ASX Release – Alesco Corporation Limited (ALS)

FY10 PRELIMINARY UNAUDITED RESULTS UPDATE

Date: **18 June 2010**

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The Board of Alesco Corporation Ltd (ASX:ALS) met earlier today to consider the Company's preliminary unaudited financial results[1] for the year ended 31 May 2010 and provides the following update.

Key Points

- Alesco expects FY10 earnings before interest, tax, amortisation and significant items to be approximately $47 million.

- The Board confirms FY10 earnings per share before amortisation and significant items (EPS) will be within the guidance range of 24 to 27 cents as advised to the ASX on 9 March 2010, albeit towards the lower end.

- The full year financial results will include pre-tax significant items of approximately $140 million comprising:

  - an impairment charge of approximately $133 million for Water Products and Services Division (WPS);
  - costs of $1.7 million associated with the resignation of the former CEO; and
  - the acceleration of a non cash accounting expense of $5.1 million in respect of the Group's senior executive share loan plan.

- Alesco expects to report a post-tax profit before significant items of approximately $12 million. After significant items, Alesco expects a net loss of approximately $126 million.

- The Company will have negative retained earnings as at 31 May 2010 of approximately $105 million and therefore no final dividend for FY10 can be declared. However, the Board expects to pay an interim dividend in March 2011.

- The Company continues to operate within its banking covenants.

- Divisional performance across the Group for FY10 was mixed:

  - Garage Doors & Openers (GDO) delivered a strong trading result despite the tough market.
  - Construction & Mining's (C&M) trading result was lower than the previous year but in line with expectations given the weakness of its markets and the closure of the Marathon Tyres wholesale tyre business.

[1] This guidance is preliminary in nature and is subject to finalisation of the year end accounts as well as external audit signoff.

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- Functional & Decorative Products' (FDP) trading result reflected both weaker end markets and operational inefficiencies.
- Water Products & Services' (WPS) operating performance was extremely disappointing, with the weak second half result reflecting the tough market conditions and fall in commercial project activity.

A summary of Group and divisional key highlights (based on preliminary unaudited financial results) is included in the investor presentation lodged with the ASX today and is available from www.alesco.com.au.

Commenting on the Group's performance Alesco's Chairman Mr Mark Luby said:

"Alesco's financial performance and shareholder returns are unsatisfactory, particularly in relation to ongoing challenges associated with the Water Products & Services division and the weaker than expected performance of the Functional & Decorative Products division.

"The impairment of the Water Products & Services division is extremely disappointing. This outcome reflects tough market conditions, poor operating results and recognises the challenge of integrating 14 separate businesses was far greater than anticipated on a number of levels – systems, culture, and people.

The Water Products & Services division has made progress in strengthening the management team, information systems, inventory control and basic business disciplines, but it is clear the turnaround of the business is a longer term project.

"The recent appointment of Peter Boyd as Chief Executive Officer signals the Board's desire for a strong process driven operational focus. Peter has demonstrated his operational capabilities at Alesco's Garage Doors & Openers division and the Board is confident that his disciplined approach will drive improved earnings across the Group," he said.

Alesco's recently appointed CEO, Mr Peter Boyd, added:

"Alesco faces a number of challenges. The focus will be on improving operational performance across each of our businesses.

"My immediate priority will be Functional & Decorative Products and Water Products & Services divisions. Functional & Decorative Products' management team – strengthened by the appointment of new Group General Manager Rob Guttentag in February this year - is in the process of implementing a number of key projects designed to revitalise product ranges, streamline operations, improve customer service levels and deliver improved earnings.

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“In Water Products & Services division, I am also working with the management team to accelerate their business improvement plan. We have already identified a number of operational initiatives to drive improved profitability in FY11.

“We need to substantially lift our operational performance across all aspects of our business. This greater focus on operational processes and discipline will lay the foundations for improved financial performance.

“I am confident that with operational improvements and the revitalised management team, Alesco’s existing portfolio of quality brands will enable the Company to further benefit from the anticipated growth in its end markets,” he said.

Significant Items

As noted earlier, significant items totalling approximately $140 million will be included in the FY10 results. They are:

Water Products & Services division (WPS) *impairment charge*

As foreshadowed in the March guidance, the Alesco Board has now completed its review of the carrying value of the investment in WPS following the FY11 budget cycle. As a result of the review, the Company will book a non-cash impairment charge of approximately $133 million in FY10.

One off employment costs on CEO resignation

As previously announced, under the terms of his employment contract, the previous CEO, Mr Ryan was entitled to a termination payment of $1.7 million.

Share plan accounting

Alesco will accelerate a non-cash accounting expense of $5.1 million relating to the benefit of interest free loans granted to participants under the Alesco Performance Share Acquisition Plan (APSAP).

Historically, the Company has recognised this expense progressively each year which has been offset by notional interest income in that same year.

The change in accounting treatment results from a decision by the Board (announced on 3 May 2010) to exercise its discretion to extend the repayment of the interest free loans made available to Mr Ryan under the APSAP following his termination of employment. For accounting purposes, this decision is now deemed to apply to all plan participants.

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While the acceleration of the expense impacts the FY10 financial results, this will reverse over the remaining period of the loans with the Company progressively recognising the notional interest income over the remaining period of the loans. As a result, there is an overall net zero impact over the remaining life of the APSAP.

Alesco's audited full year results for the year end 31 May 2010 are scheduled to be announced on 28 July 2010. Further details on the annual results, divisional performance and a forward looking presentation will be provided at that time.

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FOR FURTHER INFORMATION:

Mr Peter Boyd
Chief Executive Officer
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Mr Neil Thompson
Finance Director
Tel: 61 2 9248 2022

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Alesco manages a portfolio of leading industrial brands

Alesco has four divisions: Construction & Mining, Functional & Decorative Products, Garage Doors & Openers and Water Products & Services.

FY10 Preliminary Unaudited Results Update

Peter Boyd – CEO

18 June 2010

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

Agenda

- **Introduction**
- **FY10 Preliminary Unaudited Results**
- **Significant Items**
- **Markets & Divisional Update**

- The Way Forward
- Questions

FY10 - Preliminary unaudited results

FY10 result	• FY10 EBITA (before significant items) of c$47million • EPS in line with March guidance (24-27 cps) – towards lower end • Divisional operating performance mixed off a lower revenue base • Profit after tax before significant items of c$12million • Full year loss after tax of c$126 million
Significant Items	• c$133 million impairment charge - WPS • $1.7 million (pre-tax) termination payment to former CEO • $5.1 million (pre-tax) senior executive share loan plan
Dividend	• Negative retained earnings of c$105 million post significant items • FY10 final dividend cannot be declared • Expect to resume paying an interim dividend in March 2011
Cash flow	• Strong cash flow resulting in lower net debt from $160 million to $130 million and gearing at 24%

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FY10 - Preliminary unaudited results

Revenue	c$770m	▼	10%
EBITA[1]	c$47m	▼	32%
Profit after tax[1]	c$12m	▼	56%

Operating Cash Flow Conversion[2]	Strong at 130%
Net Debt	c$130m down from $160m
Gearing	c24%

1. Before significant items
2. EBITA plus depreciation less capital expenditure and movements in working capital as a percentage of EBITA

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Significant items

Water Products & Services impairment	Other
c$133 million	$6.8 million pre-tax

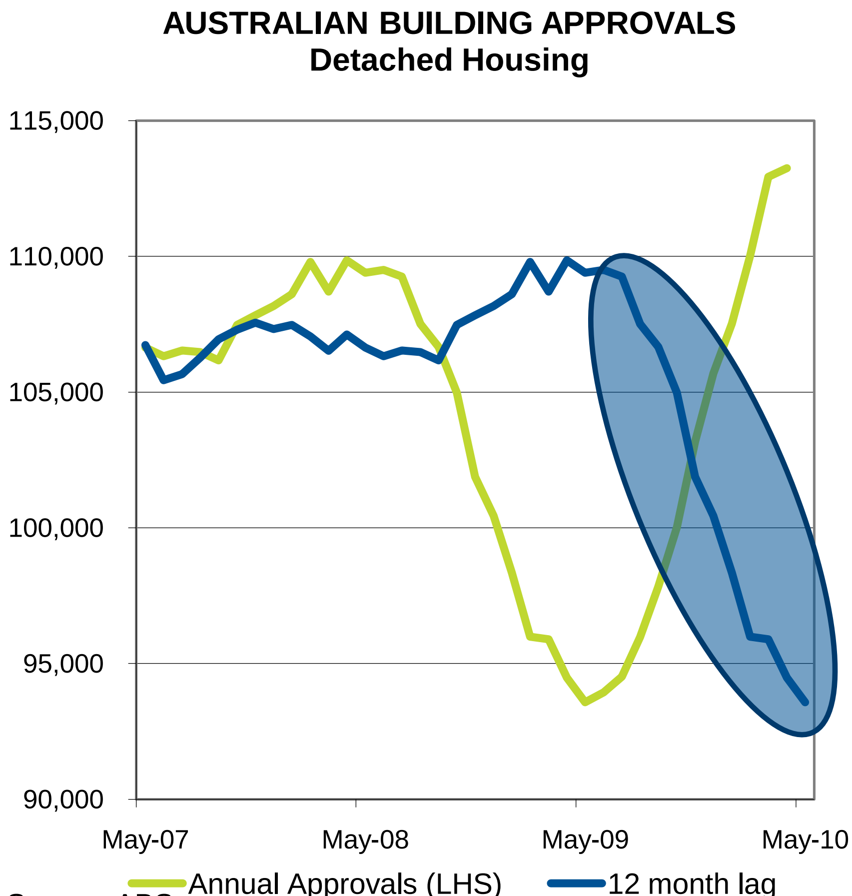
Water Products & Services impairment — c$133 million

- Tough market conditions
- Poor operating results
- Challenge of integrating 14 separate businesses
- Systems, culture, people
- Turnaround is a longer term project

Other — $6.8 million pre-tax

- $1.7m contractual payment to former CEO
- An acceleration of a non-cash accounting expense of approximately $5.1m in respect of the group's senior executive share loan plan. No P&L impact over life of the plan

End markets continued to be challenging in FY10



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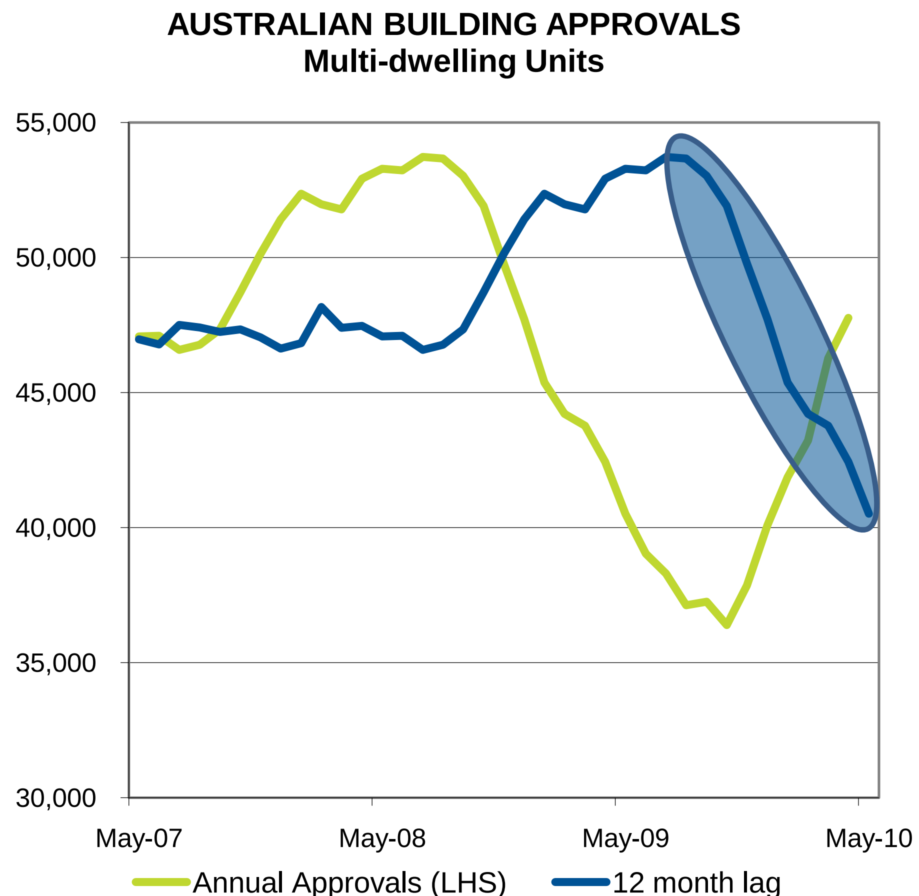

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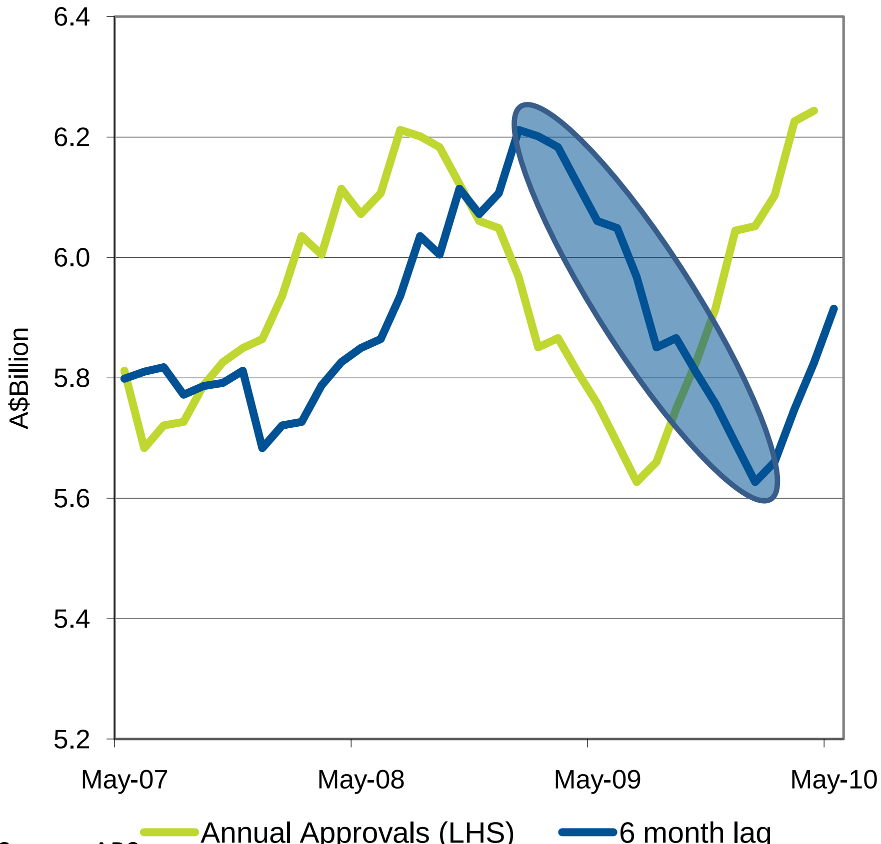
End markets continued to be challenging in FY10

AUSTRALIAN RENOVATION APPROVALS



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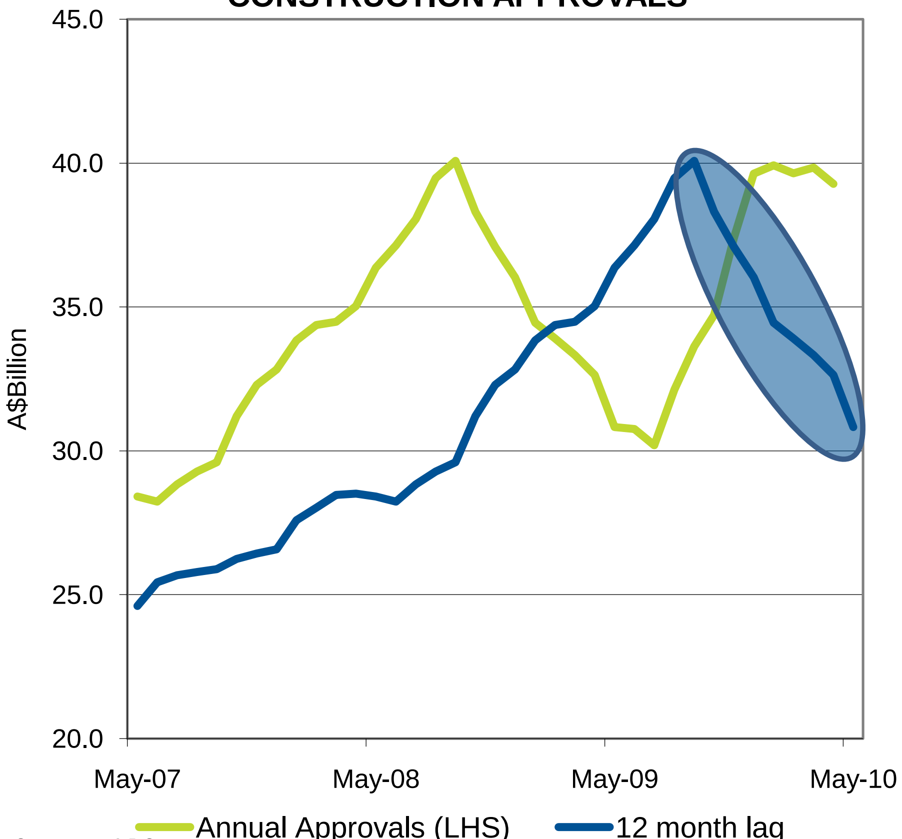
AUSTRALIAN NON RESIDENTIAL CONSTRUCTION APPROVALS



Source: ABS

Construction & Mining: FY10 Preliminary Unaudited Results

Revenue

c$161m ▼ 12%

EBITA

c$13m ▼ 38%

- Construction: Lower non-residential construction activity
- Mining: Closure of wholesale tyre business and lower service revenues

- Strong cash flow conversion

Functional & Decorative Products: FY10 Preliminary Unaudited Results

Revenue	
c$270m ▼ 9%	
EBITA	
c$14m ▼ 36%	

- **Decline in renovations market with weak Queensland housing market compounded by operational inefficiencies**

- **Poor cash flow conversion**

Garage Doors & Openers:
FY10 Preliminary Unaudited Results

Revenue

c$171m ▼ 5%

- **Product quality and customer service enabled solid pricing outcomes**
- **Soft Qld, WA and NZ markets**

EBITA

c$22m ▲ 7%

- **Strong cash flow conversion**

Water Products & Services: FY10 Preliminary Unaudited Results

Revenue

c$169m ▼ 13%

- Substantially lower commercial volumes, partially offset by improved retail sales
- Reduced project work in major markets of Queensland and Western Australia

EBITA

c$2m ▼ 84%

- Strong cash flow conversion

TOTAL EDEN MCCRACKEN'S GROUP
water for life

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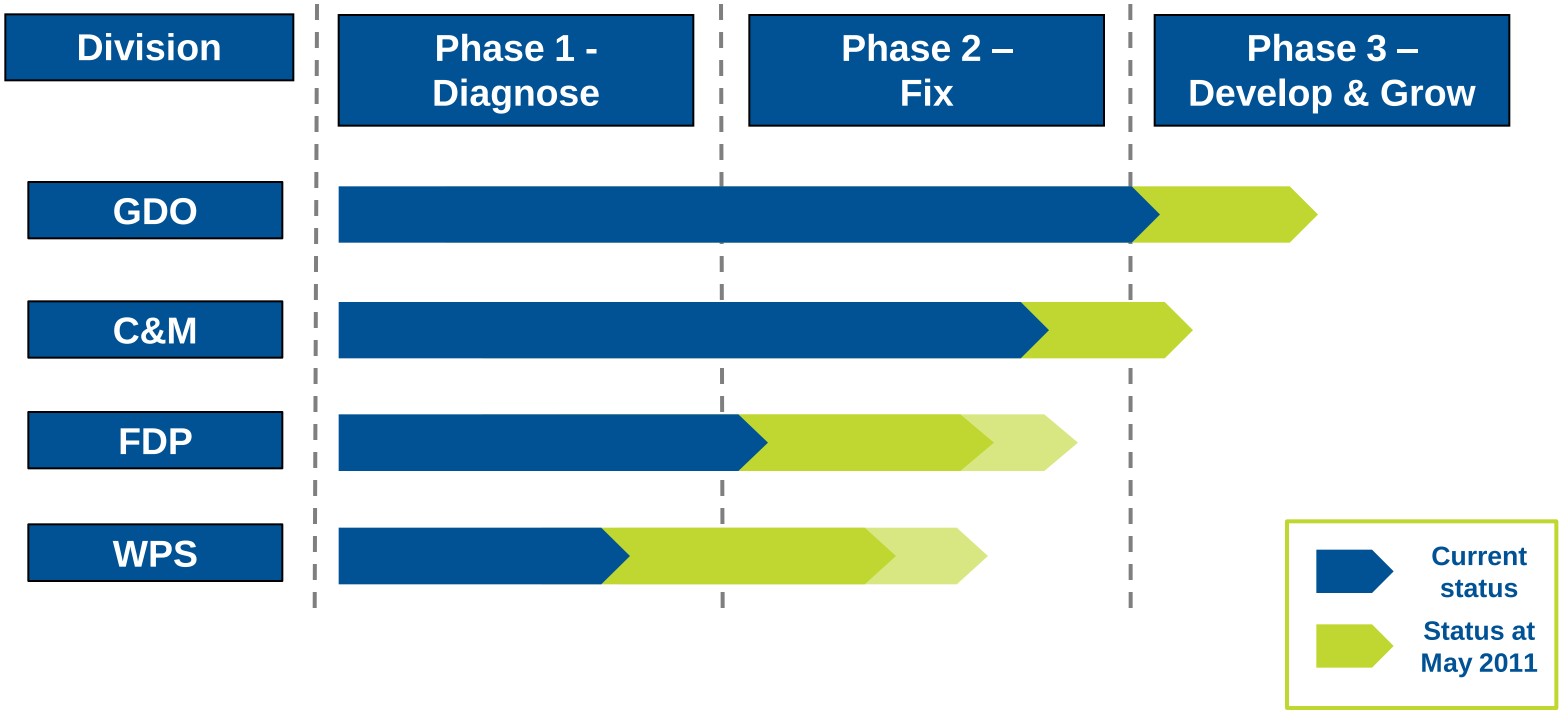
- Markets & Divisional Update

- **The Way Forward**
- **Questions**

Business improvement initiatives will capitalise on strong brands



Business Improvement Programme

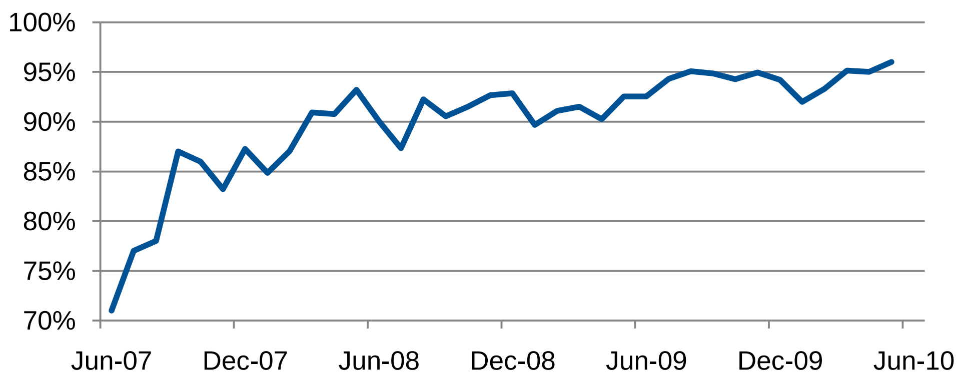
Leverage brands to optimise revenue and gross margin	• Roll-out Pricing Margin Program • Improve Delivered in Full on Time (DIFOT) levels • Expand and revitalise product range • Optimise distribution network
Improve supply chain (including manufacturing)	• Strengthen Sales and Operations Planning (S&OP) 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

zero harm

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

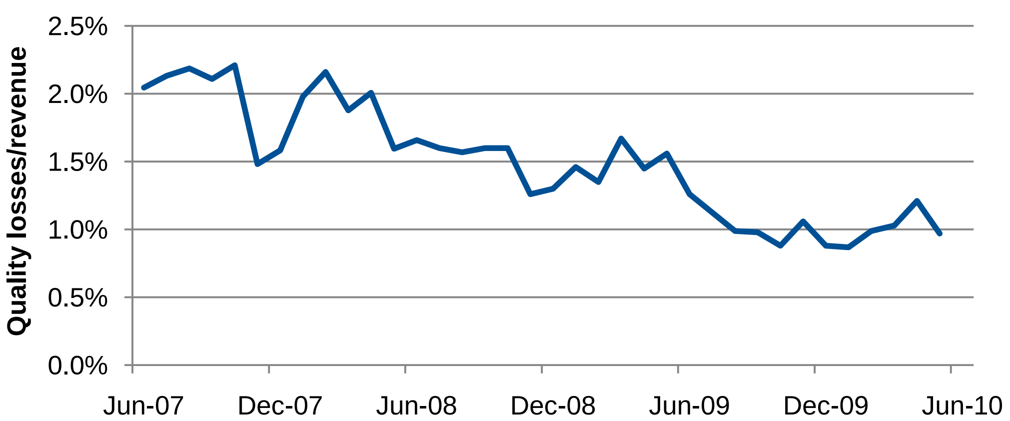
These initiatives have delivered sustainable results in GDO

DIFOT performance has been continually improved over the past 3 years



- S&OP has been a key enabler for improving DIFOT
- DIFOT has been improved from ~70% in 2007 to 96% currently
- Achieved through a disciplined approach in the day-to-day management of all aspects of the customer order and fulfilment process

Quality losses have been reduced over the past 3 years



- B&D Australia has instituted a comprehensive "lean" based operational system
- Tools include:
  - Statistical process control which has significantly increased product quality and reduced waste
  - Weekly non-conformance reporting meetings to identify and resolve errors and waste along the whole B&D supply chain

FY11 - Way Forward

Immediate priority	• Develop view on WPS. Implement business improvement plan • Resource and implement FDP business improvement plan • Continue implementation of C&M business improvement plan • Ensure GDO leadership team is transitioned effectively
12 month horizon	• Stronger performance across all divisions • Enhance corporate effectiveness • People development • Progress divisional growth plans • Drive financial results and shareholder returns

Questions (audience and telephone)

FY10 Results Presentation scheduled to be released on 28 July 2010

Disclaimer

The numbers expressed in this presentation are based on preliminary unaudited management accounts, are subject to audit and may change.

This presentation may also contain forward looking statements, including estimated company earnings and potential growth of the company. These statements relate to future events and expectations and involve unknown risks and uncertainties. Actual results may differ materially from this expressed or implied by these forward looking statements.

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