



2012 Half Year Results Presentation

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

22nd August 2012
Capral Limited

... EBITDA¹ profit of \$0.3m

(before restructuring & LME mark to market)

- Impacted by high ongoing depreciation charge, \$0.7m in restructuring costs and a \$0.2m LME revaluation

... \$3.5m positive Operating cash flow

Net cash of \$16.0m at 30 June 2012

... Progress with Anti Dumping measures

- Customer feedback is positive
- Market share maintained

... Safety remains a core value

- Achieved in tough trading conditions
 - Housing at a cyclical low
 - High A\$ sustaining imports (dumped)
 - Ill-timed capacity expansion in the Australian industry resulting in sub optimal plant utilisation
- Anchored by ongoing productivity improvements and cost savings

... Net loss of \$7.1m

- Tight control of working capital, inventory reductions

... A robust balance sheet with no net debt

- Government is progressing wide ranging reforms
- Customs Compliance resources have strengthened
- Market impact to date has been modest

... High levels of customer service and product quality

- 28% reduction in Lost Time/Medical Treatment Injuries
- Hours lost due to injuries remain below 0.14%

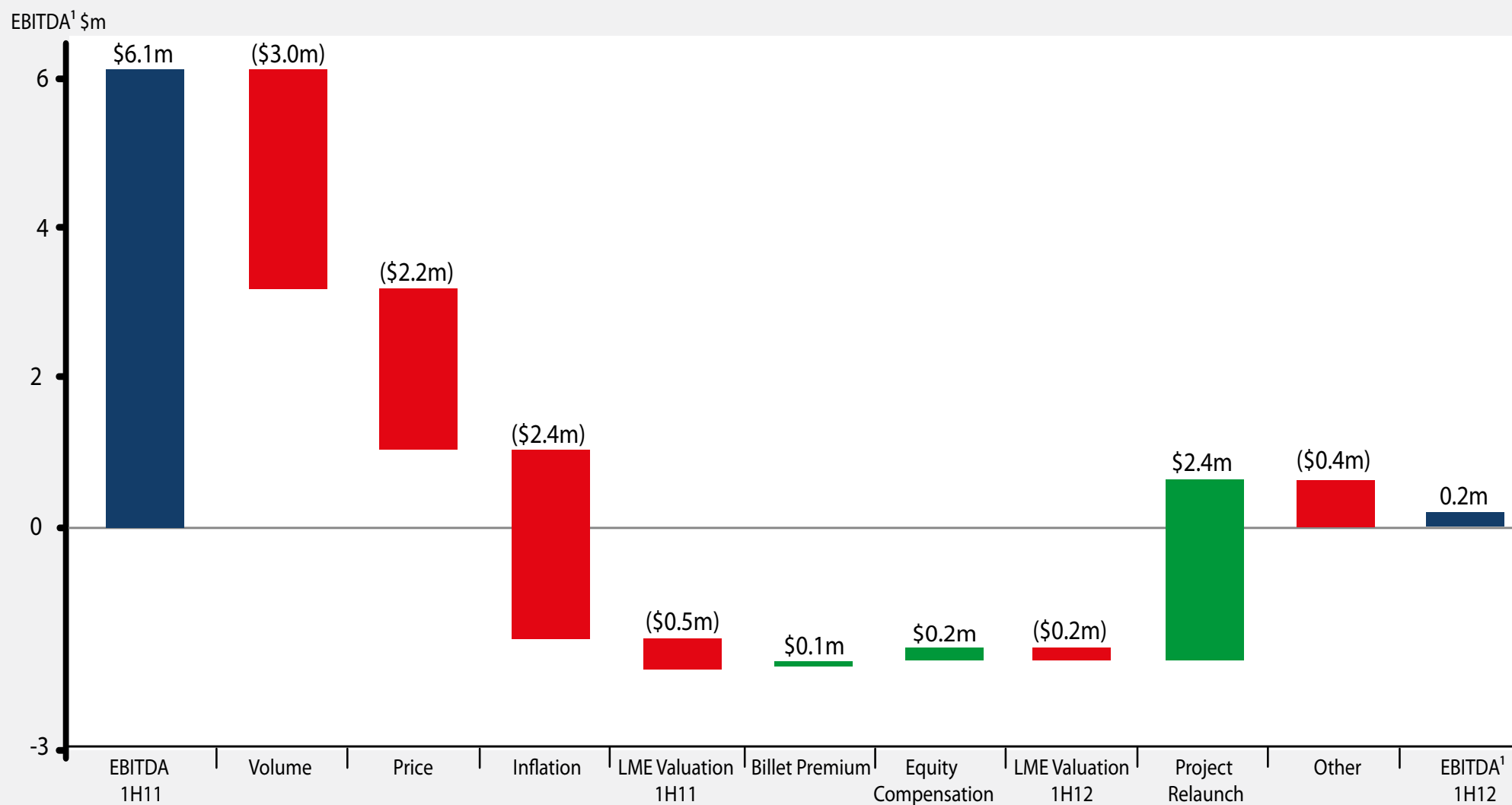
FINANCIAL SUMMARY

SIX MONTHS TO JUNE 2012

	H1 2012	H1 2011	%
Sales Volumes - External ('000 tonnes)	22.0	24.5	-10.2%
	\$m	\$m	
Sales Revenue	149.2	179.5	-16.7% ¹
EBITDA (before LME mark to market and restructuring)	0.3	5.2	
Less LME mark to market	(0.2)	0.5	
Restructuring/Abnormals	(0.7)	0.4	
EBITDA	(0.6)	6.1	
Depreciation/Amortisation	(6.2)	(6.1)	
EBIT	(6.8)	-	
Finance Cost	(0.3)	(1.3)	
Profit/(Loss) after Tax	(7.1)	(1.3)	

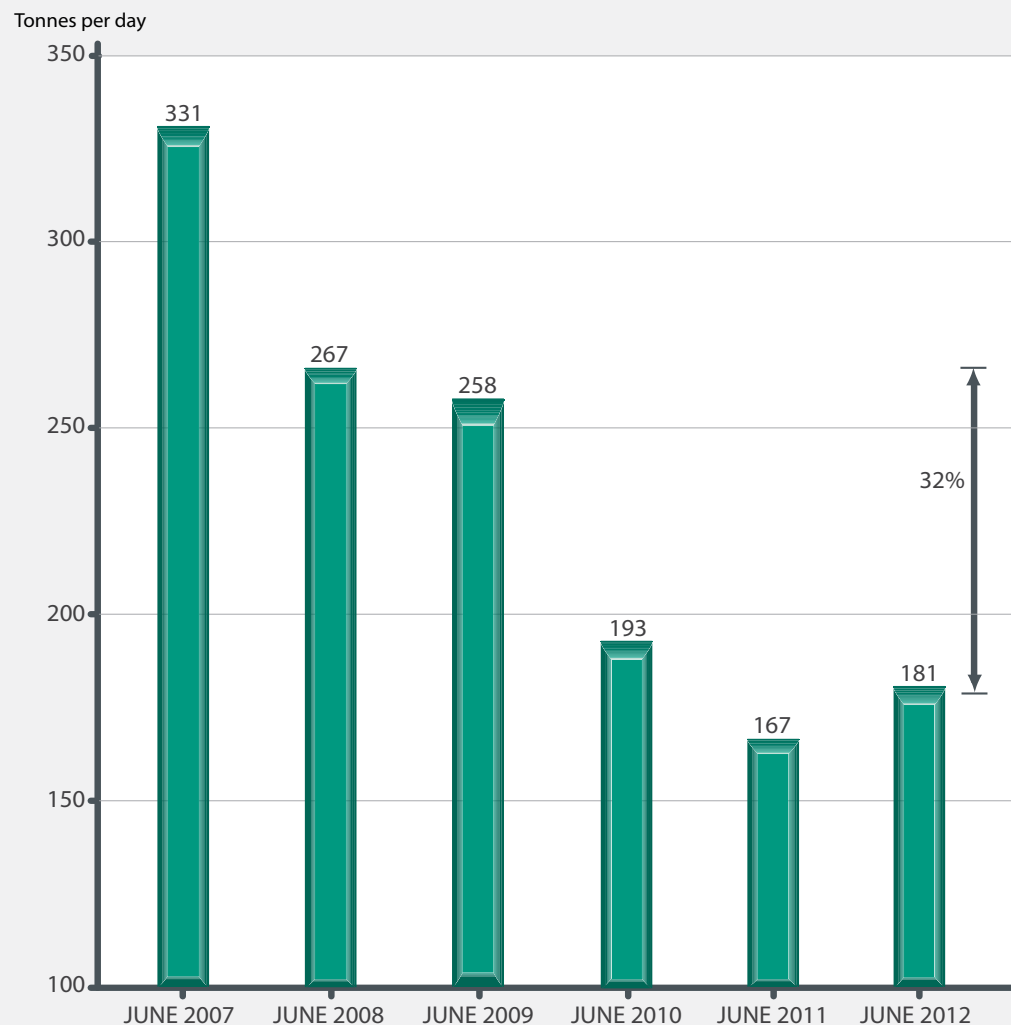
¹ Impacted by lower LME
(London Metal Exchange)

PROJECT RELAUNCH COST SAVINGS CONTINUE TO PLAY A CRITICAL ROLE MITIGATING NEGATIVE VOLUME, PRICE AND INFLATION IMPACTS



¹ EBITDA before restructuring cost

The first half Trading EBITDA¹ break even of the business has reduced by 32% since 2008



¹ Trading EBITDA is Earnings before net interest, taxation, depreciation, amortisation and log inventory revaluation.

Underlying costs have reduced in excess of \$33m pa over the 2008 base.

- Employee head count has reduced in excess of 40% since 2008 to around 820 employees
- Manufacturing efficiency
- Metal recovery % improvement
- Warehouse consolidation
- Aluminium Centres rationalisation and revitalisation
- Freight and Logistics efficiencies
- Procurement savings
- Corporate cost reductions
- General costs pruning.

June 2012

The breakeven point rose as a result of margin squeeze and cost inflation

Operating Cash Flow is positive

	\$m Jun 12	\$m Dec 11	\$m Jun 11
Net Assets	149.5	156.2	161.2
Net Cash/(Debt)	16.0	14.8	7.6
Gearing - Net Debt/(Debt + Equity)	-	-	-

The finance facility with GE is primarily utilised for intramonth¹ working capital funding

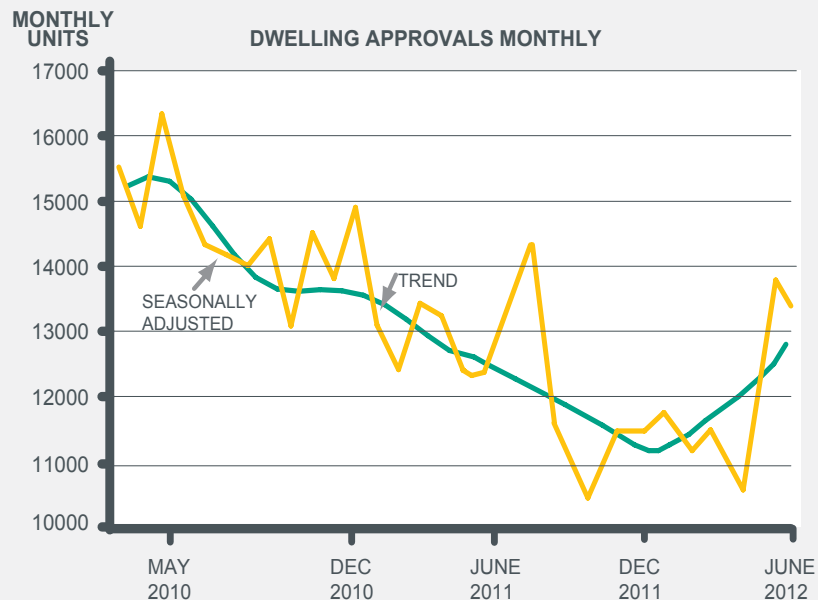
6 months to	\$m JUN 12	\$m JUN 11
EBITDA	(0.6)	6.1
Working Capital	3.8	(6.8)
Finance Cost	(0.3)	(1.3)
Equity Compensation Amortisation	0.4	0.5
Other	0.2	0.5
Operating Cash Flow	3.5	(1.0)
Capex Spend	(2.2)	(2.5)
Increase in Net Cash	1.3	(3.5)

Resulting in a robust balance sheet with a positive cash balance¹

¹ Intramonth debt levels ranged up to \$12m

Capral Finance Facilities	\$m Limit	Jun 12	\$m Balance Dec 11	Jun 11
GE Term Debt	30	Nil	Nil	Nil
GE Revolver	60	Nil	Nil	4.7
ANZ Overdraft	0.4	0.3	0.3	0.4

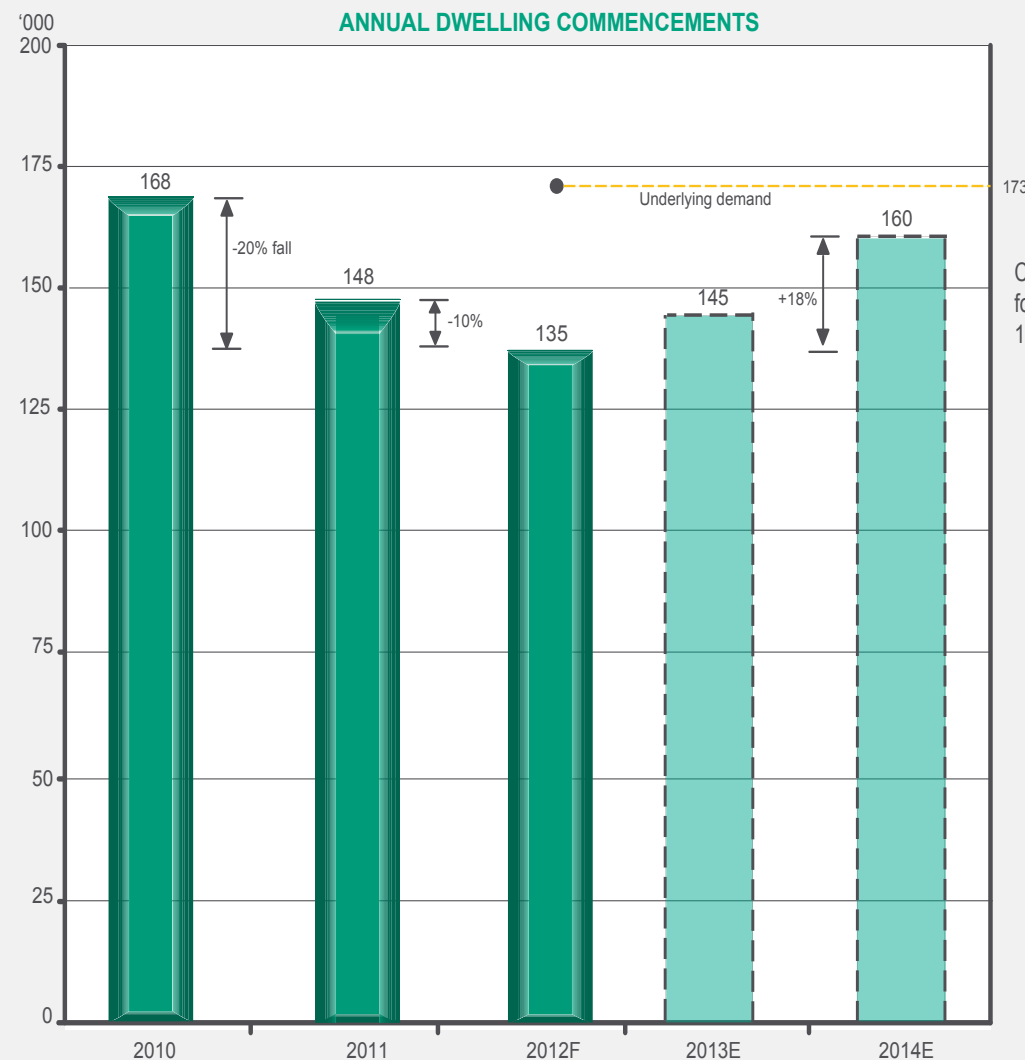
DWELLING COMMENCEMENTS AND OUTLOOK



UNDERLYING DEMAND ('000)
2012/13 - 2016/17
ANNUAL AVERAGE

New South Wales	43.2
Victoria	39.5
Queensland	42.1
South Australia	10.6
Western Australia	28.5
Tasmania	2.2
Northern Territory	2.3
A.C.T	2.6
Australia	172.7

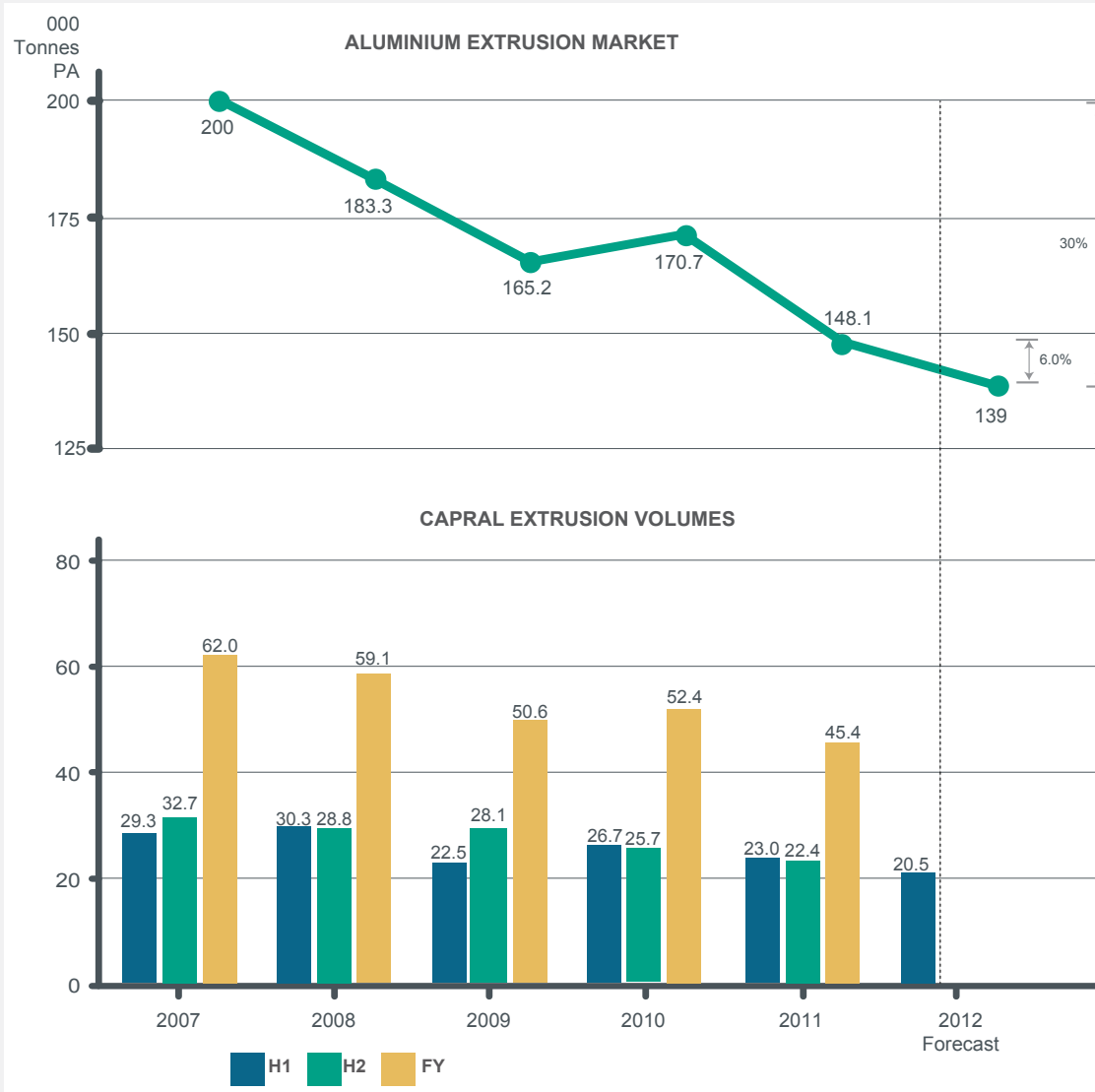
SOURCE: BIS SHRAPNEL MAY/JUNE 2012



SOURCE: BIS SHRAPNEL,
MAY 2012

Commencements are forecast to decline by 10% in 2012, a 20% fall in the last 2 years

ALUMINIUM EXTRUSION DEMAND IS EXPECTED TO DECLINE A FURTHER 6% IN 2012 TO A CYCLICAL LOW



- Market has fallen 30% from its high in 2007 and is poised for a recovery
- Low consumer sentiment has delayed the recovery phase.

Note:

- Capral has maintained share at around 30%
- Imports have declined broadly in line with market demand
- Australian press capacity has expanded by ~20% in the last three years

ANTI DUMPING

The impact of the imposed anti dumping measures to date has been modest

Response

Key issues being pursued

- The levels of duties are relatively low
- There are indications of a concerning level of circumvention by importers of the measures imposed

- The Australian Government is implementing an Anti Dumping reform agenda with 28 measures announced. Four tranches have been approved by or are before Parliament
- The Federal Government have set up a taskforce “Bluenet” to pursue anti circumvention activities
- John Brumby (ex Premier of Victoria) is undertaking a review of Australia’s Anti Dumping regime.

- Achieve legislation change to enable the use of “surrogate” methodology in Australia, similar to the USA, Canada and the E.U.
- Anti circumvention measures to capture surreptitious practices before the Border controls, as well as “sales at a loss” and “rebates” once the imports are in Australia.

SAFETY

Measure/Year	2008	2009	2010	2011	H1 2012
LTI/MTI	41	31	43	30	10
LTI/MTI Frequency*	17.5	16.3	22.8	18.7	16.9
LTI Severity*	162.1	92.9	273.0	186.0	193.7

* Frequency = No. of injuries per million work hours

* Severity = No. of days lost per million hours worked

Excludes Austex Dies

Safety performance improved in H1 2012

- Campbellfield and Canning Vale Manufacturing achieved 3 years LTI/MTI free and Penrith Manufacturing achieved 12 months
- Wangara Distribution Centre achieved 2.5 years LTI/MTI free and Erskine Park Distribution Centre achieved 12 months
- A number of Aluminium Centres achieved LTI/MTI free milestones: Glenorchy (TAS) 15.5 years, Rockdale (NSW) 14 years, Cardiff (NSW) 7 years, Slacks Creek (QLD) 6.5 years, Malaga (WA) 6 years
- Ongoing focus on lead indicator management including safe behaviour observations, hazard ID process and perception surveys.

ENVIRONMENTAL

Capral is committed to minimising the environmental impacts of its extrusion and distribution activities.

Capral has a relatively modest carbon footprint and is not included in the top 500 site emitters.

Emissions come from two sources:

		KTPA
Scope 1	Mainly from the use of gas for heating ovens	10
Scope 2	From electricity	40

It is anticipated that the additional cost from the carbon tax linkage to electricity charges will be around \$1.5m p.a. commencing July 2012.

A COMPREHENSIVE STRATEGIC PLAN IS BEING IMPLEMENTED

DEFEND

What we have

- Leading Market Share
- Long term customer relationships
- Experienced and committed workforce
- Commitment to excellence
- National footprint of world class extrusion plants
- National distribution and logistics capability
- Largest product range
- Strong balance sheet

OPTIMISE

What we do

- Project Relaunch cost savings
- Local press transition
- Lean Manufacturing implementation
- Variablise the cost base
- Right size Bremer
- Rationalise the product range
- Exit unprofitable activities
- Pricing

GROW

In the future

- Leverage the inevitable housing cycle upswing
- Boost the internal distribution channel to market
- Develop innovative new products
- Target geographic and market channel initiatives
- Evaluate “Bolt ons” in the medium term

and PURSUE A BETTER ANTI DUMPING OUTCOME

OUTLOOK

- Manufacturing generally continues to encounter challenging conditions with subdued demand and rising input costs, exacerbated by a high \$A and negative consumer sentiment
- Housing commencements are forecast to be 135k for calendar 2012, down ~10% on the prior year
- In the absence of a market uplift or a reduction in the level of imports, Capral full year volumes are expected to reduce by ~6% in line with the Australian aluminium extrusions market decline, compared to 2011
- A sustained high \$A will continue to put pressure on pricing and gross margins and sustain import levels
- Project Relaunch cost savings are targeted to at least cover inflation and carbon tax impacts
- Assuming continuing challenging market conditions, the full year EBITDA is expected to be between breakeven and \$3m before the \$1m restructuring cost (incurred in the first half)
- Operating cash flow is expected to be positive for the full year with a net cash position as at 31st December 2012.

**CAPRAL IS WELL PLACED, WITH EXISTING CAPACITY TO LEVERAGE ANY DEMAND UPTURN.
THE STRATEGIC AND TURNAROUND PLANS ARE STRENGTHENING THE UNDERLYING BUSINESS**

CAPRAL PROFILE

- Australia's largest manufacturer and distributor of aluminium profiles
- A National footprint of world class extrusion plants
8 operating presses with annual capacity of 70KT
- A network of 5 major distribution facilities, 6 regional centres and 11 metropolitan trade centres with an extensive range of products and logistics capabilities
- Market leader in supply to fabricators and distributors, focussing on the Residential, Commercial and Industrial segments
- 820 employees, with significant industry skills and expertise
- Innovative R&D capability, well positioned to take advantage of changing building regulations in Australia
- A listed ASX company, with a 76 year heritage.

THE TURNAROUND STRATEGY IS DELIVERING

The First Phase has been completed

- **Stabilise the Business**

- Recapitalise the Balance Sheet
- Embed a new operating philosophy
- Implement a lean management structure with increased accountability
- Realise significant cost savings
- Launch an Anti Dumping Case
- Achieve positive underlying cash flow and profitability.

- **Optimise Business Performance “Project Relaunch”**

Extrusion

- Transition to a state based manufacturing approach
- Fix or exit unprofitable “value adding” activities
- Consolidate space requirements at the Bremer facility

Distribution

- Lift under performing state operations
- Optimise the supply chain
- Implement sales growth initiatives

Corporate Costs

- Continue to right size

General

- “Fair” Anti Dumping resolution

The Second Phase is progressing well

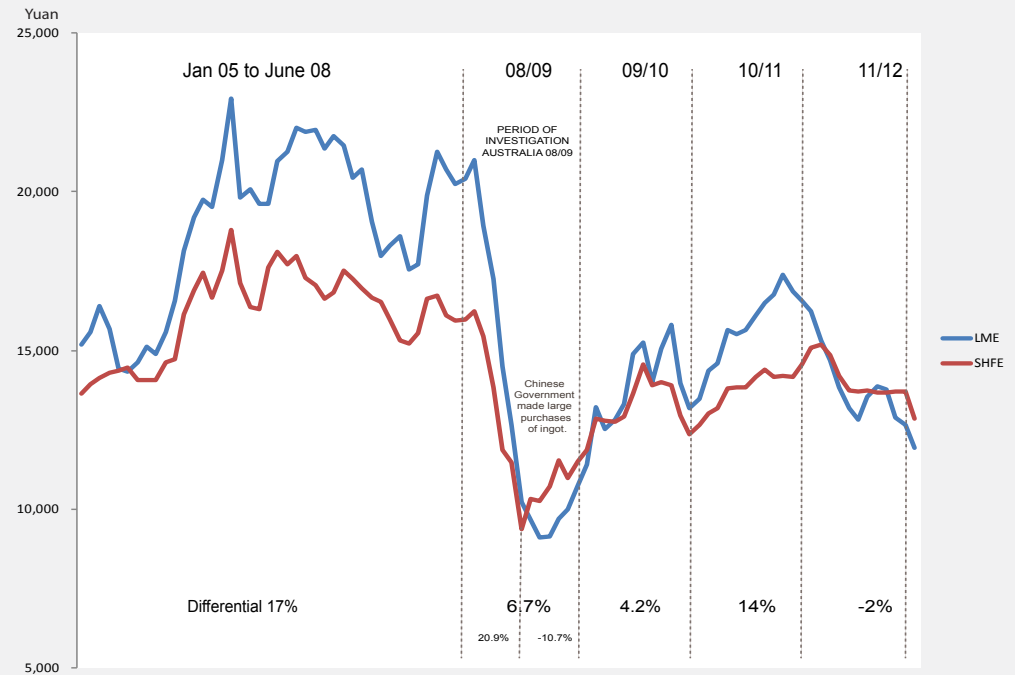
The Third Phase

- Leverage capability
- Pursue strategic growth options

THE GROWTH IN CHINESE EXTRUSION IMPORTS HAS BEEN ENABLED BY 3 KEY FACTORS

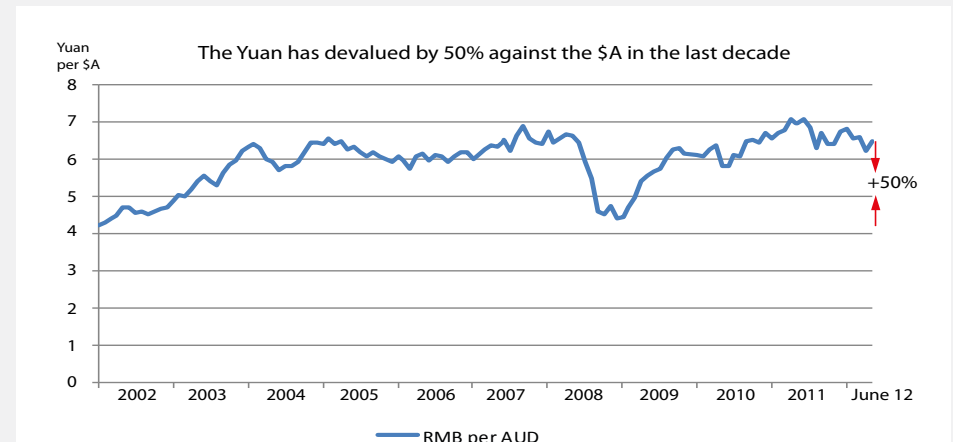
1. Subsidised Primary Aluminium

- Primary aluminium represents around 70% of Chinese extrusion costs
- Chinese extrusion companies are supplied primary aluminium at **up to 20% lower rates** than prevailing world prices. (averaged 11% over the last seven years).



2. Chinese currency control (manipulated)

- The Chinese government set the Yuan rate
- Commentators say the Yuan is undervalued by 20% to 30%
- The Yuan has devalued by 50% against the \$A in the last decade



3. Easy access to Australia

- Can access around 80% of the Australian market through 5 capital city mainland sea ports
- A benign Australian Anti Dumping Regime.

CAPRAL PROVED ITS CASE AGAINST CHINA

Capral did 'win' the dumping and countervailing duty case against China.

In October 2010 the Australian Government imposed Anti Dumping and countervailing duty measures on aluminium extrusions from China. It found:

1. There is an Australian Industry producing like goods
2. Certain extrusions were dumped
3. Countervailing subsidies exist in China
4. The Australian Industry producing like goods experienced injury
5. Dumping and subsidisation caused material injury to the Australian Industry

✓
✓
✓
✓
✓
**THE CASE HAS
BEEN PROVEN**

The Minister's decision was based on the recommendations from the Australian Customs department following a 16 month investigation.

But imposed measures were much lower than expected and much lower than similar jurisdictions...

Dumping & Countervailing Duties (Avg)

