

# 2015 Interim Results

29 April 2015



Peter Slabbert  
Chief Executive



Andrew Lewis  
Group Finance  
Director



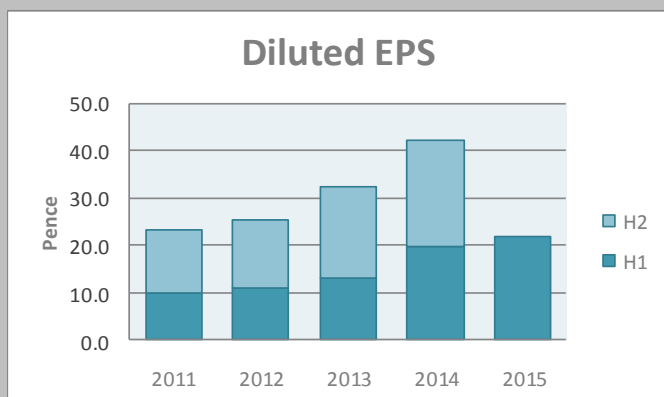
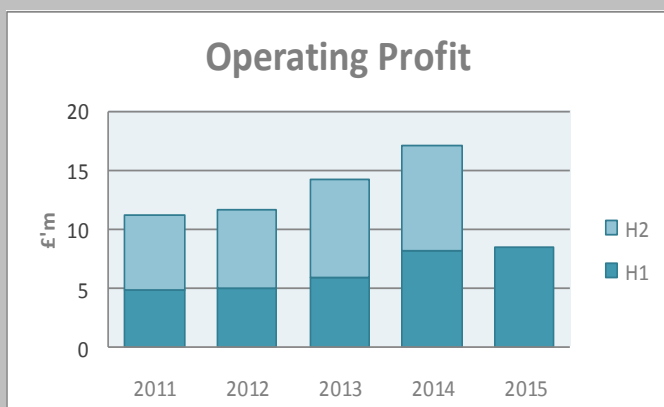
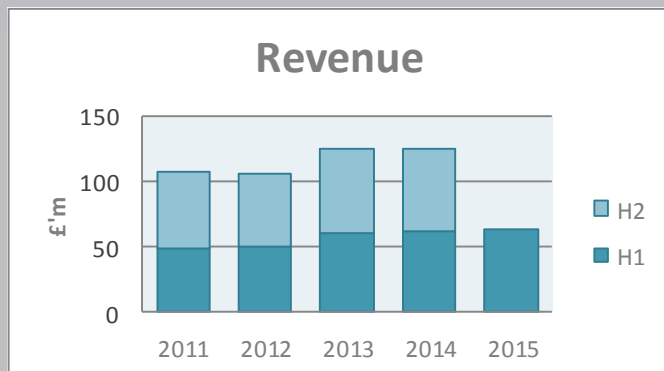
Sarah Matthews-  
DeMers  
Group Financial  
Controller



David Evans  
Chairman

- Strategy continues to deliver solid progress
- Long term investments starting to deliver growth and the outlook for the future remains positive
- Organisation has capability and confidence to deliver further growth
- Balance sheet strength supports further organic and acquisitive investments





## Financial highlights

- EBITDA increased by 9% to £12.2m against a very strong 2014 comparative period
- Return on sales (EBITDA divided by revenue) improved 1.3% from 18.1% to 19.4%
- Diluted earnings per share up 10% to 21.7p
- 138% conversion of operating profit to operating cash inflow; cash increased to £7.3m
- Interim dividend of 2.43p per share up 30% reflecting both the strong operating results and excellent cash generation in the period, confidence in the future and an intention to raise the level of dividends relative to earnings progressively over time





## Operational highlights

- Dairy delivered a record half year performance as our investment in routes to market and innovative products and services delivered returns
- Dairy Cluster Exchange service growth of 34% since 30 September 2014
- Encouraging progress in Dairy in China; Brazil sales and distribution operation opened
- Healthy order intake in Protection & Defence of £47m; closing order book of £38m with £28m for delivery in H2 2015
- New Deltair SCBA gained market share in the US Fire market



# Andrew Lewis Group Finance Director

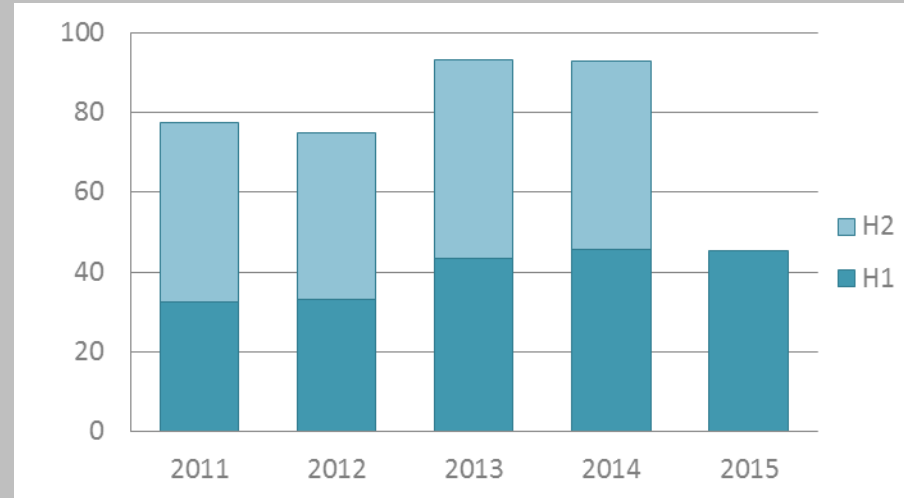
# Group Income Statement

		2015 Interim £'m	2014 Interim £'m	2014 Full Year £'m
Revenue	 2%	62.8	61.5	124.8
EBITDA	 9%	12.2	11.1	22.9
Depreciation and amortisation		(3.7)	(2.9)	(5.9)
<b>Operating profit before amortisation of acquired intangibles, exceptional items and defined benefit pension</b>	 4%	8.5	8.2	17.0
Amortisation of acquired intangibles, exceptional items and defined benefit pension		0.4	(2.3)	(2.7)
<b>Operating profit</b>		8.9	5.9	14.3
Interest expense		(0.1)	(0.1)	(0.2)
Other finance expense		(0.4)	(0.1)	(0.2)
<b>Profit before taxation</b>		8.4	5.7	13.9
Taxation		(1.7)	(1.6)	(3.1)
<b>Profit for the period</b>		6.7	4.1	10.8
<b>Adjusted diluted earnings per share</b>	 10%	21.7p	19.8p	42.3p

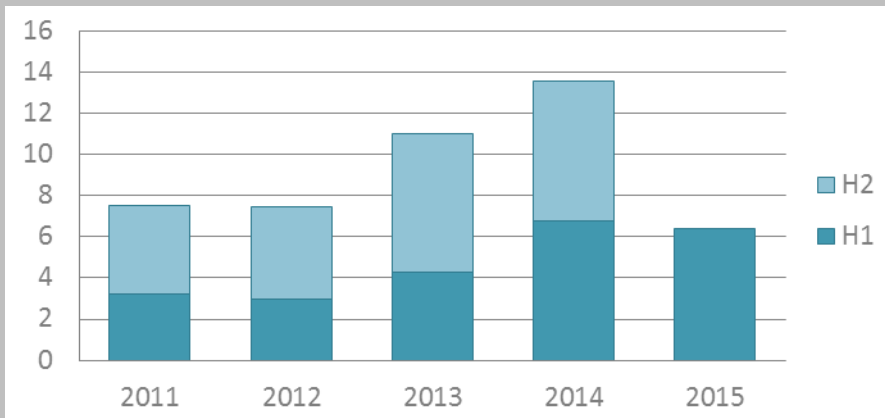
## Financials

		2015 Interim £'m	2014 Interim £'m	2014 Full Year £'m
Revenue	↓ 1%	45.3	45.6	92.8
Adjusted EBITDA	↑ 1%	9.4	9.2	18.5
Adjusted operating profit	↓ 6%	6.4	6.8	13.6

## Revenue £'m



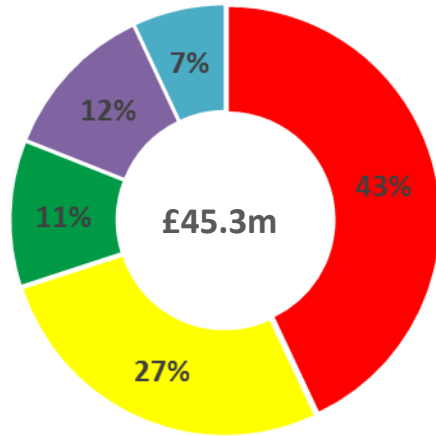
## Operating Profit £'m



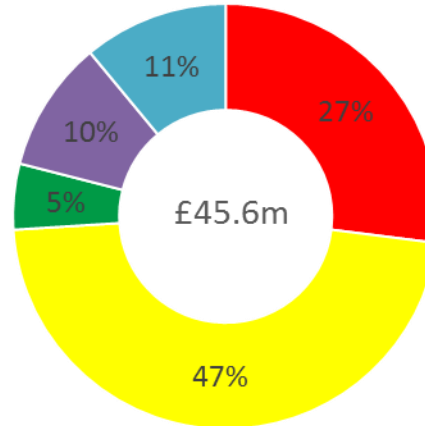
## Performance drivers

- Delivered 112,000 DOD mask systems as bias moved from non-DOD to DOD in this period, in contrast to the comparative period
- Our new Deltair SCBA gained market share in the US Fire market
- Good performance at AEF and in industrial markets
- Closing order book of £38m, one third of which is non-DOD, with £28m for delivery in H2 2015

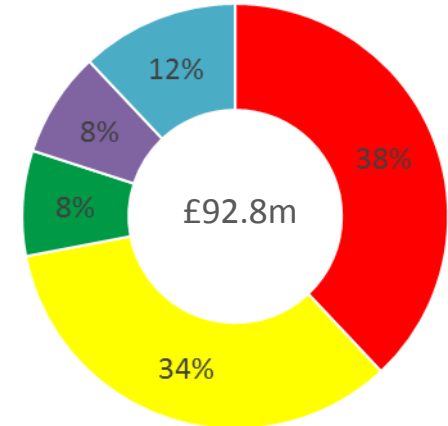
2015 H1



2014 H1



2014 FY

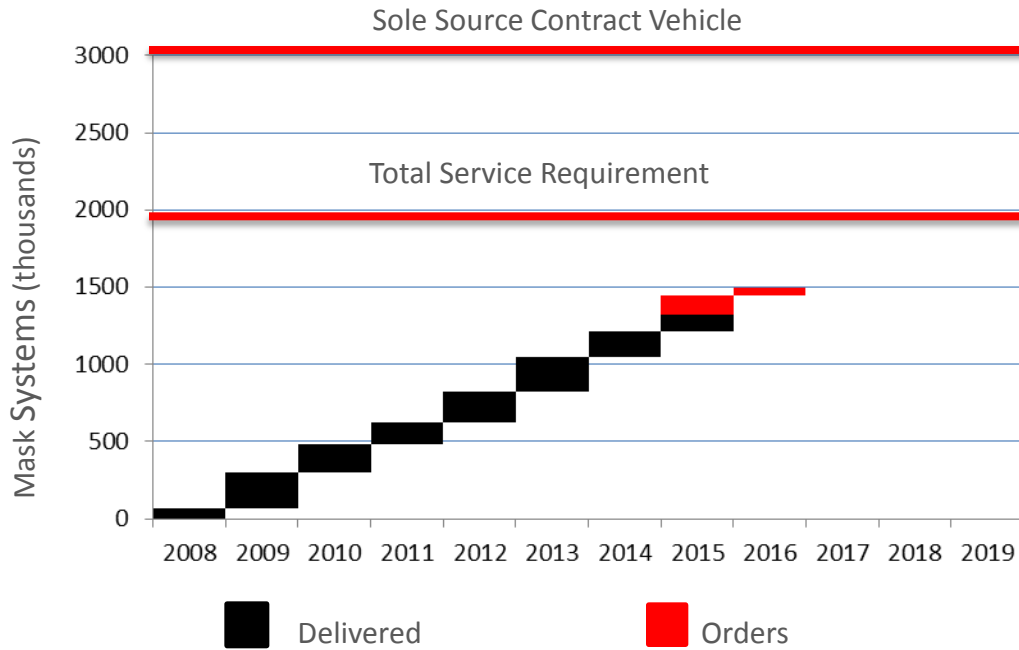


■ DOD     
 ■ EMEA/NA     
 ■ NA FIRE     
 ■ AEF     
 ■ DOD SPARES

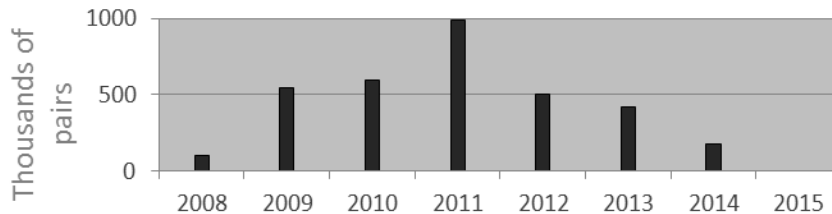
- Increase in DOD revenue in line with expectations as first half of 2014 included delivery of 52,000 non-DOD masks
- No single game-changing non-DOD order in H1 2015, solid base of sales, with opportunities being pursued for H2
- Growth in Fire revenues following the launch of our Deltair SCBA. Opportunities for further growth in H2 and beyond
- Good performance at AEF



## Mask Systems



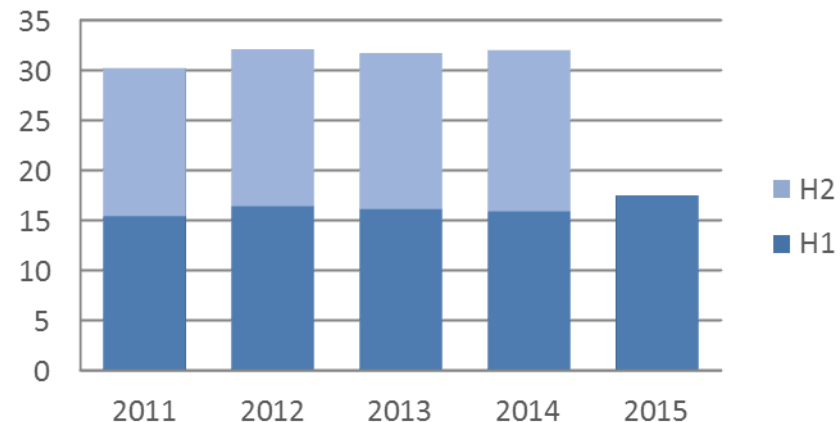
## Filter Spares



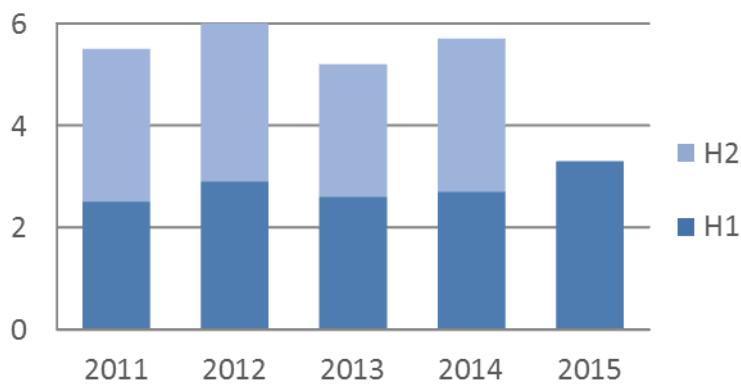
## Financials

		2015 Interim £'m	2014 Interim £'m	2014 Full Year £'m
Revenue	↑ 10%	17.5	15.9	32.0
EBITDA	↑ 22%	3.9	3.2	6.6
Operating Profit	↑ 20%	3.3	2.7	5.7

## Revenue £'m



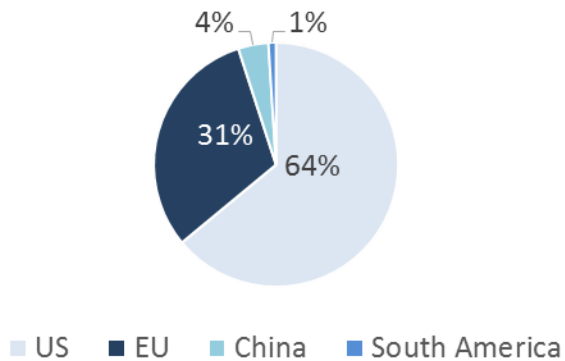
## Operating profit £'m



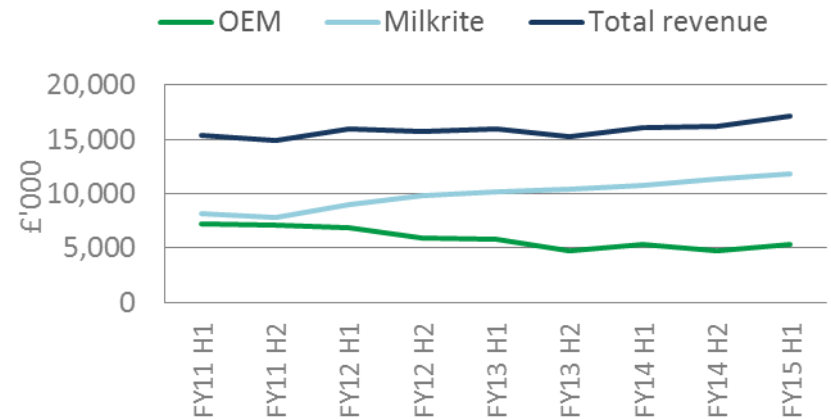
## Performance drivers

- Excellent growth in all markets, supplemented by translation effect of stronger US dollar
- Impulse Air liner reached 22% market share in US
- EU Milkrite sales benefitting from increased investment in infrastructure
- Cluster Exchange programme grew strongly in Europe and the US with 1,100 farms now signed up representing 342,000 cows
- Revenue growth in China and sales and distribution centre opened in Brazil

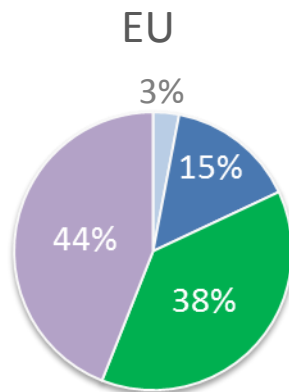
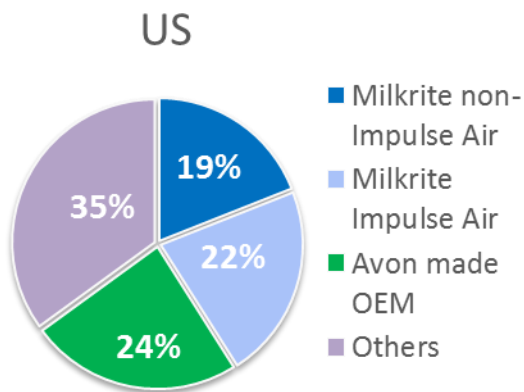
## Our revenue split – geography



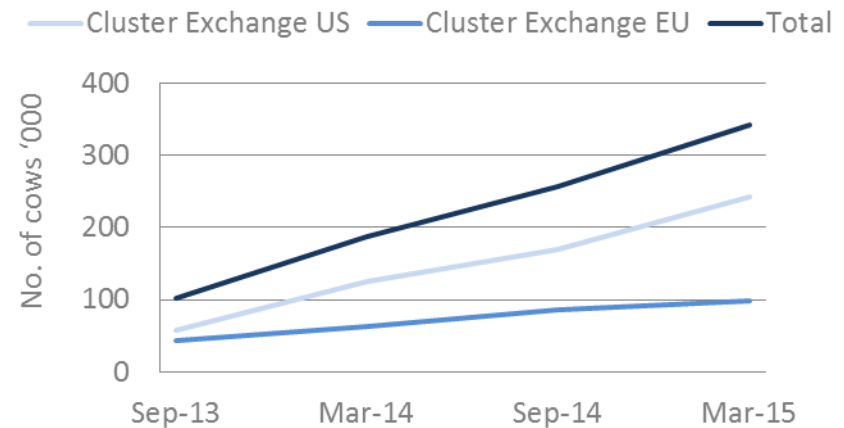
## Our revenue split – brand



## Market share









## Cluster Exchange growth



# Impact of US \$ translation – slight tailwind

## Group

NOTE - 2014 restated at 2015 rates represents a restatement for translation only




	Constant currency movement	2015 Interim £'m	2014 restated at 2015 rates £'m	2014 Interim £'m		Constant currency movement	2015 Interim £'m	2014 restated at 2015 rates £'m	2014 Interim £'m
Revenue	 2%	62.8	64.3	61.5	Revenue	 5%	45.3	47.6	45.6
Adjusted EBITDA	 4%	12.2	11.7	11.1	Adjusted EBITDA	 3%	9.4	9.6	9.2
Adjusted operating profit	 1%	8.5	8.6	8.2	Adjusted operating profit	 10%	6.4	7.1	6.8

## Protection & Defence

## US \$ rate

- 2015 average rate \$1.54 (2014: \$1.63)
- Translation tailwind of £0.4m offset by equal and opposite difference in mark to market charge on forward exchange contracts
- Current US \$ strength positive for H2 outlook

## Dairy

	Constant currency movement	2015 Interim £'m	2014 restated at 2015 rates £'m	2014 Interim £'m
Revenue	 6%	17.5	16.4	15.9
EBITDA	 16%	3.9	3.3	3.2
Operating profit	 14%	3.3	2.9	2.7

		2015 Interim £'m	2014 Interim £'m	2014 Full Year £'m
Cash flows from operating activities				
Cash generated before the impact of exceptional items		11.8	11.3	26.5
Cash impact of exceptional items		(0.7)	-	(1.0)
Cash generated from operations	<b>138 %</b>	11.1	11.3	25.5
Tax	<b>OPERATING</b>	(1.2)	(1.8)	(2.9)
Interest	<b>PROFIT</b>	(0.1)	(0.1)	(0.3)
Payments to pension scheme	<b>CONVERTED</b>	(0.3)	(0.2)	(0.5)
Capital expenditure	<b>TO CASH</b>	(3.1)	(3.1)	(6.8)
Acquisition of VR Technology Holdings		-	-	(0.1)
Purchase of own shares		(1.2)	-	-
Dividends to shareholders		(1.1)	(0.9)	(1.4)
Exchange and other		0.3	0.2	0.3
Movement in net funds/(debt)		4.4	5.4	13.8
Opening net funds/(debt)		2.9	(10.9)	(10.9)
<b>Closing net funds/(debt)</b>		<b>7.3</b>	<b>(5.5)</b>	<b>2.9</b>

# Summary Balance Sheet

	2015 Interim £'m	2014 Interim £'m	2014 Full Year £'m
Intangible assets	19.0	16.3	17.2
Property, plant and equipment	20.3	19.8	19.6
Current assets	32.3	31.8	32.0
Current liabilities	(26.6)	(23.2)	(26.4)
Non-current liabilities	(4.0)	(5.1)	(4.3)
	41.0	39.6	38.1
Net funds/(debt)	7.3	(5.5)	2.9
	48.3	34.1	41.0
Retirement benefit scheme	(15.6)	(5.8)	(16.0)
Net assets	32.7	28.3	25.0

## IAS19R 2015

**Accounting deficit moved from £16.0m at 30 September 2014 to £15.6m at 31 March 2015 as the increase in liabilities resulting from the fall in AA corporate bond rates was offset by strong asset performance from both our LDI and return-seeking assets**

**The triennial actuarial valuation at 31 March 2013 showed that the scheme was 98.0% funded and cash contributions have been agreed for the next 4 years**

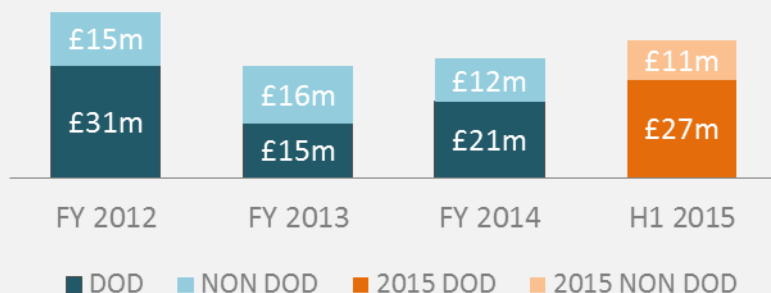


# Peter Slabbert Chief Executive

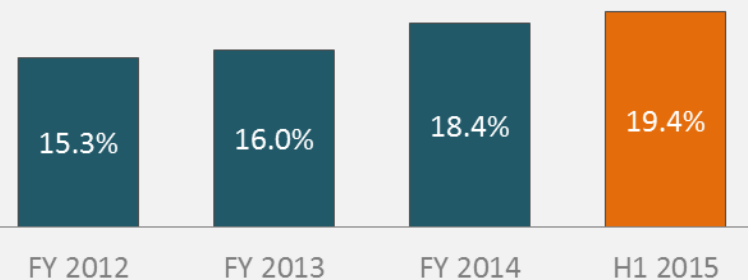


# Positive progress in all KPIs

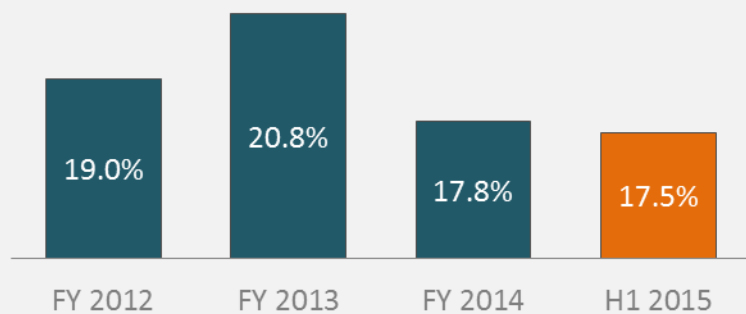
### Protection & Defence orders in hand



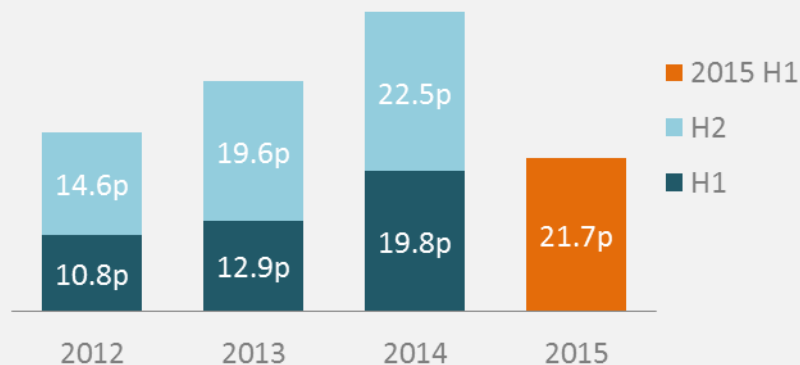
### Return on sales



### Trade working capital to revenue ratio



### Diluted EPS



# Protection & Defence - Strategic Progress

2015 Strategic Imperative	Progress
<p>Maximise our position as sole source direct supplier to US DOD and leverage position for further contract wins</p>	<ul style="list-style-type: none"> <li>• Mask systems order book through H1 2016</li> <li>• EEBD Navy contract bid</li> <li>• MM53 air crew mask development progressing well</li> </ul>
<p>Expand into military and first responder markets globally</p>	<ul style="list-style-type: none"> <li>• Solid growth in US Fire market with new Deltair SCBA</li> <li>• Sales to over 60 countries</li> <li>• Significant opportunities identified in Middle East</li> </ul>
<p>Technology enhancement to develop land, air and sea respiratory protection capability and expand first responder product offering</p>	<ul style="list-style-type: none"> <li>• Navy EEBD offering</li> <li>• Air crew mask programme with DOD</li> <li>• Diving rebreather products in development</li> <li>• Fusion – 5 products submitted for approval this FY - 18 more to follow</li> </ul>
<p>Enter niche industrial and commercial markets with our unique respiratory capability</p>	<ul style="list-style-type: none"> <li>• Growing presence in oil &amp; gas market with NH15 escape device</li> <li>• Wider respiratory portfolio being developed for oil &amp; gas</li> <li>• Portfolio being developed for mining sector</li> </ul>
<p>Expansion through product integration, kitting/bundling options, training and leasing/rental packages</p>	<ul style="list-style-type: none"> <li>• Launch of asset management programme</li> <li>• Launch of CBRN kitting options</li> <li>• Development and sourcing partnerships</li> <li>• New hires to support capability</li> </ul>
<p>Acquisitions to grow product range/technology/routes to market</p>	<ul style="list-style-type: none"> <li>• Target list identified</li> <li>• Balance sheet continues to improve</li> </ul>

# Protection & Defence Opportunities

## Market Environment



## Growth Drivers

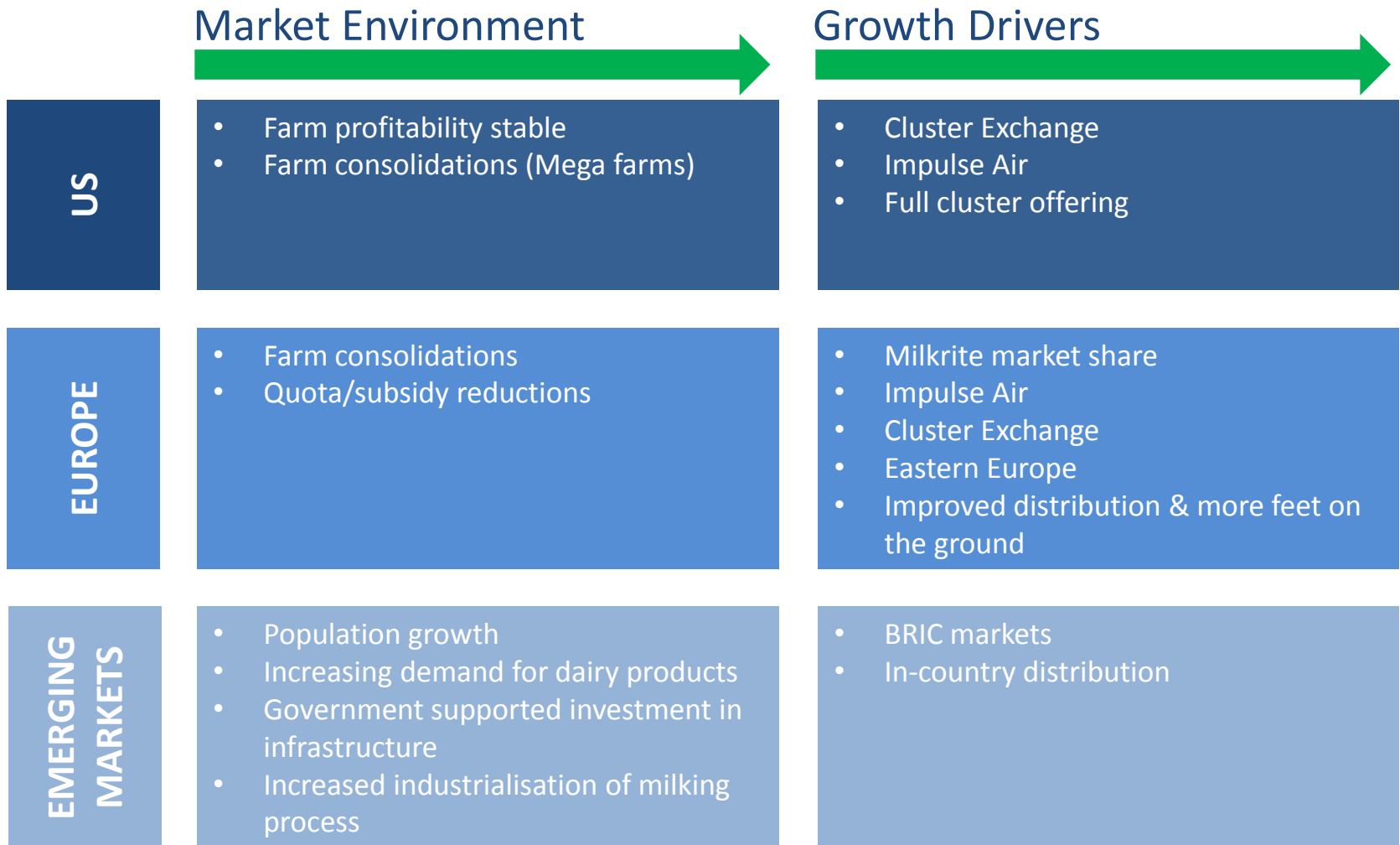


<p>DOD</p>	<ul style="list-style-type: none"> <li>Budgets stable</li> </ul>	<ul style="list-style-type: none"> <li>Personal protection remains a priority</li> <li>Funding line for JSGPM project still intact</li> <li>JSAM new programme start (\$70m opportunity)</li> <li>Navy EEBD bid (\$140m opportunity)</li> </ul>
<p>NA LAW ENFORCEMENT</p>	<ul style="list-style-type: none"> <li>Reducing federal funding</li> </ul>	<ul style="list-style-type: none"> <li>Market share gain from existing installed user base (&gt;600k masks). Avon share circa 15% (\$100m opportunity)</li> </ul>
<p>EMEA</p>	<ul style="list-style-type: none"> <li>Budget pressures</li> <li>Increasing risk recognition / events</li> <li>Emerging markets</li> </ul>	<ul style="list-style-type: none"> <li>ME threats leading to significant CBRN spend</li> <li>New markets recognising CBRN protection needs</li> <li>Events – G20, Olympics, VIP visits etc.</li> </ul>
<p>FIRE</p>	<ul style="list-style-type: none"> <li>Reducing US federal funding</li> <li>NFPA standard implemented April 14 has reduced the number of competitive players</li> </ul>	<ul style="list-style-type: none"> <li>\$400m p.a. US market</li> <li>Market share growth with new Deltair product</li> </ul>
<p>INDUSTRIAL</p>	<ul style="list-style-type: none"> <li>Improving in line with economic growth</li> </ul>	<ul style="list-style-type: none"> <li>Niche targets with unique capabilities</li> <li>Health &amp; safety</li> <li>Distribution capability</li> <li>Market growth rate projected at 8%</li> </ul>

# Avon Dairy Solutions – Strategic Progress

2015 Strategic Imperative	Progress
<p>Grow in our mature/high market share US market through wider technical product and service offerings</p>	<ul style="list-style-type: none"> <li>• Further Impulse Air market share gain</li> <li>• Cluster Exchange growth of 43% of number of cows from September 2014</li> </ul>
<p>Market share growth in Europe through Impulse Air and Cluster Exchange</p>	<ul style="list-style-type: none"> <li>• Milkrite market share increased to 18%</li> <li>• Impulse Air market share increased from 2% to 3%</li> <li>• Cluster Exchange growth of 15% of number of cows from September 2014</li> </ul>
<p>Access emerging markets</p>	<ul style="list-style-type: none"> <li>• Brazil distribution business opened</li> <li>• China growth of 105% H1 2015 over H1 2014</li> </ul>
<p>Expand the technical product offering</p>	<ul style="list-style-type: none"> <li>• Goat range launched in Europe</li> <li>• New claw to be launched in H2 2015</li> </ul>

# Dairy Opportunities



## Our strategy and the future

The Board remains confident that the Group will continue to deliver organic growth in this financial year in line with current market expectations and that our strong cash generation and balance sheet will allow us to invest in future growth opportunities.

## Protection & Defence

As is usual, we expect a second half bias to the financial performance of our Protection & Defence business. Although the timing of receipt of orders remains difficult to predict, the DOD order we received late in the first half and our sales pipeline of other opportunities give us confidence that Protection & Defence will make further progress in the second half of this year.

## Dairy

In Dairy, the business has good momentum with our high technology differentiated products and services gaining market share. This, together with the sales and distribution platforms we have established in China and Brazil to service the rapidly growing emerging markets, means we have a Dairy business with excellent short and longer term growth prospects.

Avon Rubber p.l.c. (the 'Group') is providing the following cautionary statement.

This document contains certain statements that are or may be forward-looking with respect to the financial condition, results or operations and business of the Group.

These statements are sometimes, but not always, identified by the words 'may', 'anticipates', 'believes', 'expects' or 'estimates'. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future.

A number of factors exist that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. These factors include, but are not limited to:

- (i) change to the current outlook for the world market for defence, security and dairy
- (ii) changes in tax laws and regulations
- (iii) the risks associated with the introduction of new products and services
- (iv) significant global disturbances such as terrorism or prolonged healthcare concerns
- (v) the termination or delay of key contracts
- (vi) long term fluctuations in exchange rates
- (vii) regulatory and shareholder approvals
- (viii) unanticipated liabilities
- (ix) actions of competitors.

Subject to the Listing Rules of the UK Listing Authority, Avon Rubber p.l.c. assumes no responsibility to update any of the forward-looking statements herein.





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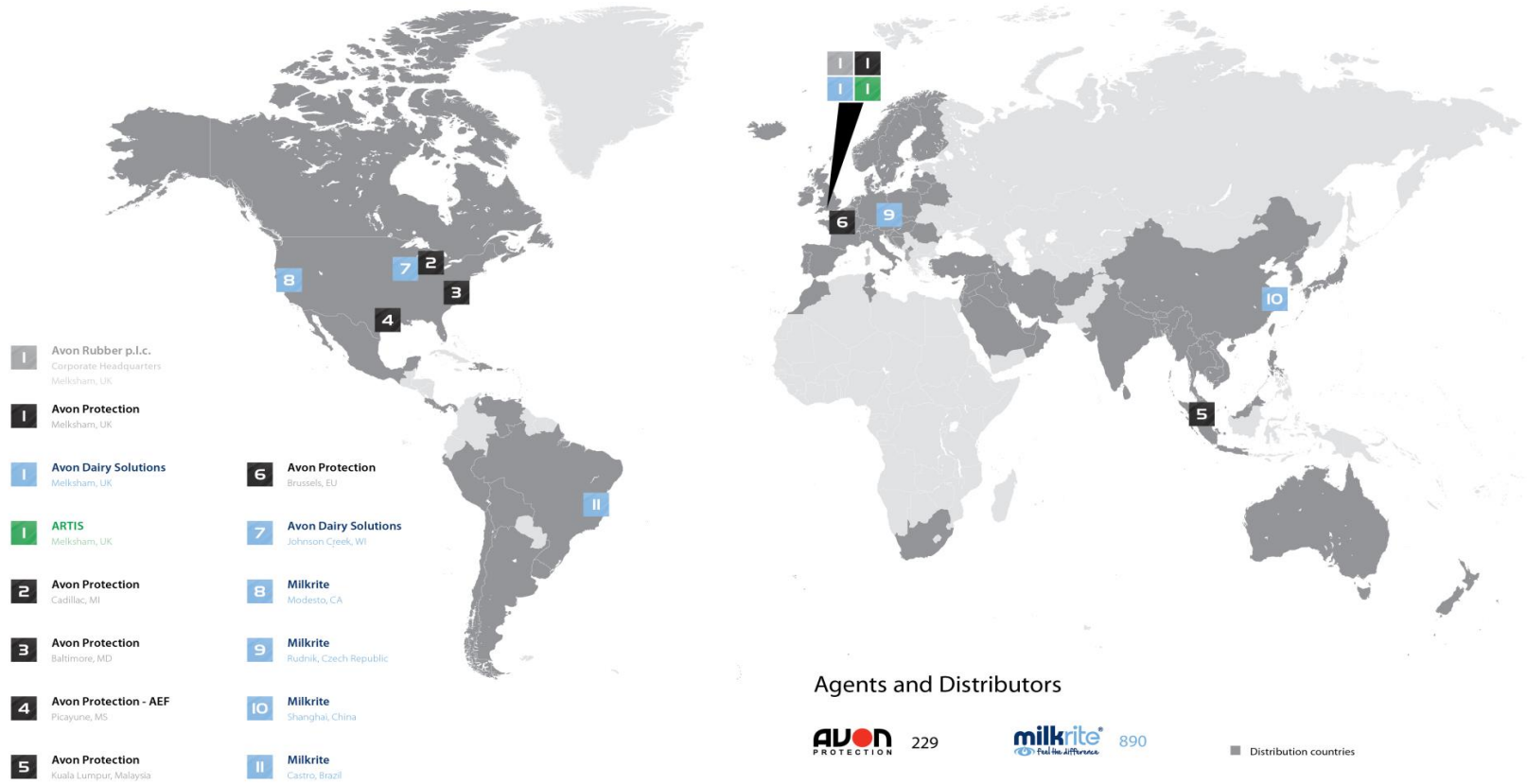
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## Appendices

# Group Worldwide Locations



M50



AUS  
Rebreather



Deltair



Air Crew  
Mask



EEBD



PAPR



Cluster



Impulse Air  
liner



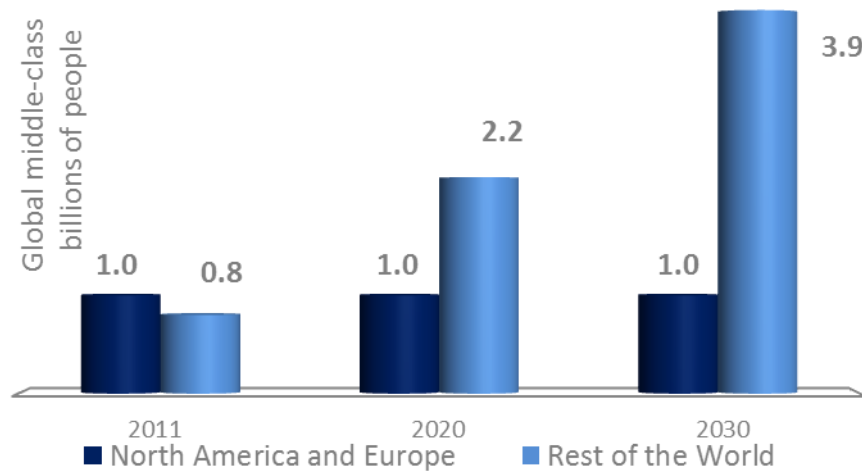
Round liner



Triangular  
liner

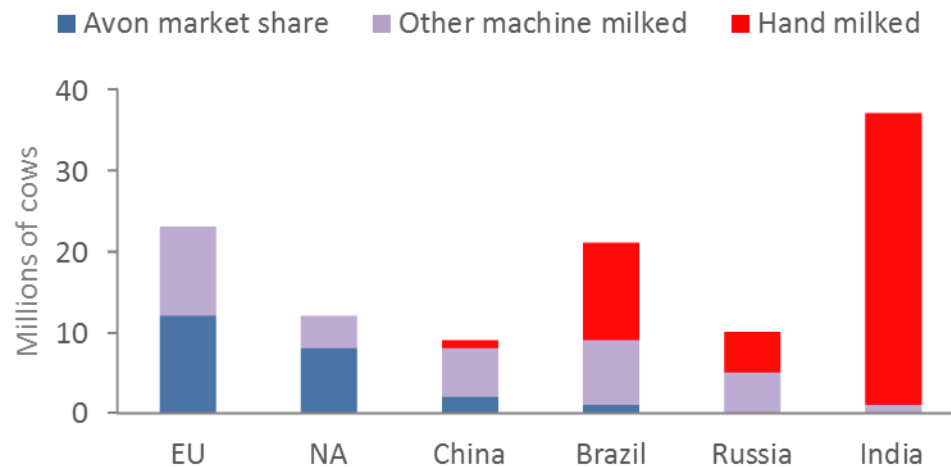


## The emergence of 3 billion middle-class consumers



Source: OECD / McKinsey.  
2011 data point based on UN statistics

## Market opportunities



Term	Explanation
P&D orders in hand	This is measured at sales value
Return on sales	Earnings before interest, taxation, depreciation, amortisation and exceptional items (EBITDA) divided by revenue
Trade working capital to revenue ratio	Defined as inventory + trade receivables – payables, expressed as a percentage of revenue
Diluted earnings per share	Profit after tax excluding the impact of the amortisation of acquired intangibles, defined benefit pension scheme costs and exceptional items divided by the fully diluted number of ordinary shares
AEF	Avon Engineered Fabrications
AUS	Avon Underwater Systems
BRIC	Brazil, Russia, India, China
CBRN	Chemical, Biological, Radiological, Nuclear
EEBD	Emergency Escape Rebreather Device
JSAM	Joint Service Aircrew Mask
JSGPM	Joint Service General Purpose Mask
NFPA	National Fire Protection Association
PAPR	Powered Air-Purifying Respirator
SCBA	Self-Contained Breathing Apparatus
US DOD	US Department of Defense