



AVON

Avon Rubber p.l.c.





2014 Interim Results

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Peter Slabbert
Chief Executive



Andrew Lewis
Group Finance Director



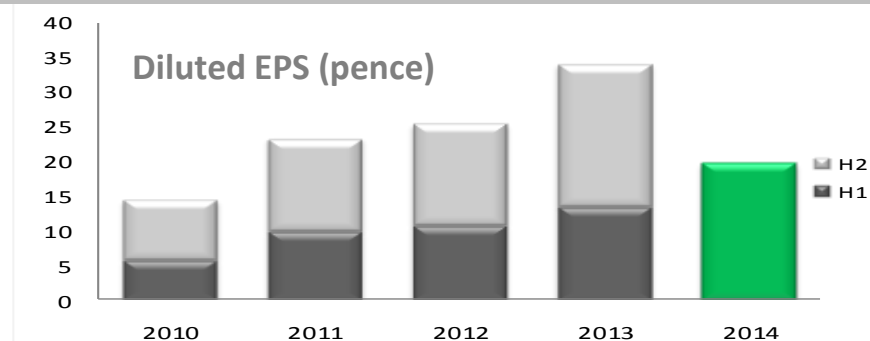
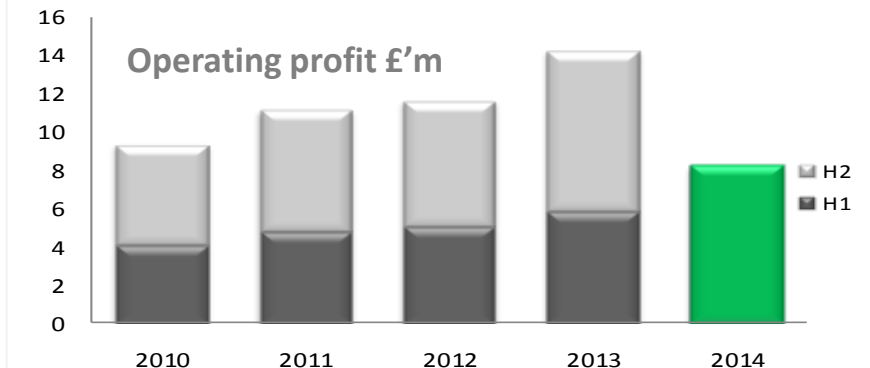
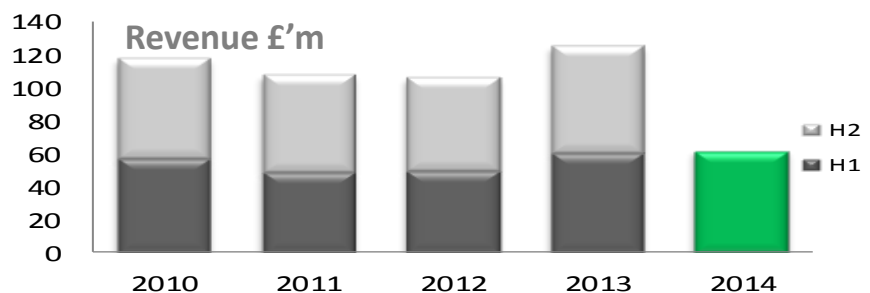
David Evans
Chairman



Sarah Matthews-DeMers
Group Financial
Controller



Highlights



Financial highlights

- Operating profit growth of 41% and profit before tax up 45%
- Return on sales (EBITDA divided by revenue) improved 4% from 14% to 18%
- Diluted earnings per share up 53%
- 137% conversion of operating profit to operating cash inflow; debt reduced to £5.5m
- Interim dividend of 1.87p per share up 30%

Operational highlights

- Order intake in Protection & Defence up 15% to £46m. Closing order book of £33m with £26m for delivery in H2 2014
- Growth in non-DOD sales from strong opening order book; the second half will benefit from delivery against our largest ever individual US homeland security order
- Announced the consolidation of Protection & Defence operations from four sites into three ahead of the expiry of the lease on the Lawrenceville, GA facility in 2015
- Dairy market conditions are improving as animal feed costs reduce following the improved 2013 harvest
- Cluster exchange service successfully launched in EU and NA



Delivering our strategy

Wrap up

We have been successful in 2013, delivering growth in revenue and earnings.

2014 focus:-

- Protection & Defence
 - Fusion
 - JSAM
 - Fire
 - Commercial activities
- Fairy
 - Cluster Exchange continued rollout
 - Milkrite sales expansion in EU including ImpulseAir penetration
 - BRIC market development



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delivering our strategy









Andrew Lewis Group Finance Director



Group income statement

		2014 Interim (Unaudited) £'m	2013 Interim (Restated*) £'m	2013 Full Year (Restated*) £'m
Revenue	 3%	61.5	59.6	124.9
EBITDA	 33%	11.1	8.4	20.0
Depreciation and amortisation		(2.9)	(2.6)	(5.8)
Operating profit before amortisation of acquired intangibles and exceptional items	 41%	8.2	5.8	14.2
Amortisation of acquired intangibles, exceptional items and defined benefit pension costs		(2.3)	(0.2)	(1.2)
Operating profit		5.9	5.6	13.0
Interest expense		(0.1)	(0.2)	(0.3)
Other finance expense		(0.1)	(0.1)	(0.3)
Profit before taxation		5.7	5.3	12.4
Taxation		(1.6)	(1.6)	(3.6)
Profit for the period		4.1	3.7	8.8
Adjusted diluted earnings per share	 53%	19.8p	12.9p	32.5p

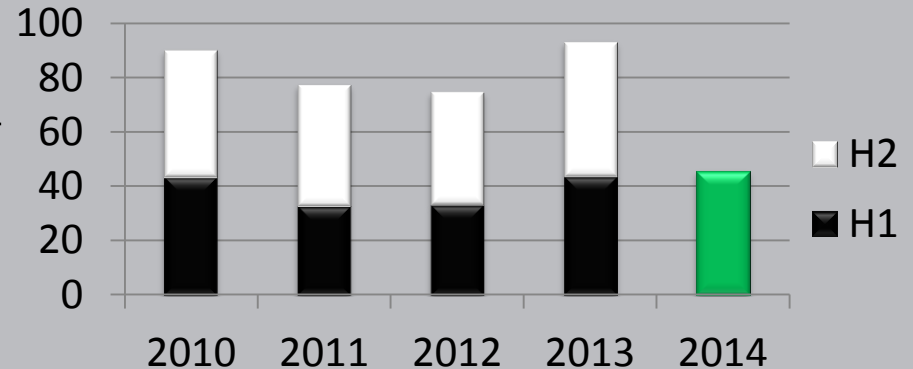


Protection & Defence

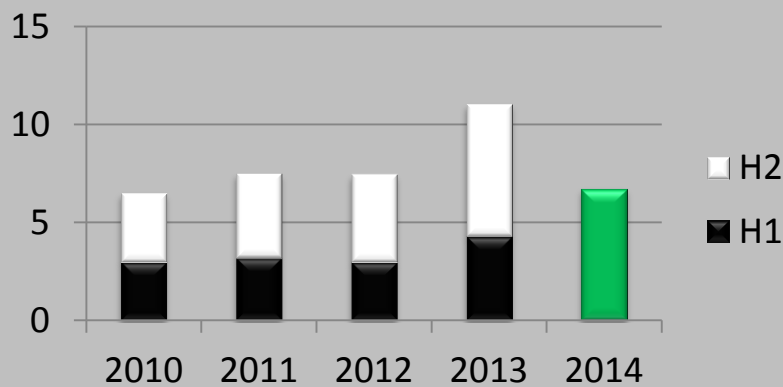
Financials

		2014 Interim £'m	2013 Interim £'m	2013 Full Year £'m
Revenue	↑ 5%	45.6	43.5	93.2
Adjusted EBITDA	↑ 40%	9.2	6.6	16.1
Adjusted operating profit	↑ 57%	6.8	4.3	11.0

Revenue £'m



Operating Profit £'m



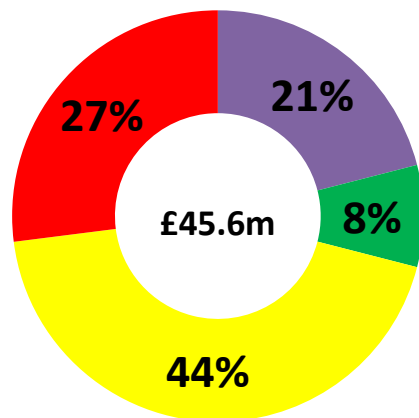
Performance drivers

- Growth in non-DOD sales from the shipment of export orders brought forward into this financial year
- Growth in sales of other DOD spares as the installed base of M50 masks grows
- Offset by expected decrease in mask systems and filters to the DOD as production scheduling was flexed to accommodate export orders
- Closing order book of £33m, one third of which is non-DOD, with £26m for delivery in 2014

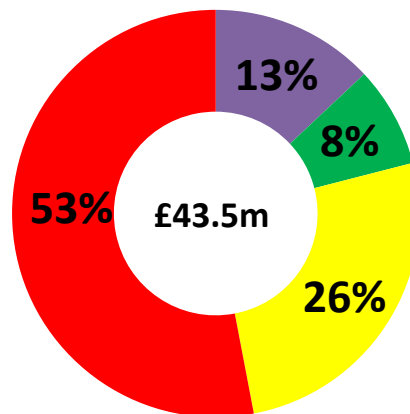


Protection & Defence market

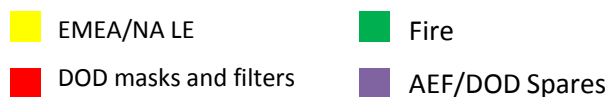
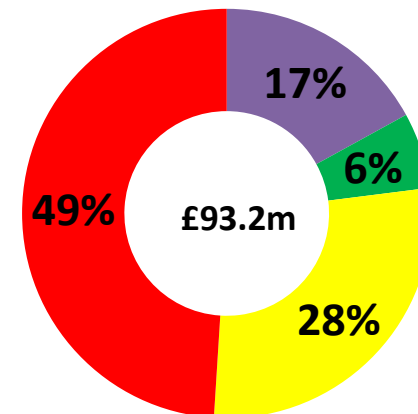
2014 H1



2013 H1



2013 FY

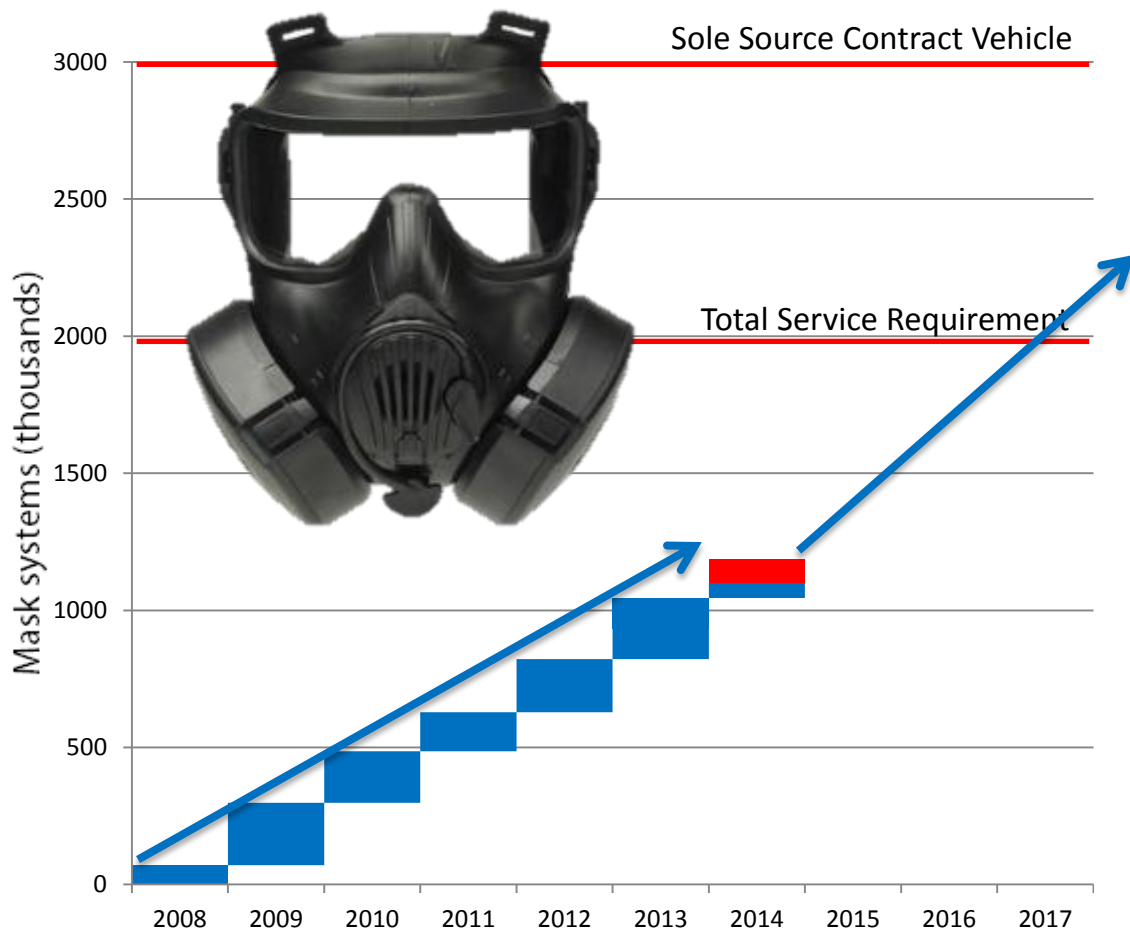


- Growth in non-DOD revenue in line with strategy and includes delivery of the 52,000 C50s order won in 2013
- Sales of mask systems to the DOD deferred to H2 as production scheduling was flexed to accommodate non-DOD activity
- Good period at AEF and for DOD spares as the installed base of masks grows
- Fire revenues flat, new regulatory standard and Avon product launch to drive opportunities in H2 and beyond

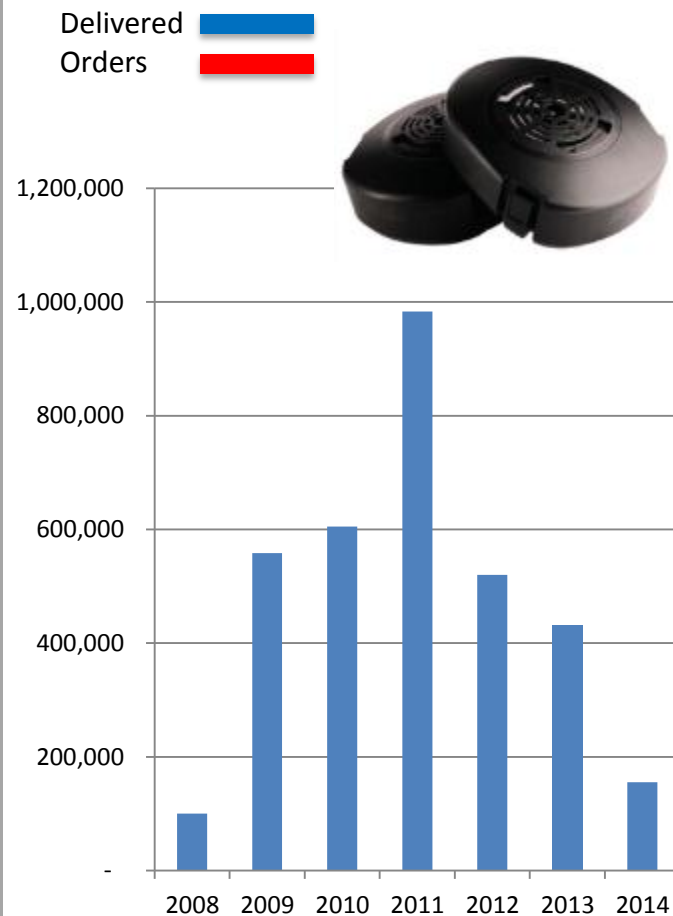


DOD contract summary

Mask systems



Filter spares (pairs)

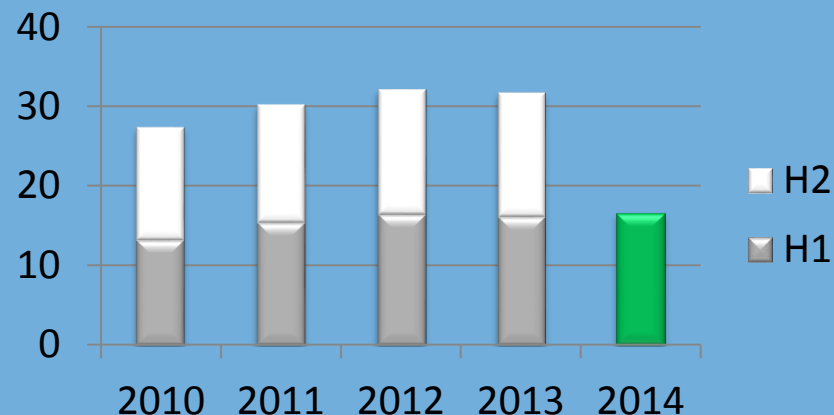


Dairy

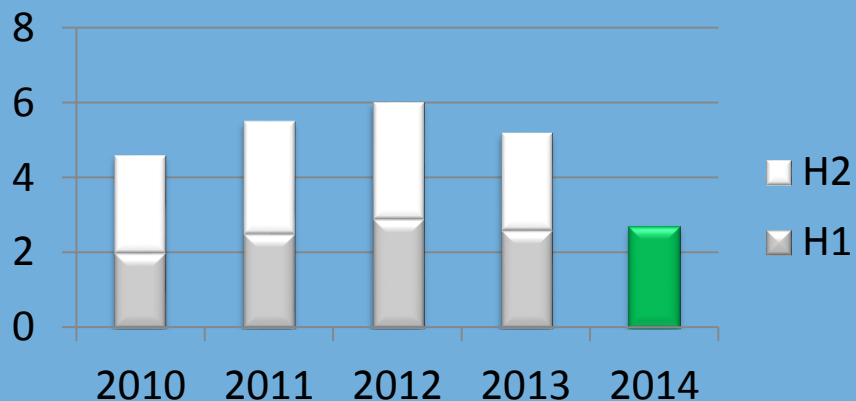
Financials

		2014 Interim £'m	2013 Interim £'m	2013 Full Year £'m
Revenue	↓ 2%	15.9	16.1	31.7
EBITDA	↑ 10%	3.2	2.9	5.8
Operating Profit	↑ 6%	2.7	2.6	5.2

Revenue £'m



Operating profit £'m



- Higher milk prices and lower feed costs led to more normal levels of demand for our consumable products offset by a stronger dollar
- ImpulseAir liner reached 20% market share in US
- EU Milkrite sales benefiting from increased investment in infrastructure
- Cluster exchange programme launched successfully in Europe and North America with 611 farms signed up representing 187,000 cows

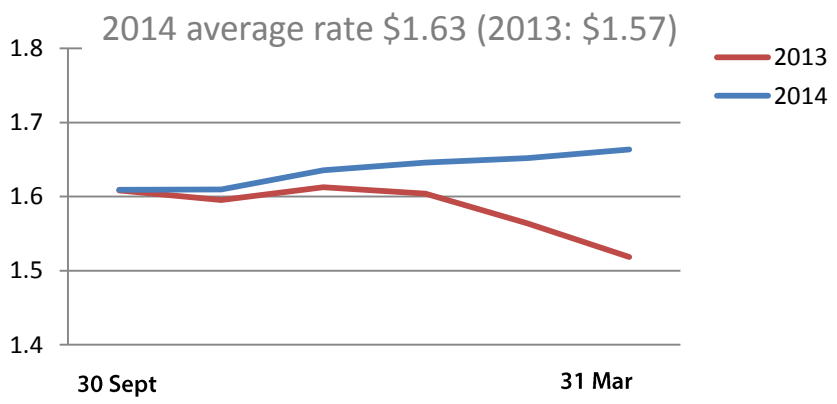


Impact of US\$ translation – slight headwind

Group		2014 Interim £'m	2013 Year restated at 2014 rates £'m	2013 Interim £'m
	Constant currency growth			
Revenue	↑ 7%	61.5	57.5	59.6
Adjusted EBITDA	↑ 39%	11.1	8.0	8.4
Adjusted operating profit	↑ 49%	8.2	5.5	5.8

Protection & Defence				
		2014 Interim £'m	2013 restated at 2014 rates £'m	2013 Interim £'m
	Constant currency growth			
Revenue	↑ 9%	45.6	41.9	43.5
Adjusted EBITDA	↑ 46%	9.2	6.3	6.6
Adjusted operating profit	↑ 66%	6.8	4.1	4.3

US dollar rate



Dairy

		2014 Interim £'m	2013 restated at 2014 rates £'m	2013 Interim £'m
	Constant currency growth			
Revenue	↑ 2%	15.9	15.6	16.1
EBITDA	↑ 13%	3.2	2.8	2.9
Operating profit	↑ 8%	2.7	2.5	2.6

Cashflow

		2014 Interim £'m	2013 Interim £'m	2013 Year £'m
Cash generated from operations		11.3	7.7	15.3
Tax		(1.8)	(0.9)	(2.2)
Interest	137%	(0.1)	(0.1)	(0.4)
Payments to pension scheme	OPERATING PROFIT CONVERTED TO CASH	(0.2)	(0.3)	(0.6)
Capital expenditure		(3.1)	(4.5)	(11.1)
Acquisition of VR Technology Holdings		-	-	(0.4)
Purchase of own shares		-	(1.8)	(1.8)
Dividends to shareholders		(0.9)	(0.7)	(1.1)
Exchange and other		0.2	(0.6)	0.1
Movement in net debt		5.4	(1.2)	(2.2)
Opening net debt		(10.9)	(8.7)	(8.7)
Closing net debt		(5.5)	(9.9)	(10.9)



Summary balance sheet

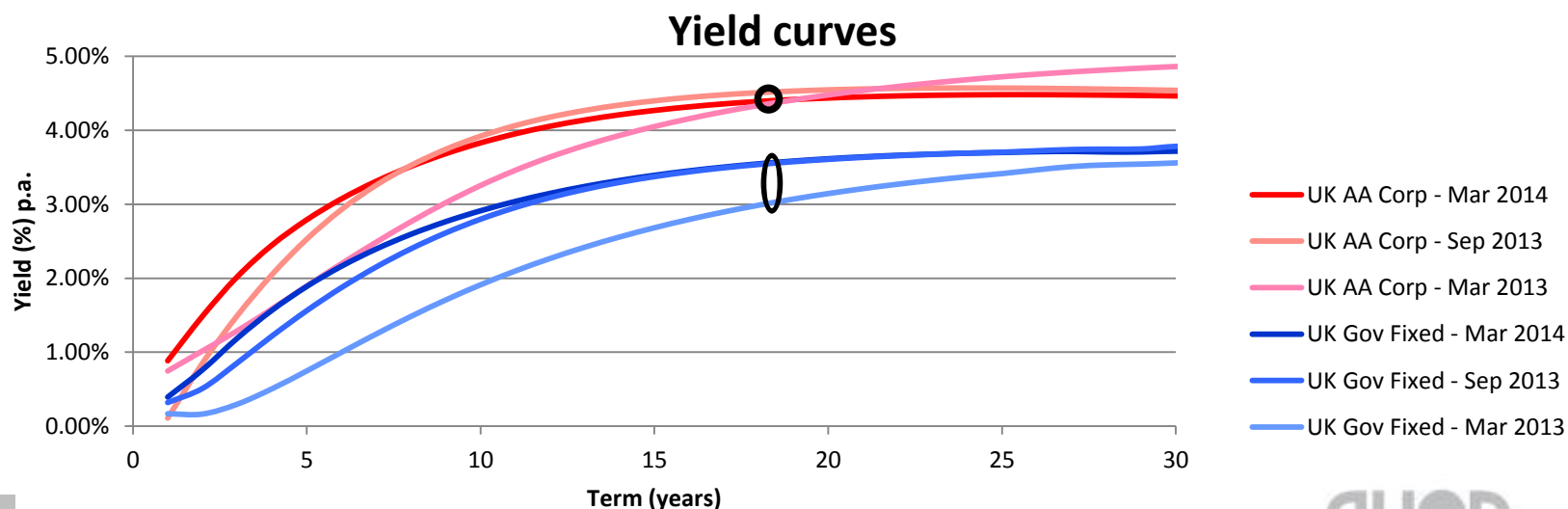
	2014 Interim £'m	2013 Interim £'m	2013 Year £'m
Intangible assets	16.3	15.6	16.6
Property, plant and equipment	19.8	19.6	20.4
Current assets	31.8	36.0	34.3
Current liabilities	(23.2)	(27.1)	(23.4)
Non-current liabilities	(5.1)	(5.0)	(5.0)
	39.6	39.1	42.9
Net debt	(5.5)	(9.9)	(10.9)
	34.1	29.2	32.0
Retirement benefit scheme	(5.8)	1.8	(11.3)
Net assets	28.3	31.0	20.7



UK retirement benefit scheme

IAS19R 2014

- Accounting deficit moved from £11.3m at 30 Sept 2013 to £5.8m at 31 March 2014 due to strong asset performance from return-seeking assets while liabilities remained constant
- The movement from an asset of £1.8m at March 2013 to a deficit arose because the the AA corporate bond driven discount rate hasn't moved in line with the liability driven investment (LDI) (which tracks gilts) as the LDI is designed to hedge actuarial not accounting liabilities, see graph
- 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 5 years
- The 2013 results have been restated to reflect the revision to IAS 19. This has negatively impacted the full year 2013 statutory income statement by £0.8m. The current period results and comparatives have been adjusted to exclude all defined benefit scheme costs as the scheme is closed to future accrual therefore does not relate to current operations

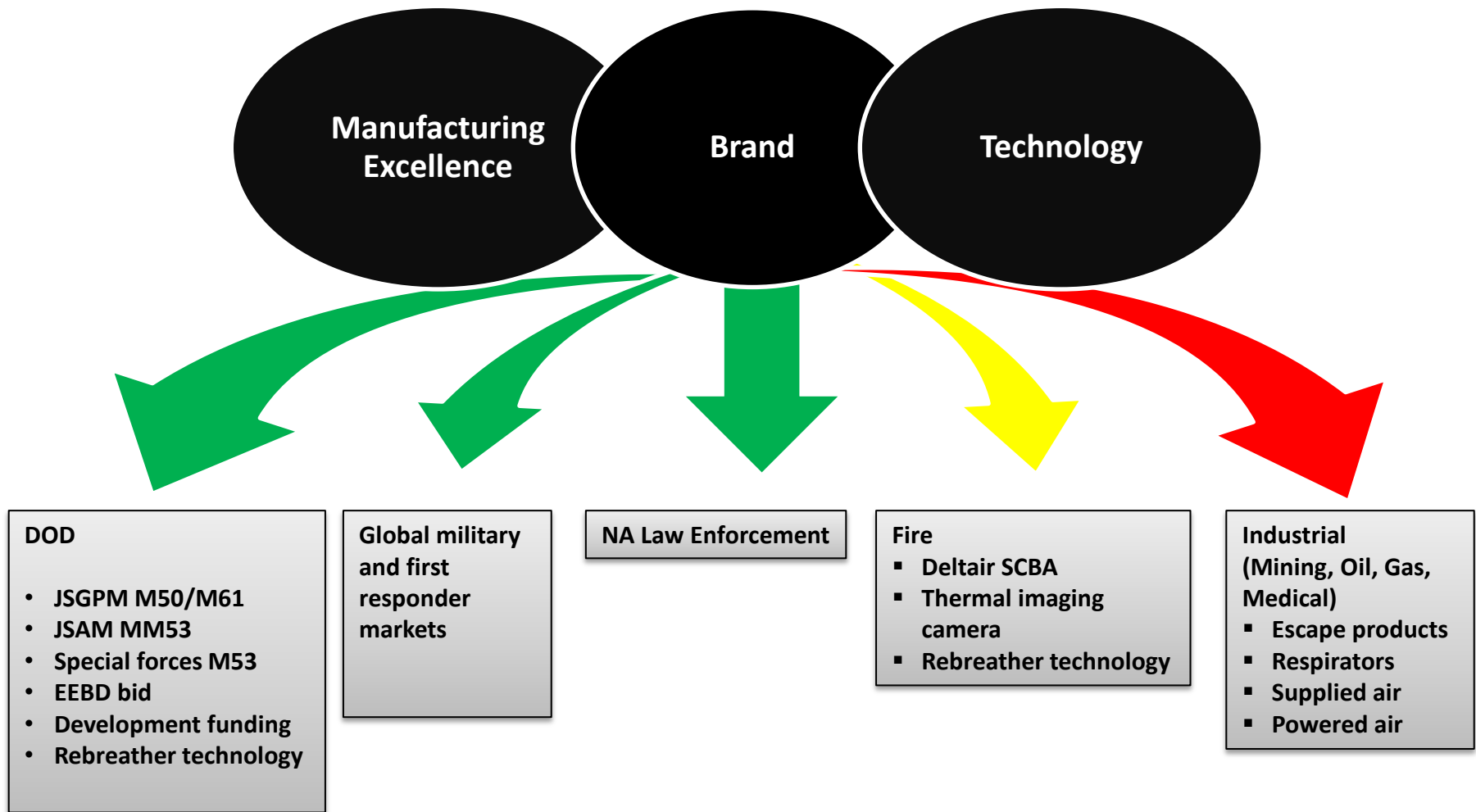




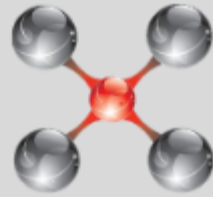
Peter Slabbert Chief Executive



Protection & Defence roadmap



Protection & Defence innovation



FUSION

Product Strategy Delivers:
Unique modular approach to respiratory protection
Multi-community interaction through common Avon products
Total market coverage for all Fire, Military and First Responder communities

Filter Products

MiICF50 & CBRNCF50 NIOSH approved and available for sale



Deltair

Launched at 2013 FDIC Exhibition
NFPA 2013 approvals awarded April 2014
Available for sale



FM54 & Law Enforcement SCBA

Development in progress
Expected 2015 launch



Avon Air System

PAPR Belt Module & combination hose
EZAir Plus (CBRN hardened)
CE & NIOSH approvals expected in 2015



PC50

NIOSH approved and available for sale



PC50 with EZAir

Development complete
Expected 2014 launch



Protection & Defence opportunities

Market Environment

Growth Drivers

DOD

- Budgets stabilised

- Personal protection remains a priority
- Funding line for JSGPM project still intact
- JSAM new programme start (\$70m opportunity)
- EEED (\$140m opportunity)
- Navy rebreather programme (\$15m opportunity)

NA LAW ENFORCEMENT

- Reducing federal funding

- Market share gain from existing installed user base (>600k masks). Avon share circa 15% (\$100m opportunity)

EMEA

- Budget pressures
- Increasing risk recognition / events
- Emerging markets

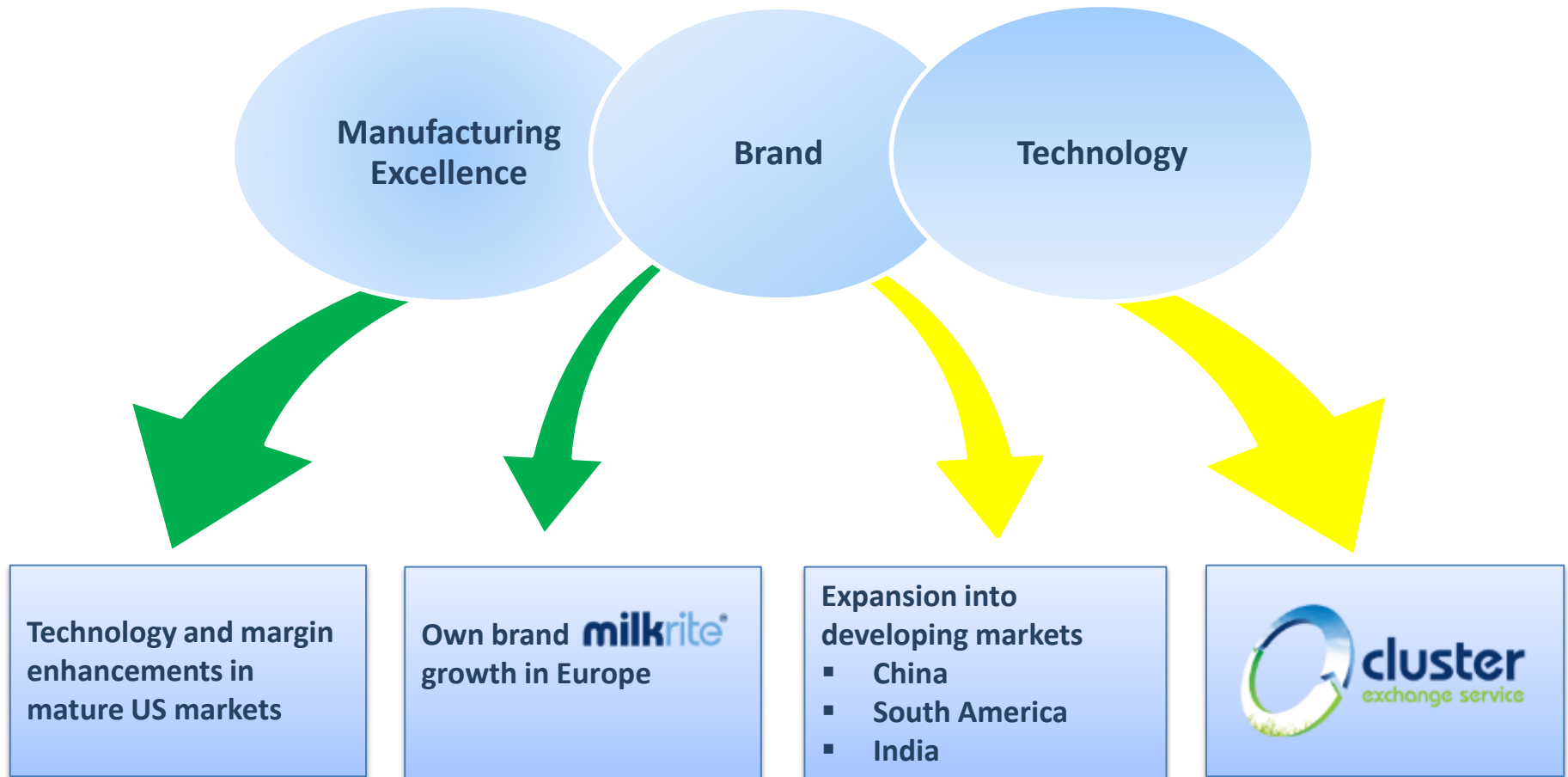
- ME threats leading to significant CBRN spend
- New markets recognising CBRN protection needs
- Events – G20, Olympics, World Cup etc.
- Likely replacement product of choice in established markets

FIRE

- Reducing US Federal funding
- NFPA standard implemented April 14

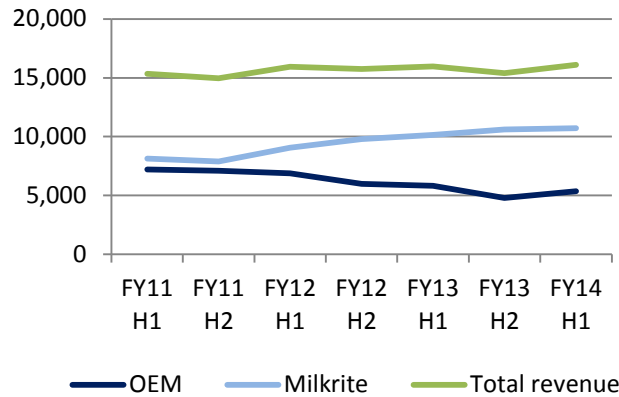
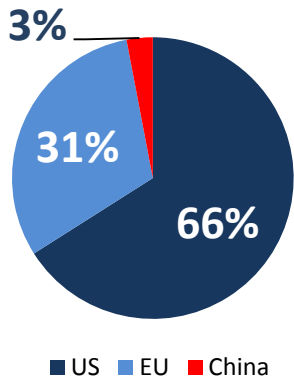
- \$400m p.a. US market
- Market share growth with new Deltair product

Dairy roadmap

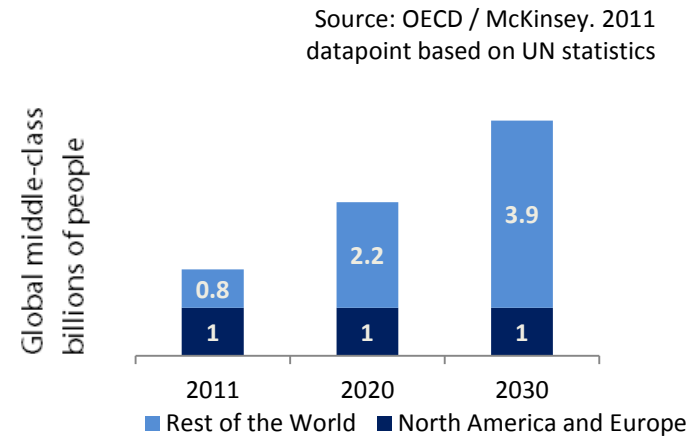


Dairy market

Our revenue split

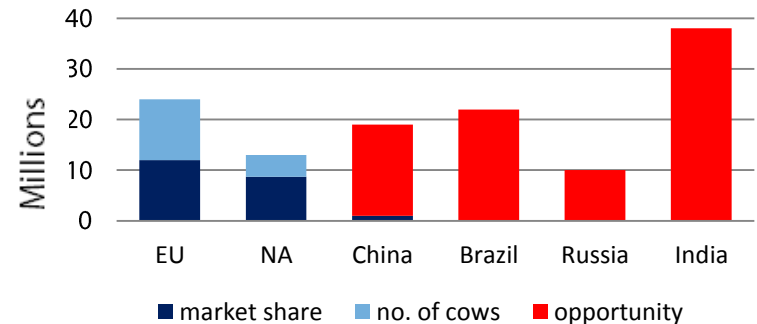
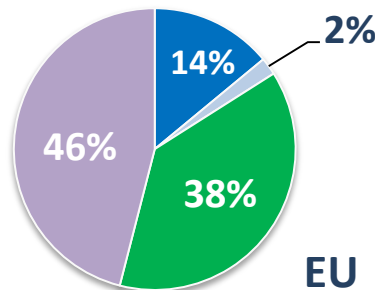
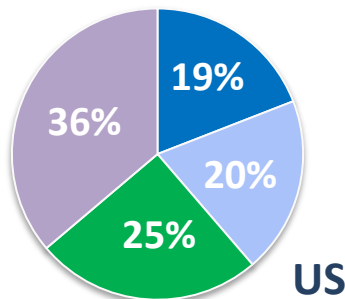


The emergence of 3 billion middle-class consumers



Market share and opportunities

■ Milkrite non-ImpulseAir ■ Milkrite ImpulseAir ■ Avon made OEM ■ Others



Dairy opportunities

Market Environment



Growth Drivers



US

- Farm profitability improving with higher milk price and lower input costs
- Farm consolidations (Mega farms)

- Cluster exchange
- ImpulseAir
- Full cluster offering

EUROPE

- Farm consolidations
- Quota/subsidy reductions

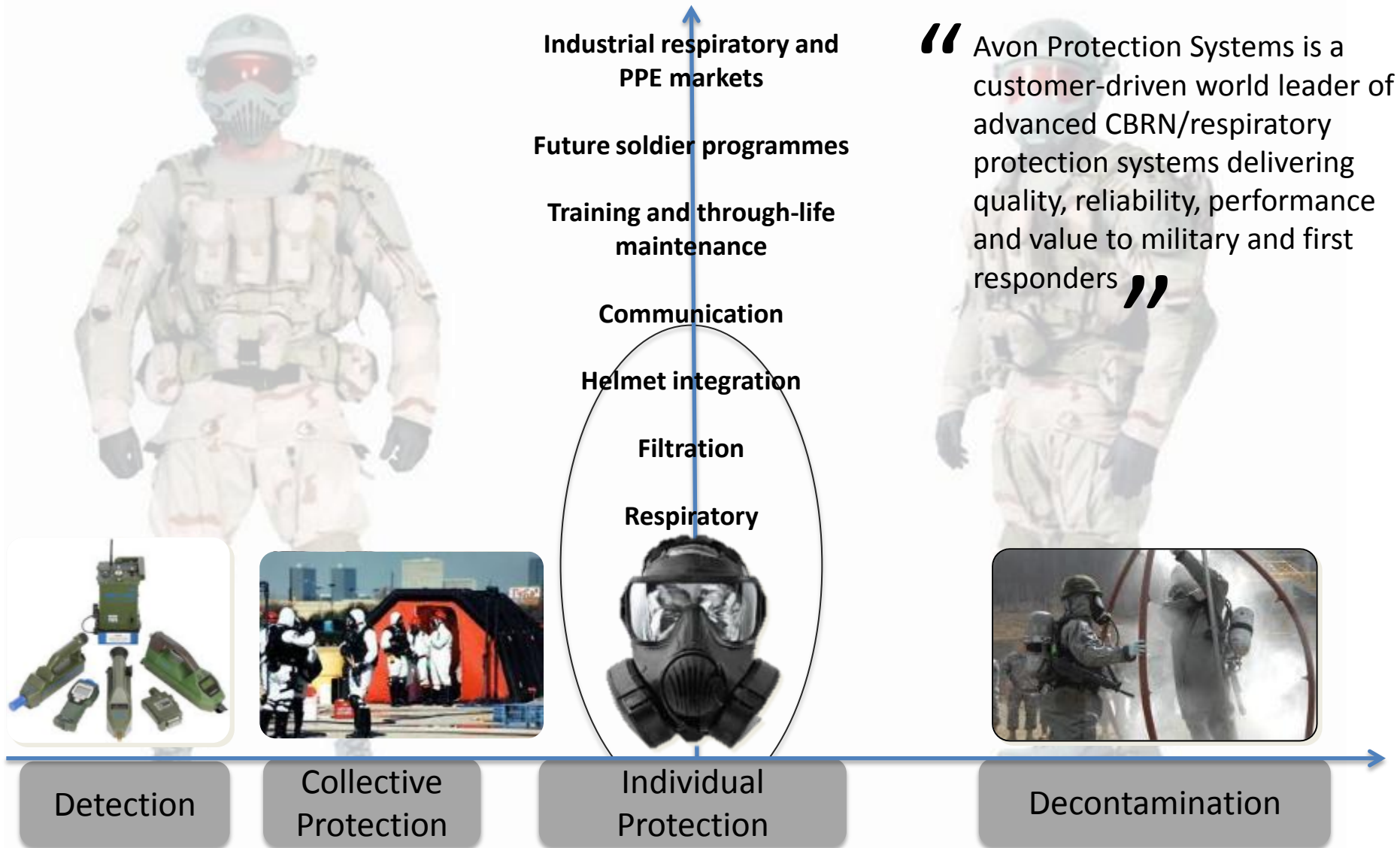
- Milkrite market share
- ImpulseAir
- Cluster exchange
- Eastern Europe
- Improved distribution & more feet on the ground

EMERGING MARKETS

- Population growth
- Increasing demand for dairy products
- Government supported investment in infrastructure
- Increased industrialisation of milking process

- BRIC markets
- In-country distribution

Protection – other technologies / opportunities



Dairy - other technologies/opportunities

“ Milkrite is a market-leading brand of innovative high technology consumable products supplying the growing dairy industry around the globe ”

Sensor technology
and telemetry

Vacuum pumps

Pulsators

Cluster exchange
service

Claws

Shell

Tubing

Liners



Russia


China

EU + US

Brazil

India





Our strategy of diversifying into broader protection and non-US defence markets has resulted in growth and supports the Board's confidence that the Group can continue to make progress in the second half of the financial year.

The Protection & Defence business is expected to continue to benefit from the security of the long-term DOD contract, to increase its market share in law enforcement and foreign military markets and to improve its position in the North American fire market.

The Dairy business is well positioned in markets with long-term growth potential. There remain opportunities to enhance profitability through increasing sales of our proprietary Milkrite technology, by enhancing and diversifying our distribution capability and through the expansion of the cluster exchange service.

As a result, the Board believes that it is building a sound and robust business with long-term growth potential.



Wrap up

We have been successful in the first half of 2014, delivering growth in revenue and earnings.

2014 H2 focus:-

Protection & Defence

- Fusion
- JSAM
- Deltair launch
- Commercial activities
- Successful relocation of Lawrenceville facility



Dairy

- Cluster exchange continued rollout
- Milkrite sales expansion in EU including ImpulseAir penetration
- BRIC market development



Safe harbour statement

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