



**AUTODOM**

**Annual General Meeting**

**28 November 2008**

**Summary**

- ¶ Loss of \$7.3m driven by poor integration of acquisitions and a declining automotive sector
- ¶ Completed acquisitions of Dair (SA) and HPG Engineering. Both businesses now integrated parts of aiAutomotive
- ¶ Implemented major organisational recovery and restructuring program - “Project Refocus”
- ¶ Received considerable commercial and technical assistance from major customers. Working closely with them on the recovery initiatives
- ¶ Added automotive experience to board and completed an overhaul of the management team
- ¶ Won major new contract for Ford – boost to Victorian operation
- ¶ Withdrew from Motive Energy and Micro Wind Turbines Australia (MWTA)
- ¶ Financial results caused breaches of lending covenants. New bank facilities under negotiation
- ¶ September quarter was profitable but this will be eroded as the immediate term outlook is very difficult due to loss of production days. Longer term is more positive

**2007/8  
Year**

- ¶ The demerger of aiConstruction in June 2007 left Autodom with one business, aiAutomotive (aiA). The aiA growth strategy has been to act as an industry consolidator and acquire other component manufacturers
  
- ¶ Dair SA was acquired in December 2007 and followed by HPG in January 2008. Debt funding was provided by National Australia Bank. The integration of both organisations into aiAutomotive is now complete
  
- ¶ The integration of the acquisitions took longer, was more difficult and much more expensive than envisaged. The acquisitions also added a much higher level of complexity to the business which management struggled to effectively deal with
  
- ¶ As a consequence of the management of the integration as well as a declining automotive sector aiA sustained losses to June 2008
  
- ¶ The company sought and received the commercial and technical assistance of its major customers to assist in returning to sustainable and more profitable trading

**Project  
Refocus**

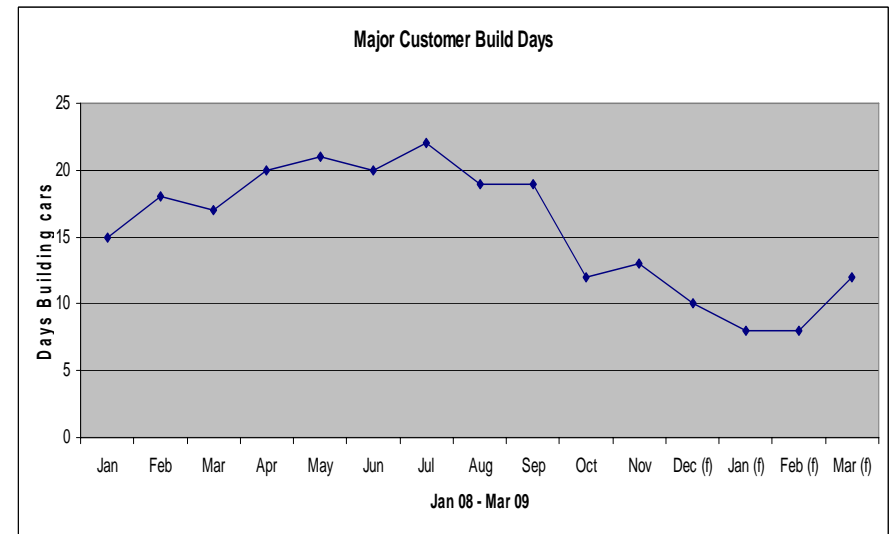
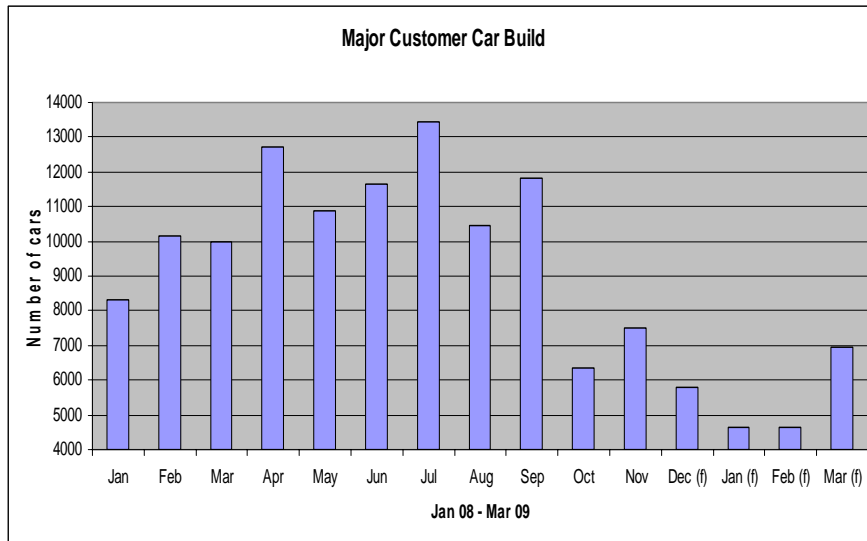
- ¶ Project Refocus was established with the following priorities
  - Priority 1 - stabilise the existing business to ensure consistent quality and delivery to customers
  - Priority 2 - implement cost saving and profit improvement initiatives that do not impact adversely on the Priority 1 objective
  - Priority 3 - develop the long term, (2-3 year), strategic and operational plans to focus activities and resources of the organisation on continuous improvement and sustainable profitability
  
- ¶ The plan has 38 action items with targeted financial impact under the following categories
  - Strategic
  - Management and governance
  - Profit and cash improvement
  - Cost reduction
  
- ¶ Key focus areas
  - Headcount reduction – salaried, indirect and direct
  - Labour productivity improvement including overtime control
  - Planning and Logistics systems development
  - Inventory reduction program
  - Expense control
  - Development and compliance with management systems
  - Customer pricing review
  
- ¶ To date good progress has been made on most items

**Board &  
Management**

- ¶ Mr Scott Mutton an experienced and respected automotive industry identity joined the board in September. Discussions are being held with another highly regarded individual with a view to taking on the role of Chairman in the new year
- ¶ The CEO of aiAutomotive resigned late in July and several changes have been made to the senior operations, planning and commercial management teams
- ¶ Paul Jones, previously the owner of HPG, has taken on the role of Chief Operating Officer and together with Philippa Heath in the HR and Organisational Development position and, a new appointment, Calvin Stead as General Manager Finance and Commercial will make up the senior team
- ¶ The operations are ably managed in Victoria by Ross Adams who has 15 years experience in the automotive industry. At Woodville the key operational roles are filled by Kevin Croke and Ron Jaekel both previously long standing experienced managers at Mitsubishi
- ¶ It is with regret we advise the resignation of Laurence Marshall the company's CFO. Laurence has made a major contribution to the development of the company over 7 years. We thank Laurence and wish him well in his future endeavours

**Immediate  
Term  
Outlook**

- ¶ The Australian automotive industry is in state of crisis with dramatic volume decline
- ¶ Major customer producing 44% less vehicles between October 08 and March 09 compared to the first 6 months of 2008
- ¶ An industry assistance package is essential to the survival of many component manufacturers. Looking to the recently released New Car Plan will provide some help
- ¶ The company's ability to continue as a going concern relies on the ongoing support of the bank and the major customers





## Longer Term Outlook

- ¶ The longer term outlook for Autodom is linked to the recovery of the Australian automotive industry. Many factors will impact on this including the vehicle producers ability to design and manufacture vehicles that customers desire – smaller and “greener” is the theme
- ¶ The recently released *New Car Plan for a Greener Future* has as its essence the automotive industry as the cornerstone of Australian manufacturing. The government has committed \$6.2bn in assistance over 13 years
- ¶ The Australian car manufacturers are working on the next phase of vehicle development and aiAutomotive has been identified by them as a vital part of the component supply network to participate in bringing these vehicles to market
- ¶ The company’s manufacturing facilities are important assets. The Woodville plant is one of the largest manufacturing sites in Adelaide. The management team and workforce is highly capable and well trained
- ¶ As well the company is looking towards opportunities, particularly in spare parts production, extending beyond the Australian vehicle manufacturers
- ¶ The industry consolidator role remains a viable long term strategy and is supported by government policy