



2013 Full Year Results Presentation

21 February 2014
Capral Limited

OVERVIEW OF RESULTS

FULL YEAR TO DECEMBER 2013

\$4.1m Trading profit

- Trading EBITDA¹ profit of \$4.1m, (2012: \$4.0m)
- Volumes slightly up assisted by OSA acquisition in Q4
- OSA acquisition contributed \$0.4m EBITDA¹

Net Profit impacted by impairment charge, restructuring and other abnormals

- Net loss of \$51.7m includes:
 - Impairment charge on fixed assets of \$41.5m recognised in June 2013
 - Restructuring costs of \$4.3m
 - LME adjustment (net of Forex impact) of negative \$1.0m
 - Abnormal costs of \$0.5m
 - Net acquisition gain of \$1.8m

Key markets starting to turn

- Dwelling commencements increased to 162,700 in 2013²
 - Detached residential housing up 4%
 - Other residential (apartments) up 11%
 - Key markets VIC and QLD particularly soft
- Non-residential building activity remained steady
- Business conditions were soft in the general industrial and transport sectors

Highly competitive environment

- Strong prevailing AUD sustained low priced imports
- Continued suspected dumping of aluminium extrusions
- Excess domestic capacity continues to adversely impact margins

Safety performance continues to improve

- Reportable injuries continue to fall. TIFR³ improved by ~30% to 9.4
- Ongoing focus on leading safety indicator management

¹ Refer to the important notes page at the end of this presentation

² Source: BIS Shrapnel Dec 2013 forecast

³ TIFR is total injuries per million work hours

FINANCIAL SUMMARY

TWELVE MONTHS TO DECEMBER 2013

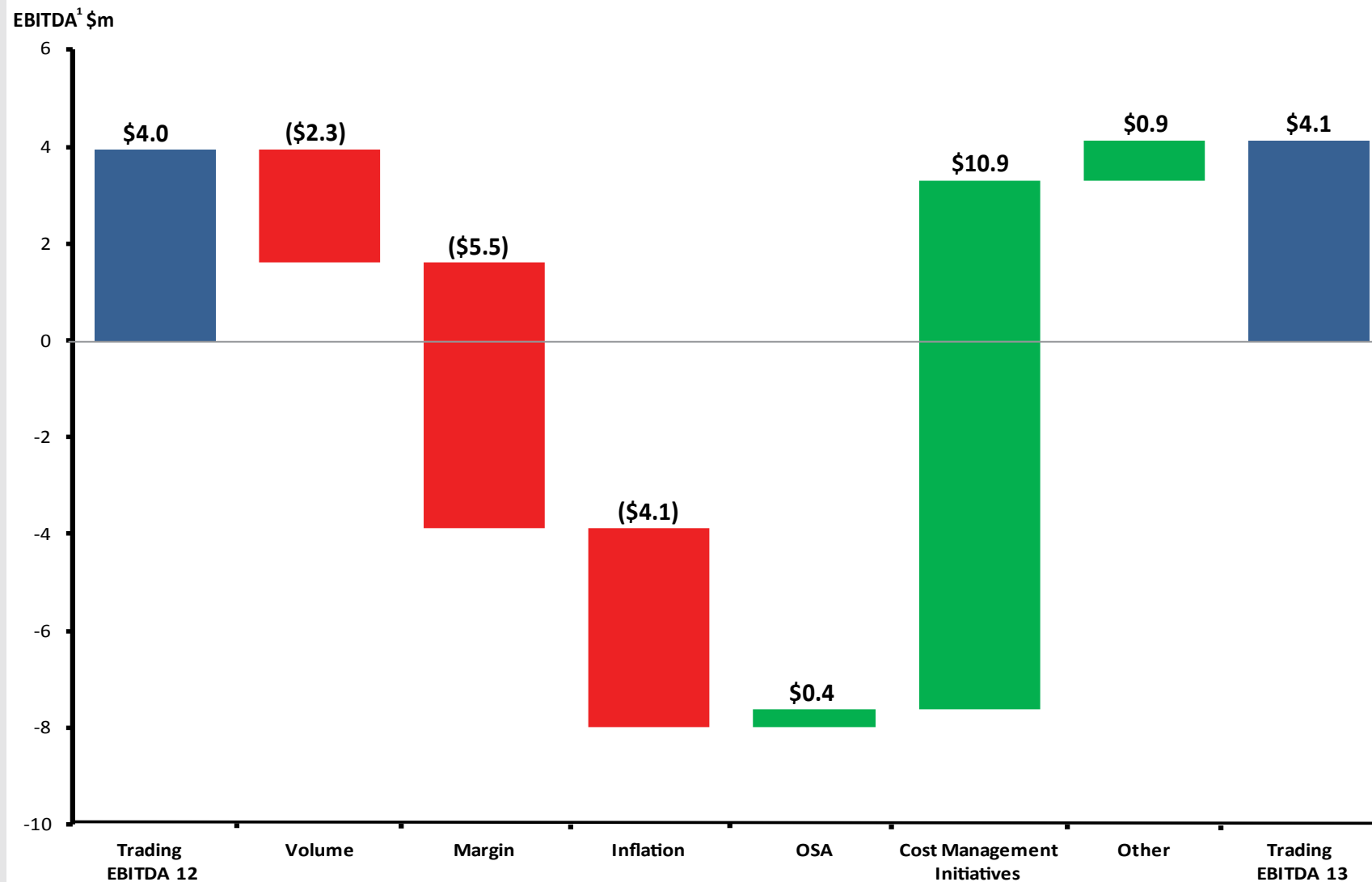
	2013	2012
Sales Volumes - External ('000 tonnes)	45.9	45.3
	\$m	\$m
Sales Revenue	310.3	303.9
Trading EBITDA¹	4.1	4.0
Restructuring cost	(4.3)	(1.4)
LME Revaluation/ Forex ²	(1.0)	(0.6)
Acquisition Gain (less associated cost) ³	1.8	-
Impairment of Assets	(41.5)	
Abnormals	(0.5)	
EBITDA	(41.4)	2.0
Depreciation/Amortisation	(9.5)	(12.4)
EBIT	(50.9)	(10.4)
Finance Cost	(0.8)	(0.6)
Statutory Loss after Tax	(51.7)	(11.0)

¹ Refer to the important notes page at the end of this presentation

² Included in other expenses

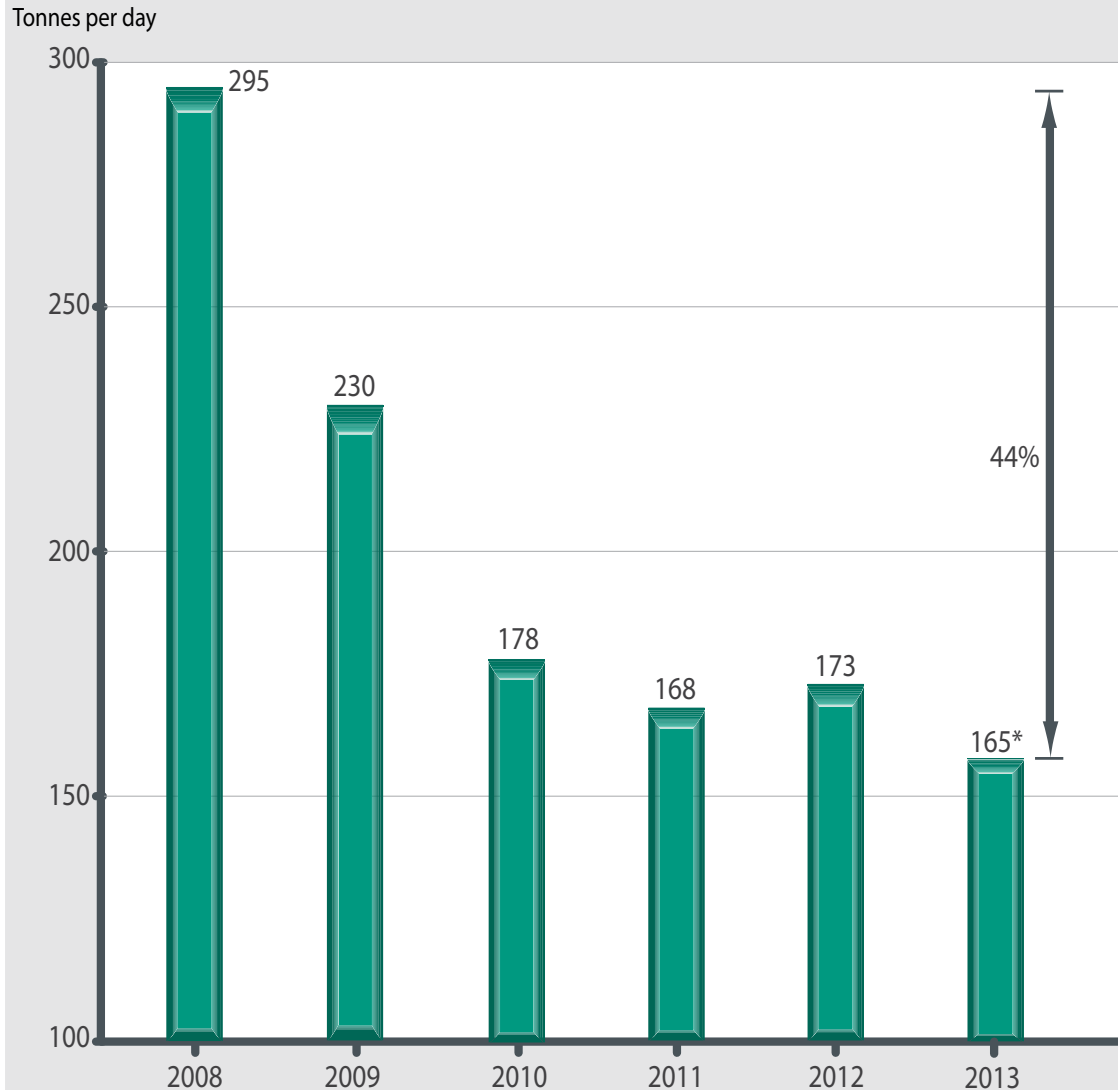
³ \$1.3m in cost offset against \$3.1m gain

**COST MANAGEMENT INITIATIVES PLAYED A CRITICAL ROLE
MITIGATING NEGATIVE VOLUME, PRICE AND INFLATION IMPACTS**



¹ Refer to the important notes page at the end of this presentation

TRADING EBITDA¹ BREAK EVEN POINT OF THE BUSINESS HAS IMPROVED BY 44% SINCE 2008



Underlying costs have reduced significantly.

- Further employee head count reduction of 46 since December 2012 (excluding OSA acquisition)
 - Manufacturing efficiency improved
 - Metal and scrap recovery improvement
 - Warehouse consolidation
 - Aluminium Centres rationalisation
 - Freight and Logistics efficiencies
 - Procurement savings
 - Corporate cost reductions
-
- Further rationalisation of business structure and footprint, as a result of OSA acquisition, has been announced with savings to reduce breakeven level further

¹ Refer to the important notes page at the end of this presentation

* Excludes impact of OSA acquisition

BALANCE SHEET REMAINS STRONG

Operating Cash Flow

12 months to	\$m Dec 13	\$m Dec 12	\$m Dec 11
EBITDA	(41.4)	2.1	6.2
Working Capital	3.4	6.9	2.3
Finance Cost	(0.8)	(0.5)	(1.6)
Equity Compensation Amortisation	0.8	1.2	1.2
Impairment	41.5	-	-
Gain on acquisition	(3.1)	-	-
Other	0.1	(0.2)	0.8
Operating Cash Flow	0.5	9.5	8.9
Capex Spend	(3.6)	(4.6)	(5.4)
Interest Received	0.1	0.1	-
Acquisition	(15.9)	-	-
Capital Raising	13.8	-	-
Increase/ (Decrease) in Net Cash	(5.1)	5.0	3.5

	\$m Dec 13	\$m Dec 12	\$m Dec 11
Net Assets	109.5	146.7	156.2
Net Cash	14.6	19.7	14.7
Franking Credits	27.1	27.1	27.1
Accumulated unrecognised tax losses	287.7	282.2	275.9

Balance sheet with a positive cash balance¹

¹ Intramonth debt levels up to \$13.5m

The finance facility with GE² is primarily utilised for working capital funding

Capral Finance Facilities	\$m Limit	Dec 13	\$m Balance Dec 12	Dec 11
GE Term Debt	30	Nil	Nil	Nil
GE Revolver	60	Nil	Nil	Nil
ANZ Overdraft	- ³	-	0.2	0.3

³ ANZ Overdraft facility cancelled by the group during year (2012: \$0.4m)

² Facility renewal in progress

ONESTEEL ALUMINIUM ACQUISITION

Successful Acquisition

- Completed 1 October 2013
- Fixed Assets, Inventory and Employee entitlements acquired for \$18.7m
- Partially funded by a capital raising (\$13.9m)
- \$1.8m net acquisition gain after integration and restructuring costs
- Migration onto Capral IT platform complete
- Focus on maintaining customer volume

Safeguard current Capral share

- Secures supply to key industrial and transport sectors
- OSA was Capral's largest customer

Increased extrusion volume

- Transfer of manufacturing volume to Capral plants
- Transport and Marine product range extension
- Increase share of total extrusion market

- OSA sells ~16,000 tpa split evenly between extrusion and rolled products
- Grows rolled share from 2% to 13%
- National processing footprint
- Enhanced aluminium sales and distribution business with world class extrusion capability

Grow share with improved market offer

Deliver synergies

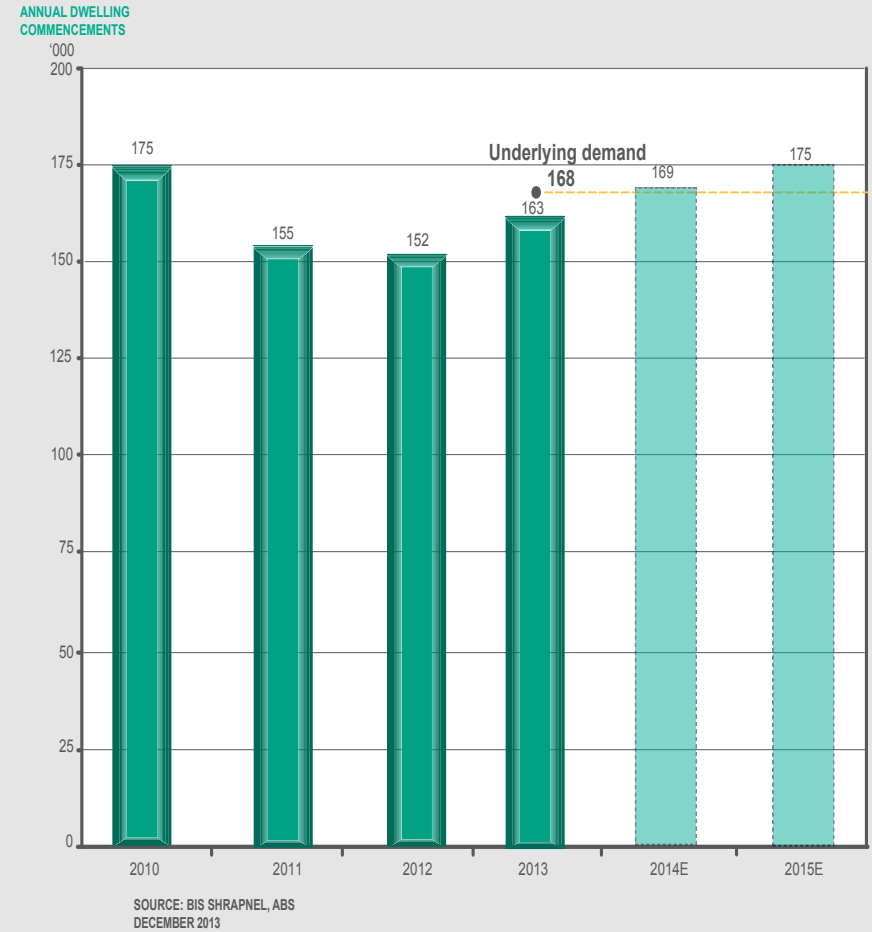
- Rationalise distribution sites as short term leases come up for renewal
- Reduce overall inventory levels
- Remove duplication of roles
- Plan to realise \$2.5m to \$5m pa in synergies over next 3 years

LEVERAGE TO RECOVERY IN RESIDENTIAL CONSTRUCTION

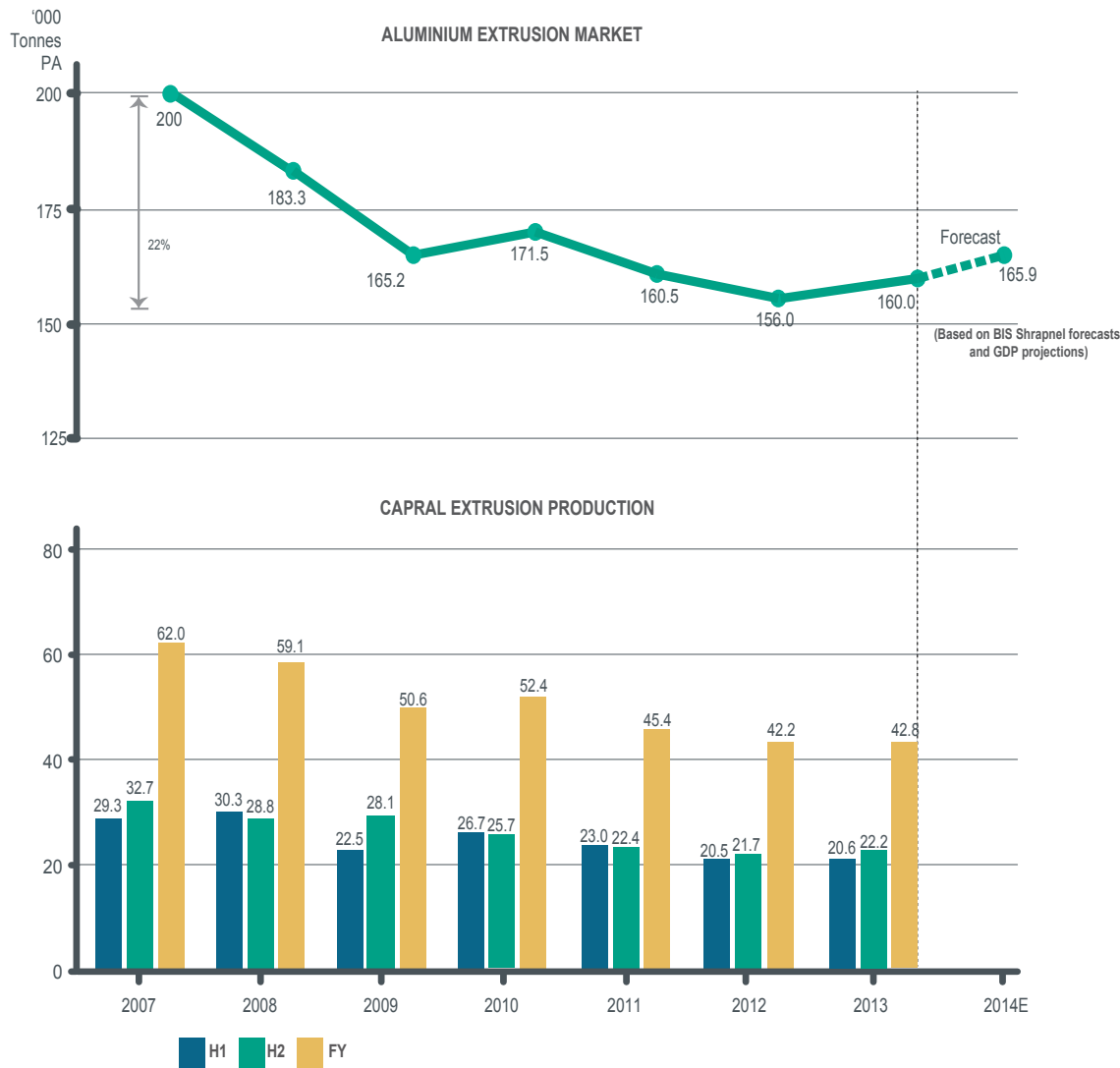
MONTHLY DWELLING APPROVALS AND QUARTERLY DWELLING COMMENCEMENTS



COMMENCEMENT RECOVERY STARTED IN 2013 AND ANTICIPATED TO CONTINUE THROUGH 2015



ALUMINIUM EXTRUSION DEMAND IS EXPECTED TO RECOVER FROM CYCLICAL LOW LEVELS



- Market has fallen ~22% from its high in 2007 to the low in 2012
- Early signs of recovery is visible in the new dwelling sector
- An increase in apartments relative to houses has increased the lag between approval and completion and reduced the intensity of aluminium extrusions

Note:

- Capral has an estimated share at 28% of the extrusion market
- New local capacity has been commissioned over recent years including extrusion capability installed by traditional Capral customers
- Imports have declined broadly in line with market demand

OUTLOOK

- Housing commencements are forecast* to be around 168,700 for calendar 2014, up 4% on the prior year
- The weakening AUD, although still high by historical standards, is a positive sign for local manufacturing and under normal circumstances should assist Capral's competitive position
- We continue to drive cost out of the business and cost saving initiatives are targeted to at least cover inflation
- The integration of the OneSteel Aluminium business will continue in 2014 and will generate further cost savings
- Capral expects to remain net cash positive at balance dates
- Trading EBITDA¹ is forecast to lift by between \$1m and \$3m in H1 2014 and deliver a full year result of between \$8m and \$10m, provided that the anticipated upturn in housing commencements retains momentum and the industrial market improves in line with general business conditions.

* BIS Shrapnel December 2013 forecast

¹ Refer to the important notes page at the end of this presentation

IMPORTANT NOTES

This presentation includes forward-looking estimates that are subject to risks, uncertainties and assumptions outside of Capral's control and should be viewed accordingly

- ¹ Trading EBITDA is the Statutory EBITDA adjusted for significant items that are material items of revenue or expense that are unrelated to the underlying performance of the business. Capral believes that Trading EBITDA provides a better understanding of its financial performance and allows for a more relevant comparison of financial performance between financial periods. For FY13, these items were LME adjustment, restructuring/abnormal costs, impairment charge and acquisition gain

Trading EBITDA is presented with reference to the Australian Securities and Investment Commission Regulatory Guide 230 "Disclosing non-IFRS financial information" issued in December 2011. Capral's policy for reporting Trading EBITDA is consistent with this guidance. The Directors have not had the consistency of the application of the policy reviewed by the external auditor of Capral