FY10 INTERIM RESULTS ANNOUNCEMENT

	Date:	28 January 2010
	Release:	28 January 2010

Interim net profit after tax of $9.7 million and interim dividend of 7 cents per share

Alesco Corporation Limited today announced its audit reviewed financial results for the half year ended 30 November, 2009.

Consistent with market guidance given in December 2009, earnings before interest, tax, amortisation and significant items (EBITA) from continuing businesses[1] for the first half was $30.2 million, down 29% from the prior corresponding period.

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).

Financial highlights of the first half of the 2010 financial year (FY10) include:

- Revenue of $410.2 million (2008: $478.2 million for the continuing businesses), up from $377.9 million in the second half of FY09
- EBITA of $30.2 million (2008: $42.4 million for the continuing businesses), up from $26.0 million for the second half of FY2009 (H2 FY09)
- Net profit after tax of $9.7 million (2008: $12.6 million)
- Net profit after tax before amortisation of intangibles and significant items of $15.9 million (2008: $26.0 million)
- Continued strong operating cash flow conversion[2] of 111% with operating cash flow[3] of $33.5 million (2008: 117% and $49.8 million)
- Strong balance sheet with net debt reduced to $138.9 million and gearing reduced to 19.8% (2008: $333.9 million, gearing 36.8%)
- Reinstatement of interim dividend: fully franked interim dividend of 7 cents per share (2008: nil cents per share) payable on 5 March 2010

Commenting on the results, Alesco CEO Mr Justin Ryan said:

"Group trading for the first half of FY10 improved compared with the trading results for the continuing businesses in the second half of FY09. Despite this improvement, the results for the half were well down on the prior corresponding period.

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[1] *The Scientific & Medical division was sold on 30 April 2009*
[2] *EBITA plus depreciation and movements in working capital less net capital expenditure as a percentage of EBITA*
[3] *EBITA plus depreciation and movements in working capital less net capital expenditure*

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

"While EBITA of $30.2 million was 29% lower than the prior corresponding period, it was a 16% improvement on the second half FY09 result of $26.0 million.

"Despite the external market challenges, operational improvements are continuing to position Alesco's businesses to benefit from the recovery in housing and renovation activity in Australia and New Zealand.

"EBITA margins fell due to lower volumes and pricing pressures, although 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 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.

"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%)," Mr Ryan said.

GROUP PERFORMANCE

Overview of Group Financial Performance for the half year to 30 November

	Unit	FY10	FY09	Change
Revenue[1]	$m	410.2	478.2	-14.2%
EBITA[1,2]	$m	30.2	42.4	-28.9%
EBIT[1,2]	$m	24.0	34.9	-31.4%
Profit after tax	$m	9.7	12.6	-23.2%
Earnings[3] per share	cps	17.1	28.5	-39.9%
Dividend per share	cps	7.0	nil	
EBITA[1,2]/Revenue	%	7.4%	8.9%	-1.5%
EBITA[1,2]/Average Net Operating Assets[1]	%	8.7%	10.4%	-1.7%

1. *Continuing businesses only*
2. *Before significant items*
3. *Before amortisation and significant items*

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Overview of Divisional Performance for the half year to 30 November

$ million	Revenue		EBITA[1]	
	FY10	FY09	FY10	FY09
Construction & Mining	82.7	99.3	7.2	10.4
Functional & Decorative Products	148.6	167.4	10.4	13.7
Garage Doors & Openers	89.9	100.4	11.6	13.3
Water Products & Services	88.4	111.4	3.0	8.6
Other	0.6	-0.3	-2.0	-3.6
Continuing operations	410.2	478.2	30.2	42.4
Scientific & Medical		85.0		8.4
Total	410.2	563.2	30.2	50.8

1. *Before significant items*

Operating cash flow[4]

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

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

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

"Management 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," Mr Ryan said.

4 EBITA plus depreciation and movements in working capital less net capital expenditure

“However, Alesco’s second half FY10 financial performance will also 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.

The Alesco Board continues to expect EPS for the full-year to be in the range of 34 to 36 cents.

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DIVISIONAL PERFORMANCE

Construction & Mining

Six months ended 30 November	FY10	FY09	Chg
Revenue ($million)	82.7	99.3	-16.7%
EBITA[1] ($million)	7.2	10.4	-31.2%
Operating Cashflow[2] ($million)	13.5	9.3	+45.4%
Return on Net Operating Assets (%)	13.5%	17.3%	-3.8%
Employees (Full time equivalents)	415	436	-4.8%

1. *Before significant items*
2. *EBITA plus depreciation and movements in working capital less net capital expenditure*

The Construction & Mining division experienced difficult trading conditions for the half year, with revenue down 17% and EBITA falling by 31%.

Underlying divisional revenue declined by only 8% (after excluding the Hankook wholesale tyre business in New South Wales which was exited by Marathon Tyres in FY09). EBITA performance was disappointing, with margins impacted by reduced demand for manufactured product and pricing pressure on equipment sales.

The consolidation of the construction products businesses in Australia into the Parchem Construction Supplies business has reduced overheads. Parchem Construction Supplies is continuing to identify additional product growth opportunities and is introducing new products to complement its existing construction products range.

In addition, planning has commenced for the consolidation of the three construction products manufacturing and distribution sites into an extended facility at Wyong in NSW. This consolidation, which is expected to incur approximately $9 million in capital costs and be completed over the next 18 months, will deliver further operational efficiencies.

Revenue from the Marathon Tyres business was relatively steady given its exit from the NSW Hankook wholesale tyre business. Infrastructure-related sales fell but other customer segments performed well, with growth in the defence and industrial sectors. EBITA margins were slightly up on the prior corresponding period.

During the period, Marathon Tyres signed a three year agreement to distribute its Rubber Liner (RL) products, in China, and sales of RL products into Europe commenced.

A Marathon Tyres site was established at Wollongong to service the increased demand in that region.

Functional & Decorative Products

Six months ended 30 November	FY10	FY09	Chg
Revenue ($million)	148.6	167.4	-11.3%
EBITA[1] ($million)	10.4	13.7	-23.8%
Operating Cashflow[2] ($million)	4.9	15.2	-67.4%
Return on Net Operating Assets (%)	12.7%	15.8%	-3.1%
Employees (Full time equivalents)	642	730	-12.1%

1. *Before significant items*
2. *EBITA plus depreciation and movements in working capital less net capital expenditure*

The Functional & Decorative Products division produced a solid result despite difficult market conditions. Revenue held up reasonably well, falling approximately 11% from the prior corresponding period. EBITA margins fell reflecting the decline in revenue, increased pricing pressure (particularly in the decorative surfaces and cabinet hardware markets) and the impact of currency movements.

The significant decline in the Australian dollar from late 2008 (before its recovery above US$0.70 and Euro 0.55 in mid 2009), negatively impacted the division's costs during calendar 2009. Overall improvements in effective foreign exchange rates commenced in the second quarter of FY10 and are expected to continue during the balance of FY10.

Despite the reduction in demand during the period, sales of the division's "Viva" range of cookware appliances and "Robinhood" products increased to both trade and retail customers.

Benefits of the division's recent restructure were evident, with a 16% reduction in expenses compared with the prior corresponding period. This reflected a significant reduction in the division's workforce during late 2008 and early 2009, together with a continuing focus on limiting discretionary expenditure.

The closure of the Robinhood manufacturing operations in Auckland was completed on time and on budget, and without any workplace injuries. Externally sourced products, including rangehoods and laundry tubs, are now being sold through the Robinhood business as part of the Lincoln Group distribution network with savings in excess of forecast.

In addition, the Robinhood and Parbury businesses in New Zealand were fully integrated. Both businesses are now based at a single location in Auckland and operating on one IT platform.

Operating cash flow was impacted by cash costs associated with the closure of the Robinhood manufacturing facility plus the requirement to build safety stock prior to closure. This additional stock will be reduced during the second half.

Garage Doors & Openers

Six months ended 30 November	FY10	FY09	Chg
Revenue ($million)	89.9	100.4	-10.4%
EBITA[1] ($million)	11.6	13.3	-12.7%
Operating Cashflow[2] ($million)	14.9	14.4	+3.5%
Return on Net Operating Assets (%)	9.0%	9.7%	-0.7%
Employees (Full time equivalents)	581	724	-19.8%

1. *Before significant items*
2. *EBITA plus depreciation and movements in working capital less net capital expenditure*

The Garage Door & Openers division delivered a sound result, given the weakness of the housing market.

Revenue continued to be impacted by the declining new housing markets in Australia and New Zealand. However, EBITA margins were maintained due to the benefits of ongoing restructuring activities and improved operating performance.

Overall, divisional cashflow was excellent, with reduced capital investment and continuing tight control over working capital providing a cash conversion rate of 128%.

The Australian garage door business EBITA improved over the prior corresponding period despite an 11% fall in revenue. This reflected further improvement in manufacturing efficiency, strong customer service levels and ongoing price improvements. Management continues to focus on reducing warranty costs and has achieved a saving of more than $0.4 million during the half year.

Planning has commenced for the roll-out of the SAP IT system to the remainder of the B&D Australian business (Victoria, WA & SA) with the rollout expected to be completed in late calendar 2010. This will provide the business with additional capacity to streamline operations and reduce costs.

The New Zealand business suffered a 20% decline in revenue against the prior corresponding period reflecting the significant decline in building activity. The reduction in manufacturing sites and integration of the business under the Australian management team enabled the business to deliver a breakeven earnings result. The business remained cash flow positive through a combination of reduced capital investment and tight working capital control. Improved customer service and product quality has positioned the business for a stronger calendar 2010.

In Australia and, to a lesser extent, New Zealand we have seen a marked improvement in detached housing approvals in recent months – a significant lead indicator of garage door demand. From the lows of late-2008 and early-2009, detached housing approvals in Australia have risen strongly to levels last seen in 2007. This is expected to translate to higher demand patterns for garage doors in calendar 2010.

During the half year, the ATA garage door opener business completed the relocation of its manufacturing operations to a new, low-cost facility based in China. The new manufacturing facility is operating efficiently and has already begun to provide the forecast savings through a combination of lower overheads and reduced warranty claims.

Water Products & Services

Six months ended 30 November	FY10	FY09	Chg
Revenue ($million)	88.4	111.4	-20.7%
EBITA[1] ($million)	3.0	8.6	-64.9%
Operating Cashflow[2] ($million)	4.2	9.5	-55.7%
Return on Net Operating Assets (%)	3.8%	7.0%	-3.2%
Employees (Full time equivalents)	436	528	-17.4%

1. *Before significant items*
2. *EBITA plus depreciation and movements in working capital less net capital expenditure*

The Water Products & Services division continues to underperform, despite the extensive work undertaken to rebuild the division's business model over the past 18 months.

Revenue in the first half fell 21% against the prior corresponding period, but was up against the second half of FY09. Earnings fell to $3.0 million for the period.

Operating cash flow conversion during the period was a strong 139%. While capital expenditure exceeded depreciation, working capital continued to reduce in line with reduced sales activity.

However, there are signs that the work undertaken by management will deliver an improved performance in the second half of FY10. Trading performance improved during the second quarter, despite the overall disappointing result for the first-half. Revenue in the second quarter was 31% higher than first quarter revenue - a significant improvement, even when taking into account seasonal adjustments.

Gross margins improved 3-4% across all businesses in the second quarter, driving earnings recovery. This improvement reflects the key operational initiatives undertaken over the past 12 months.

The implementation of the new IT system across the division's commercial and retail businesses was completed in September 2009 on budget and provides a national platform for the business. Greater controls are now in place for pricing, inventory management and commercial work flow delivering improved EBITA margins and cash flow management and lower costs.

The retail business performed well during the period, with revenue up approximately 7% on the prior corresponding period. Improved pricing disciplines have been reflected in higher overall EBITA margins.

The commercial business experienced difficult trading conditions during the half, in line with the reduction in overall activity in this sector. Revenue declined by approximately 30% over the prior corresponding period with the east coast operations suffering due to their heavier reliance on the agricultural sector. A greater focus has been 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.

The industrial business stabilised over the second quarter with revenue for the half down 21% against the prior corresponding period. Demand for products into the east coast drilling market improved during the course of the first half resulting in an improved second quarter performance. There has been a focus on inventory management, resulting in better customer service and more opportunities for the business to expand its end markets.

☐	The financial statements have been audited.	☒	The financial statements have been subject to review.
☐	The financial statements are in the process of being audited or subject to review.	☐	The financial statements have *not* yet been audited or reviewed.

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