – Alesco’s product demand towards the end of the new house build
- + Water products demand very slow – breaking of drought and withdrawal of government rebates
- + FY10 revenue down \$83 million to \$773 million
- + FY10 operating profit down \$22 million to \$47 million

Significant Items

- + An impairment charge of \$133.1 million for Water Products and Services division (**WPS**);
- + Costs of \$1.7million associated with the resignation of the former CEO, Justin Ryan; and
- + The acceleration of a non cash accounting expense of \$5.1million in respect of the group's senior executive share loan plan.

Significant item – \$133.1m impairment charge in WPS

- + Division acquired in 2007 and performed to expectations in FY08
- + Revenues declined \$59m (26%) over two years
 - global financial crisis, changes in government incentives and increased rain patterns
 - Minimal demand from the federal government \$10 billion water infrastructure spend announced at the time of the acquisition
- + Challenge of integrating systems, culture and people across 14 separate businesses
- + Board and management accept they have a significant responsibility in the performance of the business
- + Turnaround a longer term project – requiring focus, discipline and improved market demand
- + Strategic review of market channels underway

Significant Item – Former CEO

- + Payment of \$1.7 million strictly in accordance with 2006 employment contract
- + Contractual payment due on resignation or termination
- + New CEO contract does not provide for additional payments above 12 months' base salary – not the case in the former CEO's contract

Significant Item – Former CEO

- + Board considered a number of factors before using its discretion to extend the repayment of the outstanding loans by Mr Ryan under the Share Plan
 - + Cost of legal action and recoverability of the loans
 - + Loans are full recourse
 - + Holding lock preventing the sale of the shares
 - + Future dividends to be applied to reduce the loan balances
 - + No loan waiver due to any performance target hurdle being met
 - + Power of attorney to sell the shares and repay loans at any time
- + Motivation of other key executives also participants in the Share Plan

Significant Item – \$5.1m non cash share loan expense

- + As a consequence of this decision, the Company was required to change the accounting treatment for all participants in the Share Plan
- + Full expense of the remaining interest-free loan benefit applied to all plan participants (not just former CEO)
- + Historically, this non-cash accounting expense is recognised progressively each year - off-set by notional interest income in that same year
- + Impact on the FY10 financial results, but will reverse over the remaining period of the loans
- + Zero financial impact on the Company over the life of the Share Plan.

Impact on FY10 final dividend

- + Significant items resulted in negative retained earnings of \$104m
- + Company best interests to retain capital in short term given the FY11 capital investment program and the uncertainty of external markets
- + Despite recent law changes, no final FY10 dividend
- + Decision not made lightly given the impact on shareholders
- + Business is cash generative
- + Subject to performance and the outlook at the time, Board expects to resume dividend payments in March 2011
- + Resolution to update Constitution to reflect new dividend payment law

Immediate Priorities – Project Restore

- + Foundation of Alesco will be:
 - growing and developing excellent brands, products and services through acquisition and organic growth
 - implementing a disciplined approach to operational improvement to drive return on equity and deliver value to shareholders
- + Future success will be leveraging off this foundation but with a much improved and disciplined operational focus
- + Project Restore - an improved and disciplined operational focus
 - + to drive operational improvement and growth across the portfolio
 - + to form the foundation of our turnaround in financial performance and basis for improving shareholder returns.

Approach to remuneration

- + Balancing the expectations of stakeholders while attracting, retaining and motivating key executives
- + New Performance Rights Plan – simplifying long term incentive structures
- + Two performance hurdles
 - Earnings per share *after* significant items and amortisation
 - Total shareholder return based on ASX 200 index
- + EPS hurdle uses a base significantly in excess of FY10's performance
- + Maximum vesting requires 10% CAGR over three years
- + No increase in annualised non-executive directors' fees or executives base salaries since 2008 (one market-based exception)
- + New CEO total potential package 30% lower than the former CEO

Board succession

- + Orderly Board succession renewal program to ensure corporate memory and experience is retained
- + Critical for the Company in light of the difficult trading environment and new CEO in his first public company role
- + Jim Hall and Ern Pope are the most experienced directors and will be in their last term with Rob Aitken due to retire in 2012
- + The Board unanimously supports the re-election of Jim Hall, Ern Pope and Neil Thompson and the election of Jenny Tait

Current Trading Environment

- + Trading environment remains very challenging - group revenue for the first quarter down 2%
- + First quarter earnings ahead of FY10 but overall result below our expectations
- + Early second quarter indications – still to see the usual seasonal uplift
- + In response, we are looking to accelerate cost reductions
- + Focus is on delivering Project Restore operational program which over the medium term will deliver benefits
- + Need to see stable market conditions before we can be confident about FY11 trading results

Presentation from the Managing Director



Construction & Mining



Functional & Decorative







Garage Doors & Openers



Water Products & Services

FY10 financial performance impacted by market downturn and significant items

Revenue¹	\$773m		10%	<ul style="list-style-type: none"> General decline across all divisions reflecting external market activity
EBITA^{1,2}	\$47m		32%	<ul style="list-style-type: none"> Mixed divisional performance
Profit after tax²	\$12m		58%	<ul style="list-style-type: none"> Pre-significant items: <ul style="list-style-type: none"> WPS impairment (\$133.1m – pre-tax) Share plan accounting (\$5.1m) Former CEO payment (\$1.7m)
EPS³	24.8cps		48%	
Loss after tax (incl. sig. items)	(\$124.3m)			

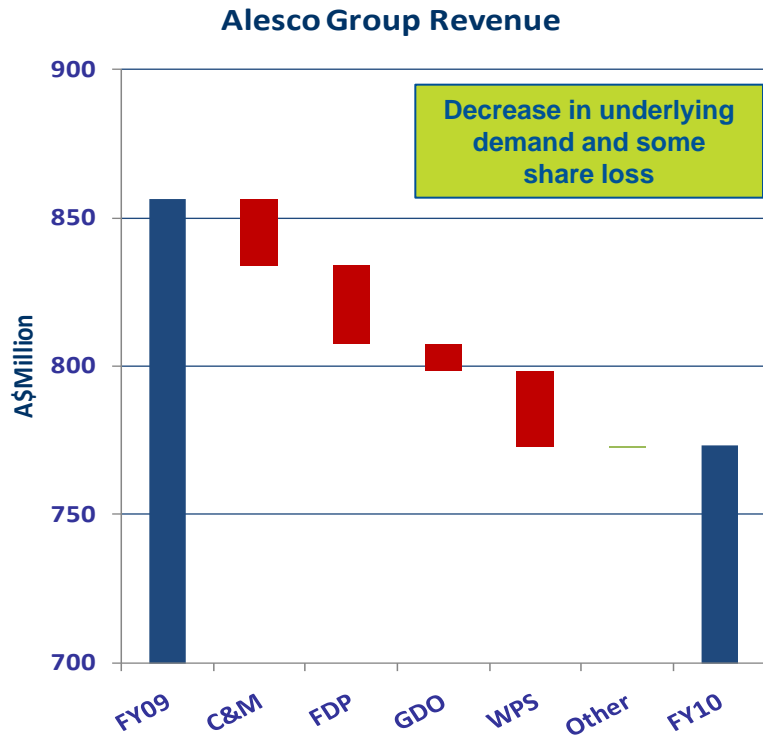
1. Continuing businesses
2. Before significant items
3. Before amortisation & significant items

Despite poor trading performance, cash flow generation was strong and balance sheet remains in good shape

Gearing	23.2%	<ul style="list-style-type: none"> Balance sheet remains strong
Operating Cash Flow¹	\$60m	<ul style="list-style-type: none"> Continued focus on working capital reduction Reduced capital investment EBITA conversion rate strong at 130%
Net Debt	\$129m	<ul style="list-style-type: none"> Reduced from \$160m
Dividend	Nil	<ul style="list-style-type: none"> No FY10 final dividend

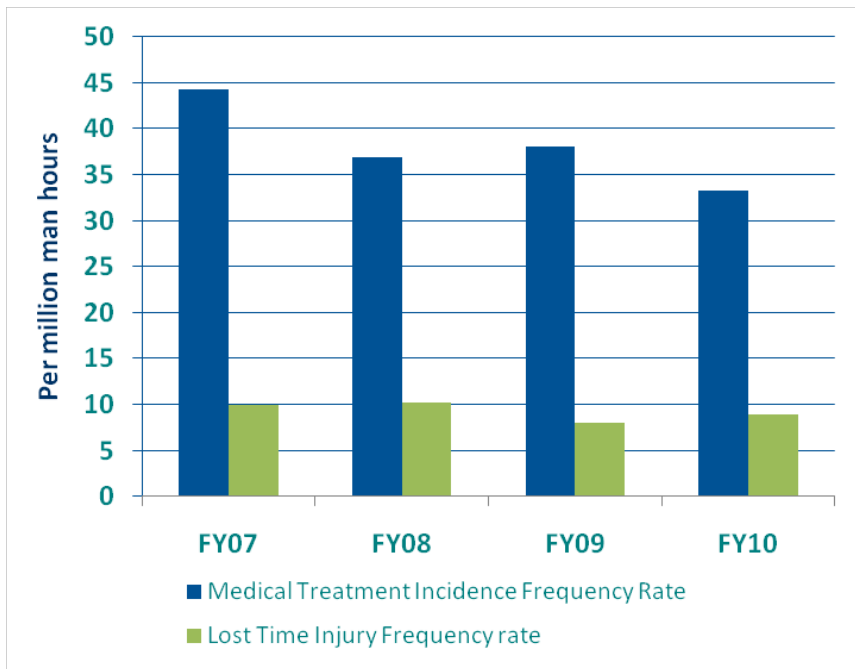
1. EBITA plus depreciation less capital expenditure and movements in working capital

Divisional revenue and profit performance mixed with GDO a highlight



Safety remains a core focus for the business

Our target is Zero Harm



+ Key performance indicators:

- + Lost Time Injury Frequency Rate (LTIFR) 8.9, marginally up on prior year
- + Days lost per lost time injury at 9.0, a 25% improvement over prior year
- + Combined reportable injury frequency rate – 17% improvement on prior year
- + Continued focus on leadership, safe behaviours and prevention

Alesco today

- + Alesco is a company focused on:
 - + Strong industrial brands, products and services
 - + Industrial, trade and retail distribution networks
 - + New housing, renovations, commercial buildings, infrastructure and agriculture segments
 - + Improving financial performance through a disciplined, operational approach

Implementing “Project Restore”



Construction & Mining



Functional & Decorative



Garage Doors & Openers



Water Products & Services

Project Restore has commenced, but there is more to do than first anticipated

1 Diagnose

“**Diagnose**” the issues in our businesses and what we can do to address them;

2 Fix

Develop and implement programmes to “**Fix**” our businesses so they can deliver improved performance; and

3 Develop and grow

Ultimately earn the right to “**Develop and Grow**” through further investment.



Functional & Decorative Products and **Water Products & Services** are not as progressed and will be our immediate priority

Garage Doors & Openers and **Construction & Mining** are both well into the “**Fix**” phase and beginning to look at the opportunities to “**Develop and Grow**”

■ Current status
■ May 2011 Target

Key focus on operational disciplines to re-shape the businesses

Leverage brands to optimise revenue and gross margin

- Roll-out Pricing Margin Program
- Improve Delivered in Full on Time (DIFOT) levels
- Expand and revitalise product range
- Optimise distribution network

Improve supply chain (including manufacturing)

- Strengthen Sales and Operations Planning (S&OP) methodologies
- Optimise procurement processes
- Reduce quality claims (improve process and contract controls)
- Improve labour and overhead efficiency

Reduce overhead spending

- Optimise and flex headcount
- Manage discretionary spending tightly

Reduce capital employed

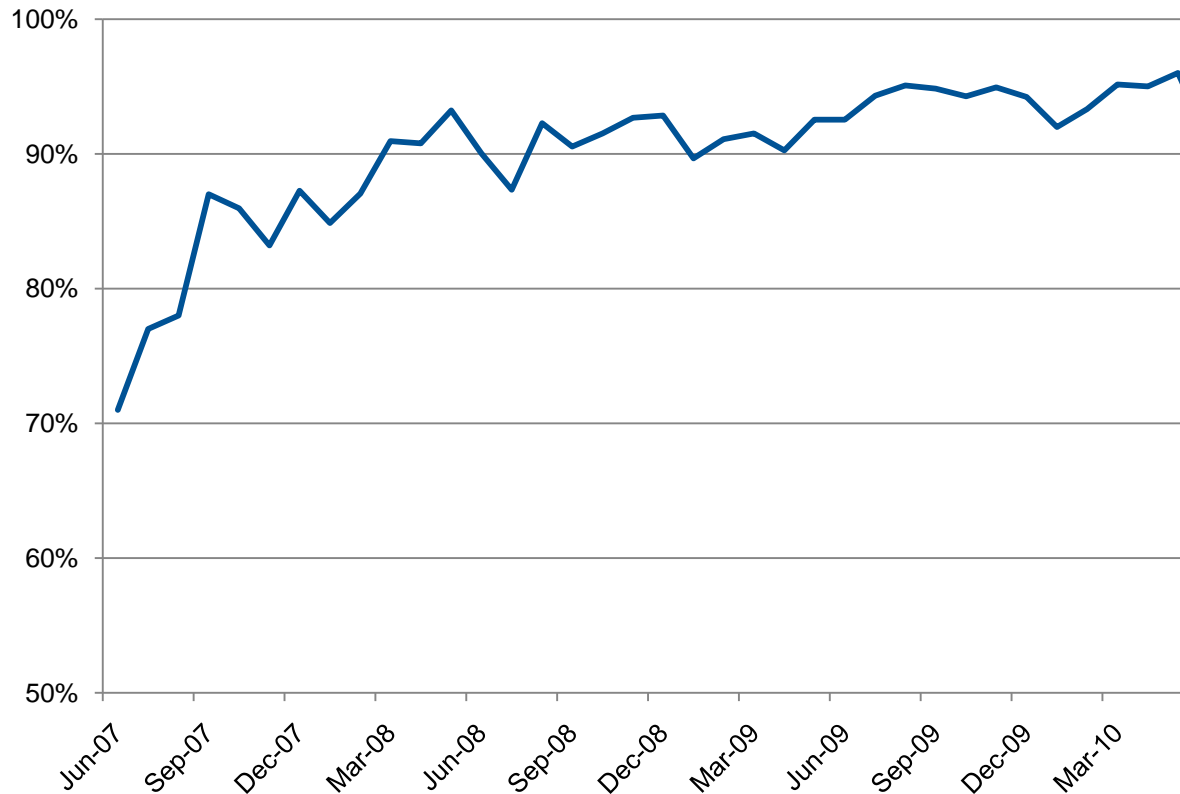
- Reduce inventory through implementation of S&OP methodologies
- Continue focus on strong debtor management
- Improve returns on capital investment



People are our enabler and “Zero-Harm’ will continue to be a core Alesco value

Key elements of Project Restore have driven improvements within GDO

B&D Australia DIFOT
(Delivery In Full and On Time)



- S&OP has been a key enabler for improving DIFOT (Delivered In-Full and On Time)
- DIFOT has been improved from ~70% in 2007 to now 90-95%
- Achieved through a disciplined approach in the day-to-day management of all aspects of the customer order and fulfilment process

Key elements of Project Restore have delivered improvements within GDO

B&D Australia Warranty-Sales ratio



- B&D's warranty rate has been halved over the past 3 years
- To achieve this, we instituted a comprehensive "lean" based operational system
- Tools include:
 - Statistical process control (SPC) which has significantly increased product quality and reduced waste
 - Weekly NCR (non-conformance report) meetings to identify and resolve errors and waste along the whole B&D supply chain

Divisional Performance and Project Restore initiatives



Construction & Mining



Functional & Decorative



Garage Doors & Openers



Water Products & Services

Construction & Mining FY10 Financial Performance

Revenue	\$161m	▼	12%	<ul style="list-style-type: none"> + Parchem Construction Supplies performance down, in line with markets + Lower service revenues in Marathon Tyres, resulting in adverse margin impact + Price pressure across some product ranges impacted earnings + Improved working capital management and expense management + <i>Revenue impact of closure of wholesale tyre business in FY09 (~\$13m)</i>
EBITA ¹	\$12.9m	▼	38%	
RNOA	12.1%	▼	32%	
Cash conversion ²	164%	▲	38%	

Construction & Mining: Project Restore FY11 Capital Initiatives – Wyong National Distribution Centre

Establishment of national distribution centre at existing Wyong site

- Reduce manufacturing & distribution footprint and optimise supply chain
- Provides low cost growth leverage
- \$8.4m capital investment



Construction & Mining: Project Restore FY11 Capital Initiatives – Trade store rollout

Continued roll-out of specialised trade store network

- 2 stores in FY09 (Perth/ Moorebank)
- 2 stores in FY10 (Adelaide and Tuggerah)
- 5 stores in FY11 (Narellan, Canberra, Wetherill Park opened)
- Expand channels to market and increase sales opportunities
- ~ \$1m capital investment in FY11



Perth – opened 2008



Tuggerah - Jan 2009



Narellan - opened 2010



Tuggerah



Functional & Decorative Products: FY10 Financial Performance

Revenue	\$270m	▼	8.8%	<ul style="list-style-type: none"> + Weaker than expected performance at both revenue and EBITA levels + Parbury – very poor decorative surfaces result (EBITA down ~\$5m) <ul style="list-style-type: none"> + Underinvestment in product range resulting in share loss + Shift towards lower margin products + Lincoln Sentry performance in line with market with benefits of stronger A\$ in 2nd half + Operational inefficiencies as merger of businesses and poor S&OP practices resulted in increased inventories and lower service levels + Poor cashflow due to excessive inventory and Robinhood restructuring (\$30m FY09 to \$9m FY10)
EBITA ¹	\$14.4m	▼	36%	
RNOA	8.8%	▼	36%	
Cash conversion ²	64.3%	▼	52%	

Functional & Decorative Products: Project Restore – Parbury product range revitalisation



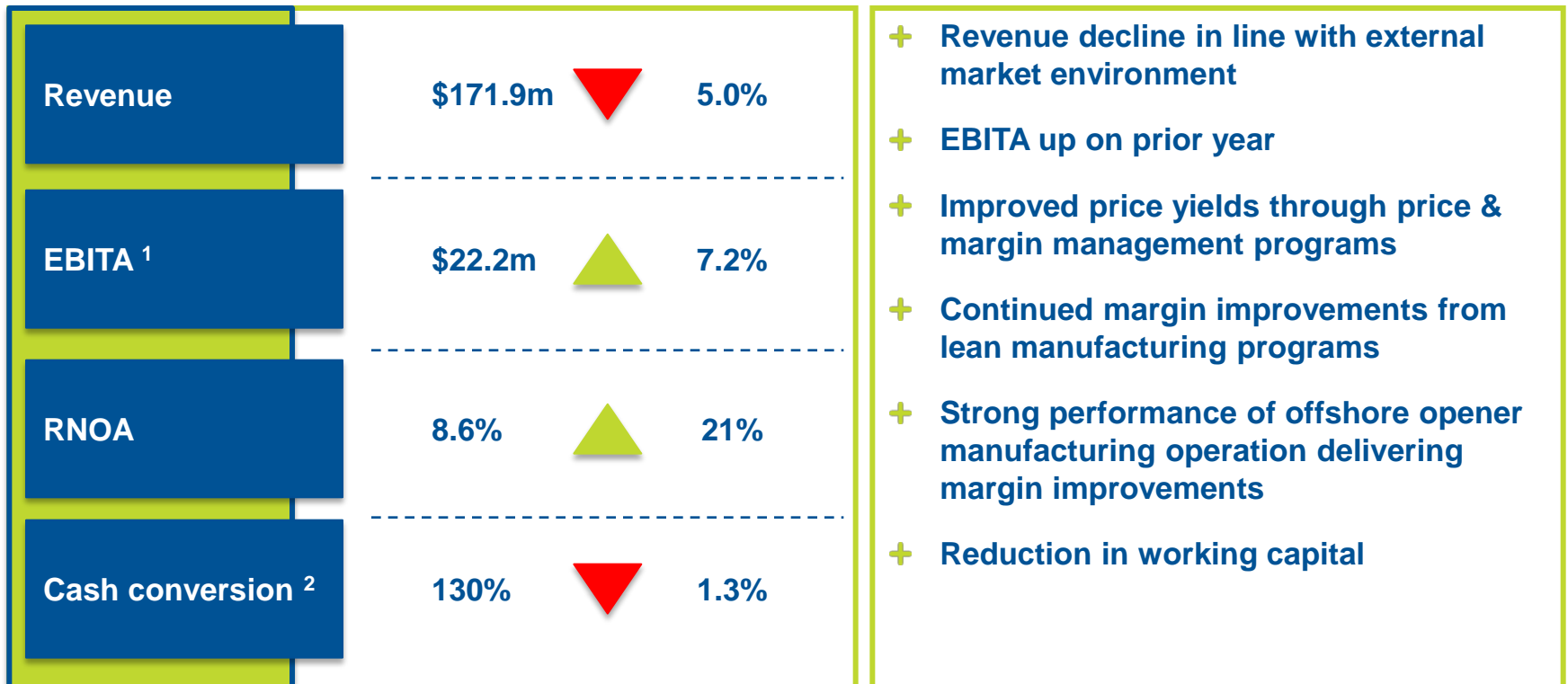
- Revitalise residential and commercial colour range:
- Mix of capital and operating expenditure (~\$2m)
- Full year earnings impact in FY12

Functional & Decorative Products: Project Restore – supply chain optimisation

- Re-engineer supply chain to improve customer service levels and operational efficiency
- FY11 focus:
 - Processes, Planning, People and Sourcing
 - Operational expenditure
- Cost: ~\$1m
- Target:
 - Minimal savings in FY11
 - Lower inventory



Garage Doors & Openers: FY10 Financial Performance



DOMINATOR

¹ Before significant items

² EBITDA less capital expenditure plus movements in working capital divided by EBITA

Garage Doors & Openers: Project Restore – FY11 Capital Initiatives

New Products - openers

- New opener products to be launched in FY11 – ex Dalian factory (China)

IT rollout completed across the Australian business

- SAP IT platform rollout to Victoria, SA and WA completed
- Greater control over manufacturing network
- \$1.3m capex in FY11



Water Products & Services: FY10 Financial Performance

Revenue	\$169.3m	▼	13%	<ul style="list-style-type: none"> + Disappointing overall division performance, particularly in second half of FY10 – driven by significant revenue decline + Solid revenue performance from Retail business despite tough market conditions + Lower revenues in Commercial & Industrial businesses (esp. Queensland) reflecting lower overall activity and internal restructuring + New IT platform providing greater control and visibility
EBITA ¹	\$2.0m	▼	84%	
RNOA	1.4%	▼	74%	
Cash conversion ²	217.1%	▲	24%	

Water Products & Services: Project Restore – FY11 Capital Initiatives

Store
refurbishment
and re-branding

- Rolling program of store upgrades and re-branding
- Initial focus on east coast with a target of 8 stores in FY11
- Investment of ~\$1m in FY11

Bar Coding

- Improve retail accuracy, stock management, customer service
- Rollout in WA initially
- Investment of ~\$0.5m in FY11



New look for Bayswater store in Victoria

Summary

- + We have identified four priorities for FY11
 - + Pricing and margin management
 - + DIFOT levels
 - + Sales & Operations planning
 - + Improving our labour efficiency
- + Turnaround will begin to deliver benefits in the second half of FY11 and into FY12
- + Project Restore gives us confidence for the medium-term

Questions



Construction & Mining



Functional & Decorative



Garage Doors & Openers



Water Products & Services

Close of meeting



Construction & Mining



Functional & Decorative



Garage Doors & Openers



Water Products & Services

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