



PRELIMINARY RESULTS

2012

investing in innovation

**AVON**  
Avon Rubber p.l.c.



PRELIMINARY RESULTS

2012

Peter Slabbert Chief Executive

**AVON**  
Avon Rubber p.l.c.

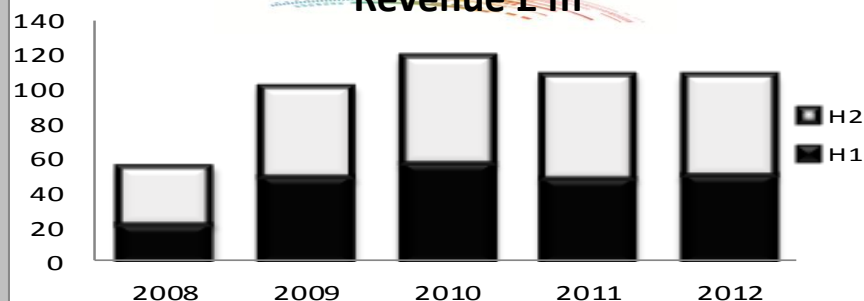
## FINANCIAL HIGHLIGHTS

- Operating profit up 4%
- Diluted earnings per share up 9%
- Dividend increase of 20% to 3.6p per share
- Lower interest costs and effective tax rate
- 127% conversion of operating profit to operating cash inflow
- Net debt reduced from £11.8m to £8.7m at 30 September 2012

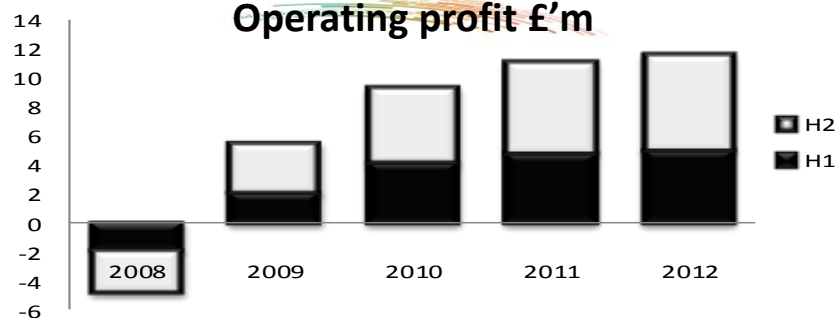
## OPERATIONAL HIGHLIGHTS

- Growth in DoD respirator sales and order book for masks secure for the first 3 quarters of 2013
- Continued growth in non-DoD Protection & Defence order intake, up 42% year on year including a £14.7m order for 2013 and 2014 delivery
- Project Fusion, our new product development programme, progressing to schedule
- Further market share gain for the Milkrite ImpulseAir liner
- Dairy sales and distribution facility established in China

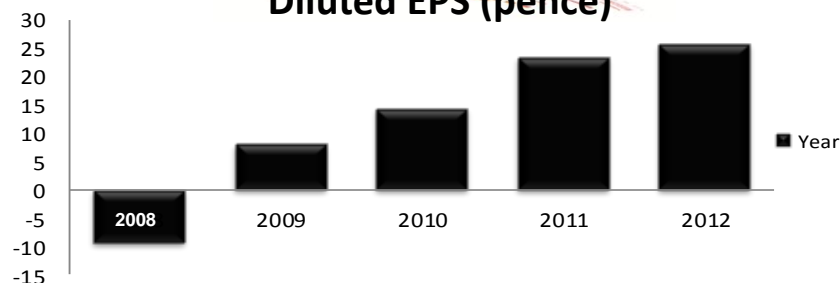
Revenue £'m



Operating profit £'m

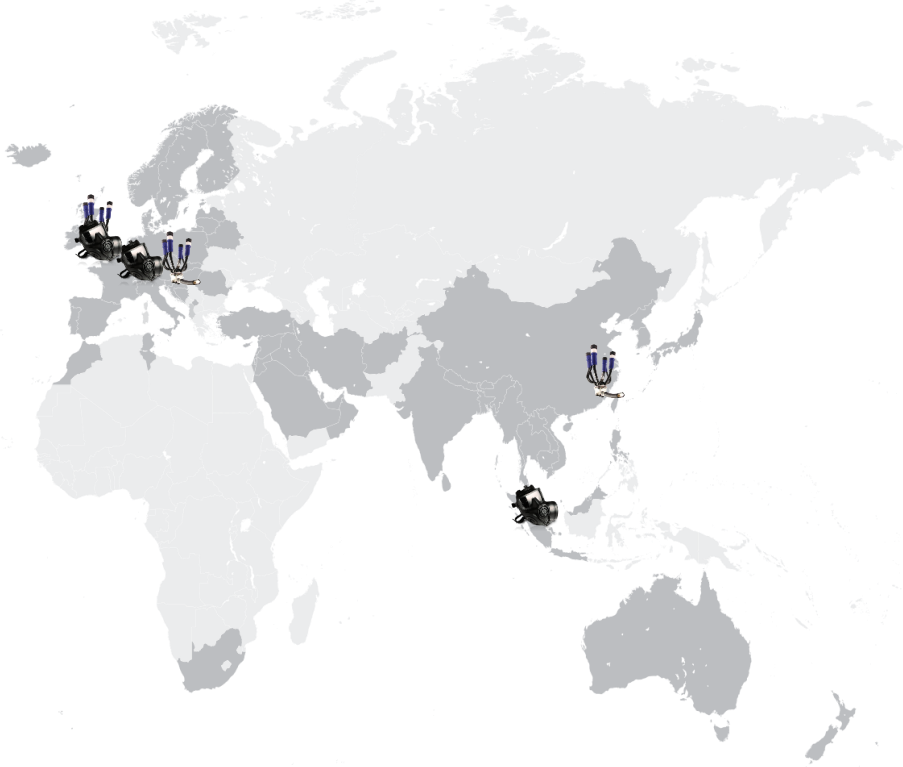
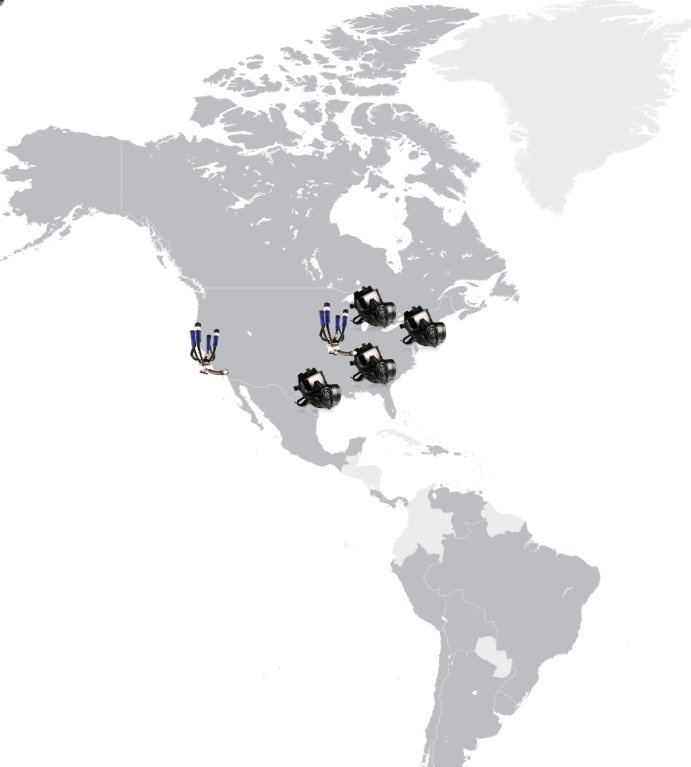



Diluted EPS (pence)




 Avon Dairy Solutions/Milkrite locations

 Avon Protection locations



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

 Avon Protection Systems is a customer driven world leader of advanced CBRN/respiratory protection systems delivering quality, reliability, performance and value to military and first responders.





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Andrew Lewis  
Group Finance Director

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# GROUP INCOME STATEMENT

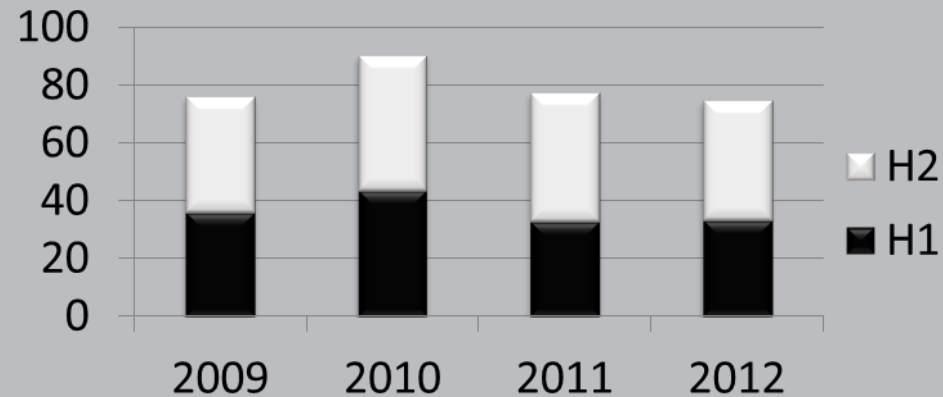
			2012 £'m	2011 £'m
Revenue	↓	0.9%	106.6	107.6
EBITDA	↑	4%	16.4	15.7
Depreciation and amortisation			(4.8)	(4.6)
<b>Operating profit</b>	↑	4%	11.6	11.1
Interest expense	↓	51%	(0.2)	(0.5)
Other finance expense	↓	16%	(0.4)	(0.4)
<b>Profit before taxation</b>	↑	8%	11.0	10.2
Taxation			(3.2)	(3.1)
<b>Profit for the year</b>	↑	10%	7.8	7.1
<b>Earnings per share</b>	↑	7%	26.9p	25.2p
<b>Diluted earnings per share</b>	↑	9%	25.4p	23.3p



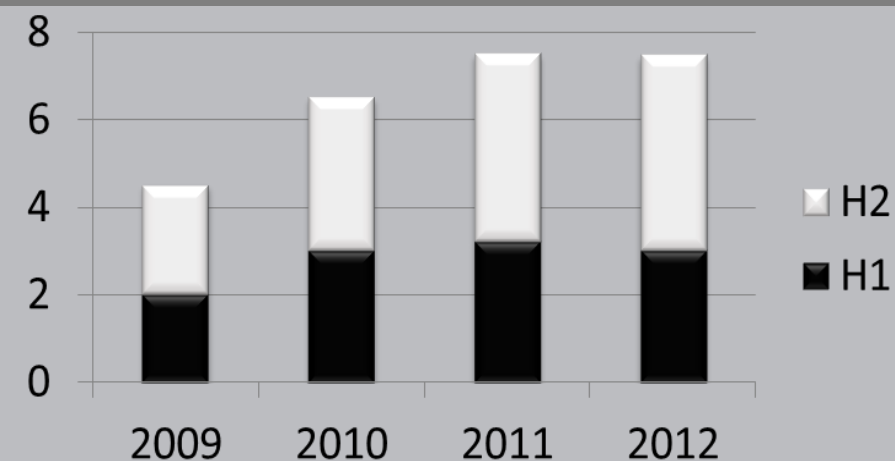
## FINANCIALS

	2012 £'m	2011 £'m
Revenue	74.6	77.4
EBITDA	11.6	11.6
Operating profit	7.5	7.5

## REVENUE £'m



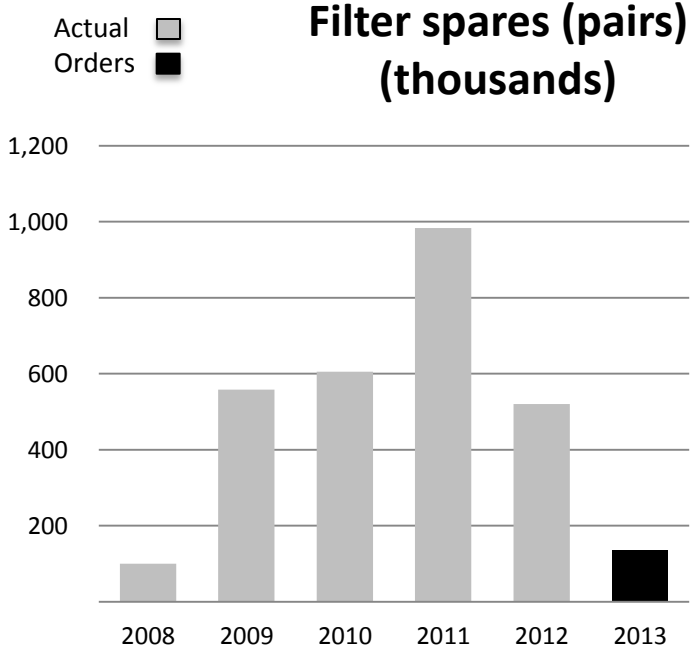
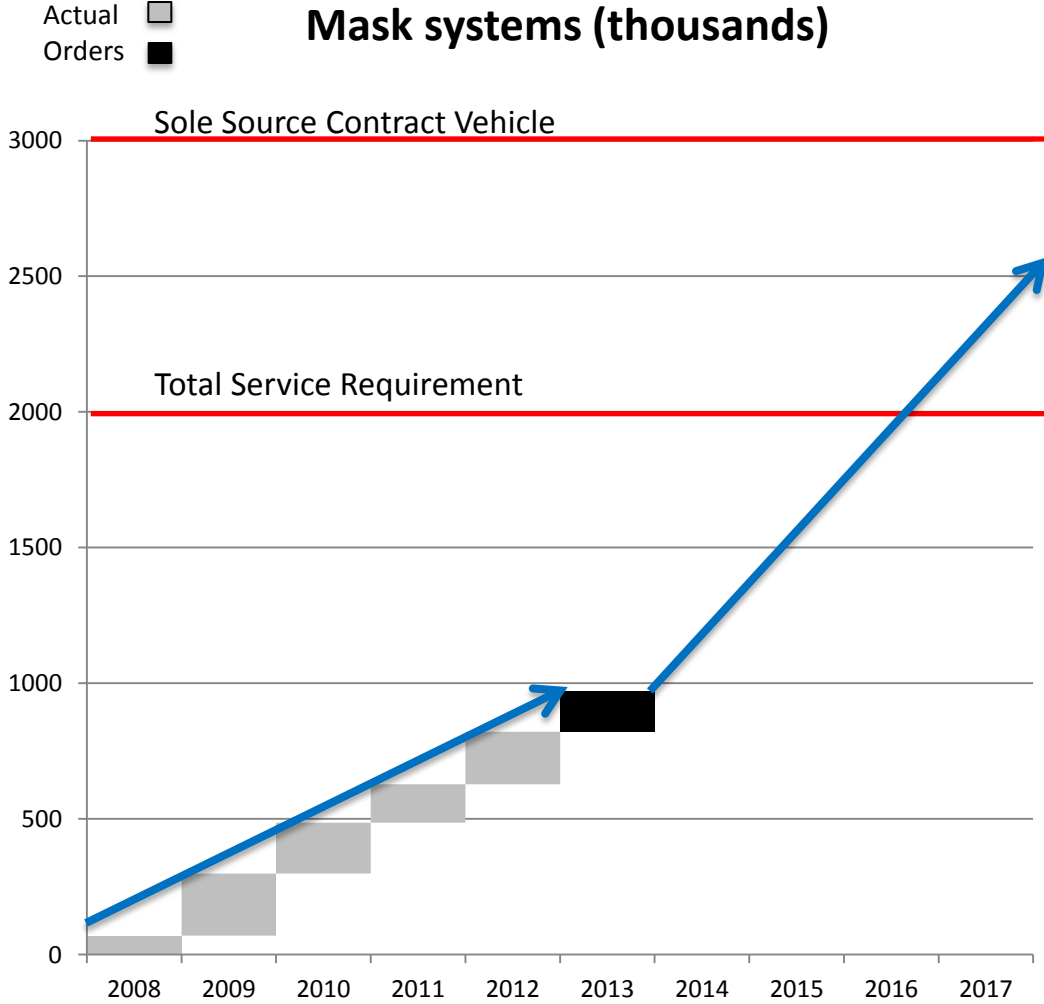
## OPERATING PROFIT £'m



## PERFORMANCE DRIVERS

- ❑ DoD respirator sales up 36% on 2011
- ❑ Shipment of filter spares affected by timing of US Government placing orders
- ❑ Growth in orders for non-DoD respiratory protection products
- ❑ Project Fusion, our £8m investment programme on time and on track
- ❑ Responding to RFP for JSAM air crew mask



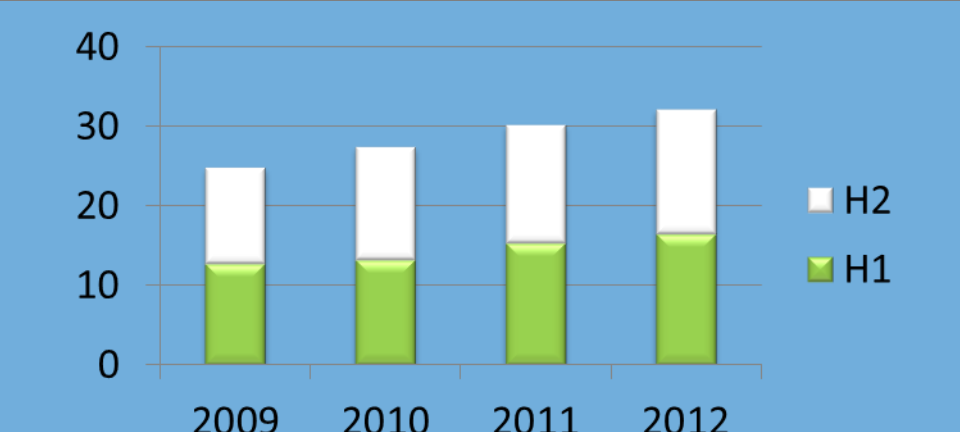




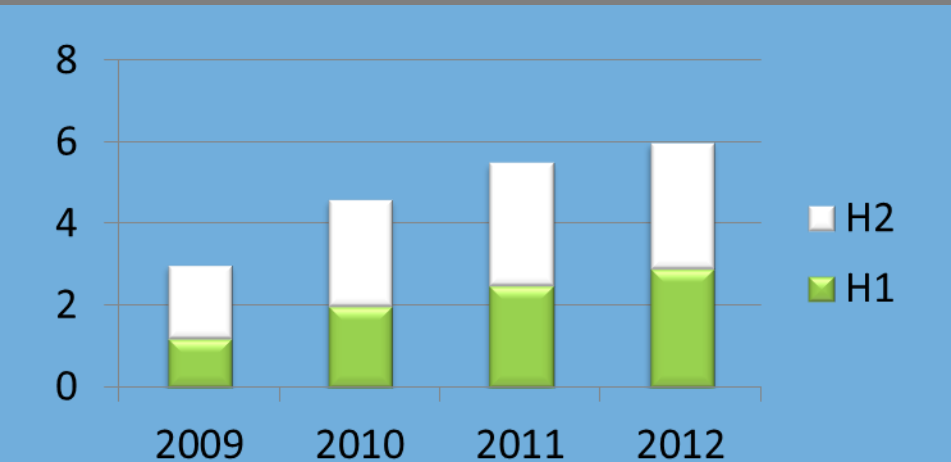
FINANCIALS

	2012 £'m	2011 £'m
Revenue	32.1	30.2
EBITDA	6.5	5.9
Operating profit	6.0	5.5

REVENUE £'m



OPERATING PROFIT £'m



PERFORMANCE DRIVERS

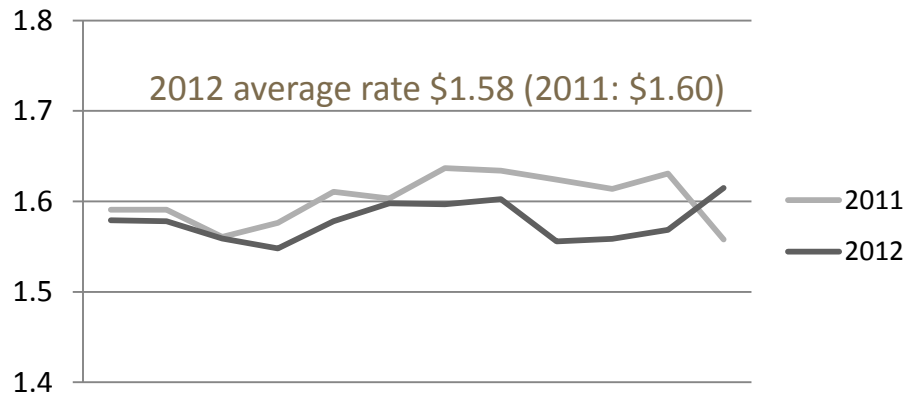
- Sales and distribution facility established in China
- Dairy management team strengthened
- ImpulseAir liner reached 16% market share in North America
- Cluster Exchange programme trialled in North America
- New product launches scheduled for 2013



# US\$ TRANSLATION HAS NOT HAD A MATERIAL IMPACT THIS YEAR

GROUP				PROTECTION & DEFENCE			
	2012 £'m	2011 restated at 2012 rates £'m	2011 £'m		2012 £'m	2011 restated at 2012 rates £'m	2011 £'m
Revenue	106.6	109.0	107.6	Revenue	74.6	78.5	77.4
EBITDA	16.4	16.0	15.7	EBITDA	11.6	11.8	11.6
Operating profit	11.6	11.3	11.1	Operating profit	7.5	7.6	7.5

## US DOLLAR RATES (OCTOBER- SEPTEMBER )



## DAIRY

	2012 £'m	2011 restated at 2012 rates £'m	2011 £'m
Revenue	32.1	30.5	30.2
EBITDA	6.5	6.0	5.9
Operating profit	6.0	5.6	5.5

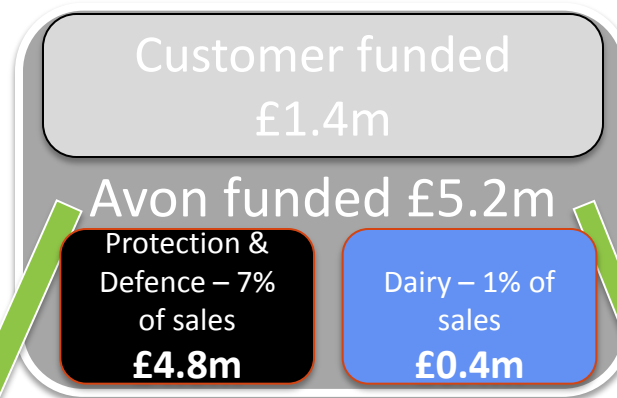


## CASHFLOW

	2012 £'m	2011 £'m
Net cashflow from operations		
➤ Continuing	14.7	12.0
➤ Discontinued	-	(1.6)
Cash generated from operations	14.7	10.4
Tax	(0.3)	(1.5)
Interest	(0.3)	(0.5)
Payments to pension scheme	(0.6)	(0.9)
Net capital expenditure	(9.5)	(5.7)
Exchange and other	-	(0.3)
Dividends to shareholders	(0.9)	(0.7)
Movement in net debt	3.1	0.8
<b>Opening net debt</b>	<b>(11.8)</b>	<b>(12.6)</b>
<b>Closing net debt</b>	<b>(8.7)</b>	<b>(11.8)</b>



**R&D cash £6.6m (2011: £6.6m)**



**Development costs capitalised £4.2m**

**Balance sheet**

**R&D expensed £1.0m**

**Income statement**

**Development costs amortised £1.3m**

**Capitalised development costs**

**P&L Charge £2.3m**



# SUMMARY BALANCE SHEET

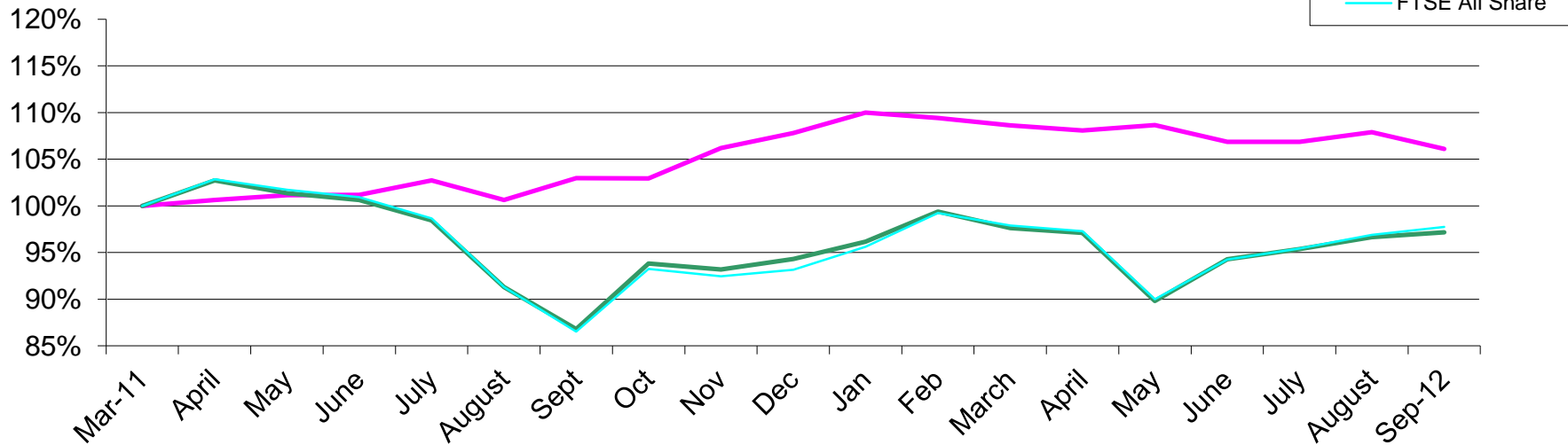
	<b>2012</b>	2011
	<b>£'m</b>	£'m
Intangible assets	<b>13.3</b>	10.5
Property, plant and equipment	<b>17.8</b>	16.7
Current assets	<b>30.2</b>	29.1
Current liabilities	<b>(21.5)</b>	(18.0)
Non-current liabilities	<b>(5.0)</b>	(5.6)
	<b>34.8</b>	32.7
Net debt	<b>(8.7)</b>	(11.8)
	<b>26.1</b>	20.9
Retirement benefit scheme (deficit)/surplus	<b>(2.2)</b>	0.3
Net assets	<b>23.9</b>	21.2



## IAS19 30 September 2012

- ❑ Moved from a surplus of £0.3m at 30 Sept 11 to a deficit of £2.2m at 30 Sept 12
- ❑ Strong asset performance as investment strategy performed well in difficult markets
- ❑ Offset by higher liabilities caused by a lower discount rate due to fall in corporate bond yields to an all-time low (4.55%)

**Pension fund value @ base v FTSE indices**  
**Start date 1 April 2011**





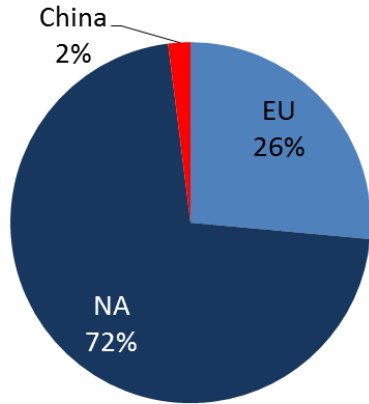
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2012

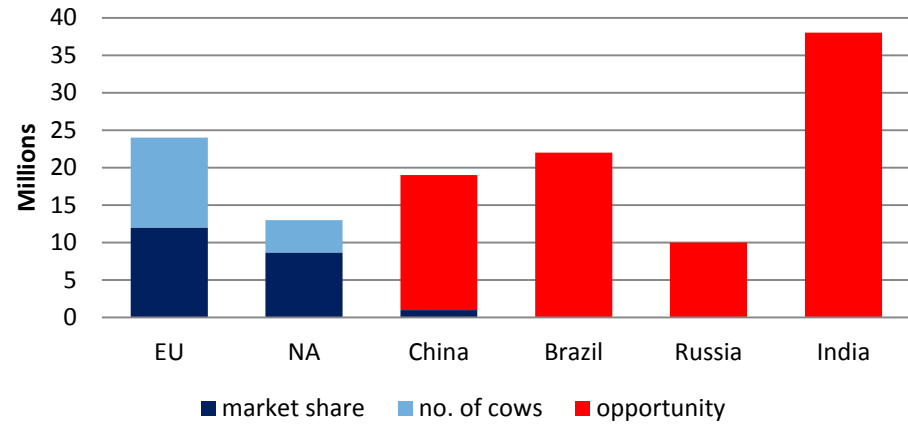
Peter Slabbert Chief Executive

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OUR GEOGRAPHICAL REVENUE SPLIT

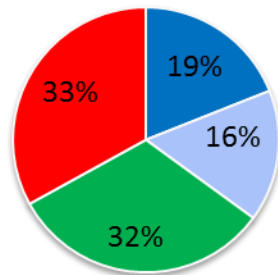


MARKET SHARE v POPULATION OF COWS



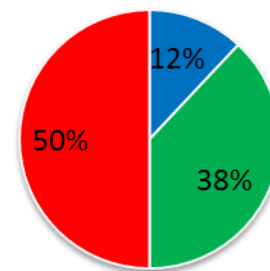
MARKET SHARE

NA

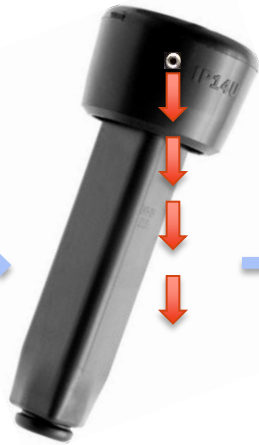


- Milkrite non-ImpulseAir
- Milkrite ImpulseAir
- Avon made OEM
- Others

EU







Medium term  
new product  
development

**OEM liner**

- Largely unchanged for c50 years

**Milkrite liner**

- Triangular technology
- Introduced in 1995

**ImpulseAir liner**

- Introduced 2010
- 16% market share in NA
- Better animal health
- Improved milking efficiency

**Cluster exchange**

- Locks in customers to Milkrite liners
- Liner change cycle managed
- Saves farmer time on low value add tasks
- Milkrite complete solution provider

**Shell**

- Bespoke design to ImpulseAir to maximise performance of liner

**Claw**

- Increased milkflow

**Pulsation**

- Controls milk rate & flow

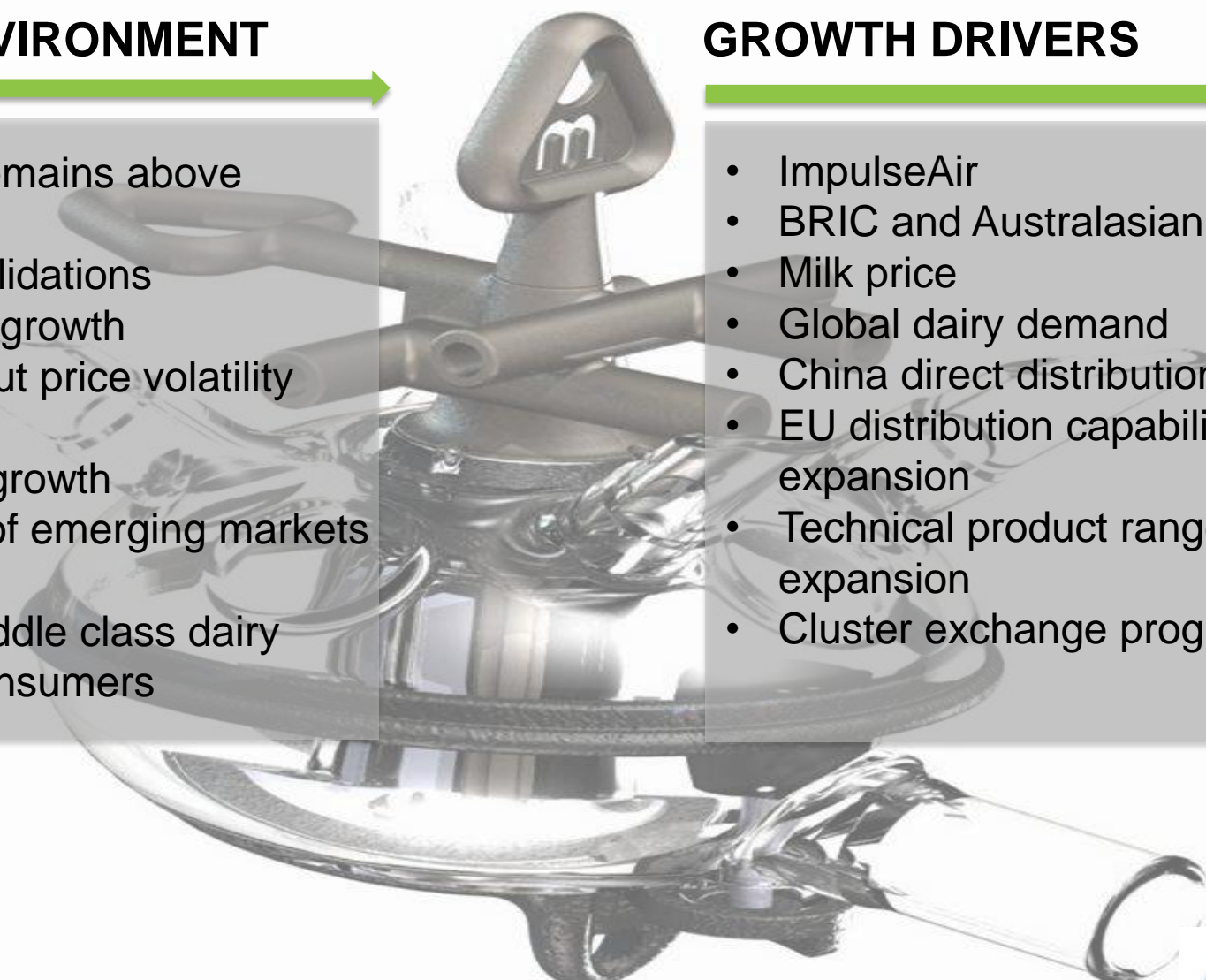


## MARKET ENVIRONMENT

- Milk price remains above average
- Farm consolidations
- Technology growth
- Material input price volatility reducing
- Population growth
- Expansion of emerging markets (BRIC)
- Growing middle class dairy products consumers

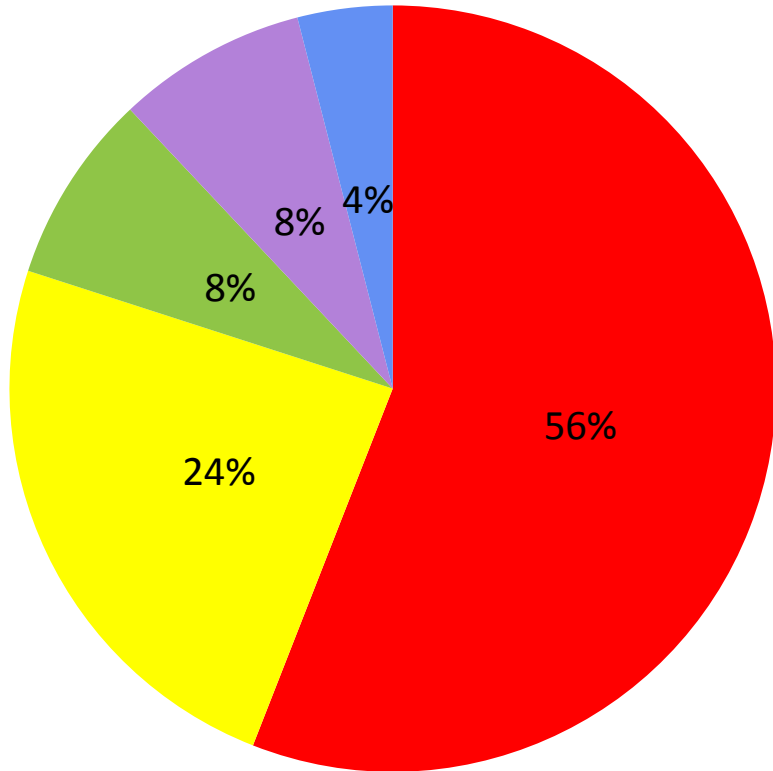
## GROWTH DRIVERS

- ImpulseAir
- BRIC and Australasian markets
- Milk price
- Global dairy demand
- China direct distribution
- EU distribution capability and expansion
- Technical product range expansion
- Cluster exchange programme

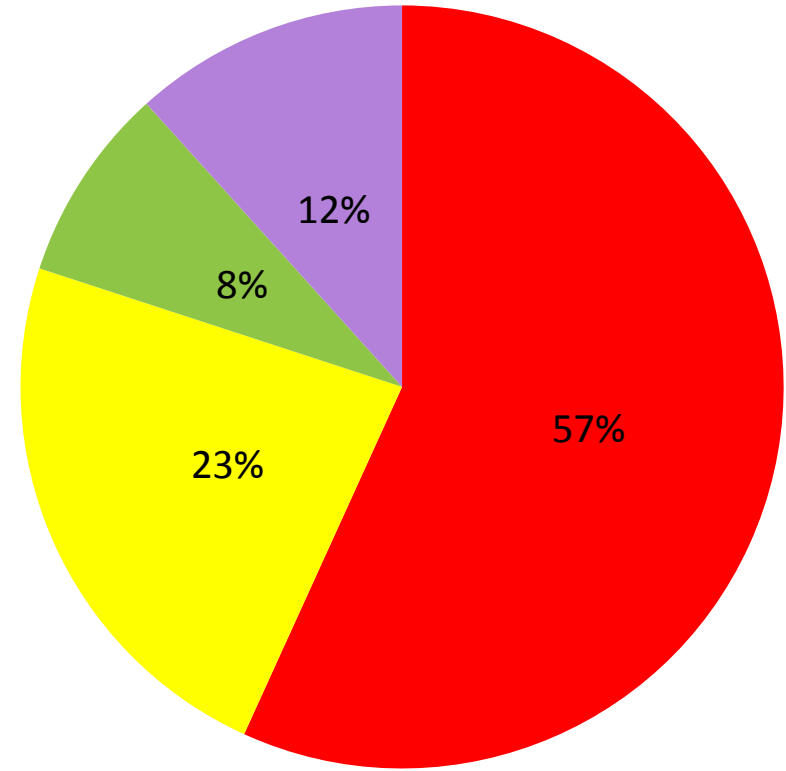


# PROTECTION & DEFENCE MARKET

2011 £77.4m



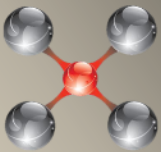
2012 £74.8m



- DoD
- NA DHS/EMEA
- Fire
- AEF & Other
- UK MoD

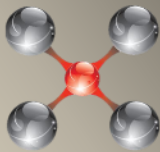
- Growth in DoD M50 mask sales, reduction in M61 filter spares
- US DoD M50 masks and M61 filters still dominate Protection & Defence revenue
- Fewer 'impact' sales due to timing of receipt of orders, but order intake up 42%





FUSION

- Programme to enhance product range
- Unique modular approach to respiratory protection
- Multi-community interaction through common Avon products
- Total market coverage for all Fire, Military and First Responder community
- Programme delivers first products in 2013



FUSION

## ***“TOTAL SOLUTION PROVIDER FOR SPECIALIST RESPIRATORY PROTECTION”***



SRT



## MARKET ENVIRONMENT

- US Budgets under pressure
- New programmes at risk
- MoD budgets no longer relevant
- Middle East, South American and Asian growing demand
- Reducing Homeland Security funding in North America
- Complacency due to lack of events
- Middle East tension
- Regulation – standard driven

## GROWTH DRIVERS

- Personal protection a priority
- Established success of sole source JSGPM programme
- Superior and growing technology platform
- Events
- New products
- Adjacent respiratory and CBRN markets
- Aircrew (JSAM) programme
- Navy rebreather programme
- Operational efficiencies
- Competitive pressure
- Replacement of post 9/11 purchases due to product lifecycle



# OTHER TECHNOLOGY/OPPORTUNITIES



Respiratory and PPE markets

Full Body Protection

Training and through-life maintenance

Communication

Helmet integration

Filtration

Respiratory



**C50 CBRN MISSION KIT**

Part	Description
9001-010	Li-ion ERS Ensemble
9001-011	C50 Mask
9001-012	C50 CBRN Mission Kit Storage Bag
9001-013	Li-ion ERS Ensemble
9001-014	C50 CBRN Mission Kit Storage Bag
9001-015	C50 CBRN Mission Kit Storage Bag
9001-016	C50 CBRN Mission Kit Storage Bag
9001-017	C50 CBRN Mission Kit Storage Bag
9001-018	C50 CBRN Mission Kit Storage Bag
9001-019	C50 CBRN Mission Kit Storage Bag
9001-020	C50 CBRN Mission Kit Storage Bag

The Avon C50 CBRN Mission Kit has been developed for the National Guard and Civilian First Responders to provide respiratory and total body protection in the event of a WMD. The added benefits of the C50 Mask and Li-ion ERS ensemble provide the user with the necessary protection for completing tasks required such as search, rescue, recovery and decontamination in non-CDM environments.

C50 is a new generation of NIOSH certified protective mask (TC-MS-0205) and is based on the U.S. M50 / S/GPM (Joint Services General Purpose Mask). Common accessories and maintenance parts greatly reduce logistical burden and through life cycle cost.

The NIOSH certified C50 CBRN PPE (TC-MS-0205) provides a cooling effect with a higher degree of comfort while reducing pulmonary stress to help preserve user strength and mental acuity. The CBRN128 Filter is certified with both mask and PPE contributions for interoperability.

Avon has teamed with Lion Apparel to certify the C50 with their EPF rapid response ensemble. Certified to NFPA Class 3, the CBRN ensemble uses Selectively Permeable Fabrics (SPF) that is liquid proof, air permeable and breathable. The one-piece ensemble with attached "Glove" liners and booties ensure no taping is required to deliver quick deployment.

The C50 CBRN Mission Kit includes a C50 Twin port mask, C420 CBRN PPE PAF system and two CBRN128 filters that are NIOSH certified to protect against potential hazards including dust, mist, bacteria and virus plus all NIOSH specified CBRN gases and vapors including nerve, blood, choking and blister agents.

Also included in the kit: ERS Class 3 ensemble, CBRN Overboots, clear outlet for enhanced optical protection, a primary LEO, 10 year shelf life battery and storage bag.

For Product Information and Customer Service: [customerservice@avon-protection.com](mailto:customerservice@avon-protection.com) | **AVON PROTECTION** | **BBB AVON 440** | [www.avon-protection.com](http://www.avon-protection.com)



Detection

Collective Protection

Individual Protection

Decontamination





We have a clear strategic direction and expect to make further progress despite an uncertain outlook for global defence spending.

In our Protection & Defence business, being the technology leader, operating in global markets, investing in people and products and having an appropriate cost base has allowed us to deliver substantial growth despite the weak economic environment since 2008. We continue to benefit from the security of the long term DoD contract and increased market share in the US first responder and foreign military markets.

We are accelerating investment in new products and technologies and expect to continue to deliver further operational efficiencies.

The Dairy business remains well positioned in a market with long term growth potential. Our cost base is appropriate and stable and we have opportunities to further enhance profitability through developing our strong Milkrite brand, our global distribution capability and innovative new products.





- ❑ Stronger more capable business
- ❑ Identifying and generating more revenue opportunities
- ❑ 2013 focus
  - ❑ Protection & Defence
    - ❑ Win more DoD business
    - ❑ Commercial activities
    - ❑ Fusion launch
  - ❑ Dairy
    - ❑ BRIC expansion
    - ❑ New products
    - ❑ ImpulseAir





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