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2005 First Half Results and Major Acquisition

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2005 First Half Result

Key reasons for the first half trading loss:

- Capacity constraints following Minto closure and during Bremer ramp up - customers on allocation and volumes lower
- High manufacturing costs at Bremer

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Status of Bremer

All elements of the Bremer plant are now working, but:

- Automation not fully operational in some areas, particularly product handling and packing
- Some bottlenecks to be addressed, eg ageing ovens capacity
- Production volume at Bremer is low while Eagle Farm remains in operation.
- Some continuing product quality and service issues
- Total focus is on lifting productivity and quality

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Restructuring

- Actions taken
  - Transfer of Shared Services to Bremer achieved
  - Closure of Queensland distribution centre and transfer to Bremer
  - Extended Eagle Farm operation to December 2005 to meet market/customer needs
  - Milperra paintlines to continue through to last quarter 2005
- Major changes to come in second half of 2005 :
  - Close Milperra
  - Close Eagle Farm
  - Decide on NSW service configuration (Yennora)

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Other Operations

- Canning Vale (WA)
  - WA market is strong
  - Good market position
  - Profitable and made a good contribution
- Campbellfield (VIC)
  - Lower conversion costs
  - Increased productivity
  - Further improvement required to get to investment case

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Financial Position

- Gearing (debt: debt & equity) is 26% at 30 June following the rights issue in April 2005
- Working Capital : Sales ratio at June of 15.8%

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Adoption of AIFRS

The translation to the Australian equivalent to IFRS caused the following change to retained earnings at 31 December 2004

	$m
Foreign currency translation reserve	3.0
Retirement benefit assets	1.9
Asset impairment (Milperra & Yennora)	(7.4)
Tax expense	2.7
Other (items less than $1m)	0.2
Increase in retained earnings	**0.4**

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Outlook for Second Half

- Customers slow to return because they have other supply arrangements in place
- Manufacturing cost at Bremer continues to be high
- Campbellfield and Canning Vale will continue solid performance
- Market is weaker with downturn in housing
- Import volume is high

Overall a similar result to the first half year is expected for the second half year.

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Crane Aluminium acquisition

Rationale

- Good businesses, strong position in distribution
- Lifts market presence significantly, better positioned to compete with imports
- Substantial synergies
- Complementary capabilities – business model, facilities and people

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Crane Aluminium acquisition

Key facts

- Purchase price approximately $124 million
- Trading results reported by Crane Group Limited:

	June 2005 Year $m	June 2004 Year $m
Sales	225.9	219.9
EBITDA	17.9	22.9
EBITA	13.8	19.4

Status

- Satisfied due diligence and signed sale and purchase agreement
- Limited pre conditions
- Completion anticipated end October 2005

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Crane Aluminium's businesses

3 businesses:

- **Crane Aluminium Extrusions** – Penrith and Angaston plants – second largest manufacturer of aluminium extrusions in Australia
- **Crane Aluminium Systems** – major distributor and marketer of custom designed aluminium extrusions and componentry in Australia
- **Smart Aluminium** – leading stockist and distributor of standard aluminium rolled and extruded products

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Key Synergy Opportunities

- Manufacturing economies of scale
- Manufacturing best practice transfer
- Consolidation of warehousing and freight
- Procurement scale
- Overhead reduction
- Common business systems

Synergies of more than $10m p.a expected by 2008

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Capral /Crane Combination

Crane brings…..	Merged business gets…	Capral brings…..
Manufacturing know how (including die technology	Low cost manufacturing	State-of-the-art manufacturing assets
Committed customer volumes	High asset utilisation	Manufacturing capacity
Customer service reputation and distribution brand recognition	Strong customer service proposition	Significant brand legacy
Distribution into smaller end of residential building and light engineering markets	Distribution depth and coverage	Range/capability to service commercial/ shopfront and transport/ automotive
Sales and marketing know-how and proven R&D capabilities	Functional excellence	Efficient back-office platforms

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Funding for Crane Aluminium and Next 12 Months

- Equity issue
  - 2 for 3 renounceable rights issue at $1.50
  - Underwritten by GPG
  - Raises $113m (net of 3% underwriting fee)
- Additional debt facility through ANZ bank
  - Additional unsecured facility of $45m, maturing September 2006
- Funding covers purchase price, acquisition costs and other anticipated cash outgoings for 2005/2006

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Earnings Summary Half Yearly

	000s		
	H1 05	H2 04	H1 04
Revenue	**157,846**	**187,341**	**169,496**
EBITDA	(13,237)	(21,336)	(13,939)
D&A	(6,054)	(5,650)	(5,923)
EBIT	(19,291)	(26,986)	(19,862)
Interest Expense	(2,455)	(331)	(395)
(Loss) Before Taxation	(21,746)	(27,317)	(20,257)
Taxation Expense/(Benefit)	143	31,795	(6,540)
(Loss) After Taxation	(21,889)	(59,112)	(13,717)

Note: Prior year comparatives have been adjusted to comply with AIFRS

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Underlying Performance Half Yearly

	000s		
	H1 05	H2 04	H1 04
EBIT	(19,291)	(26,986)	(19,862)
Significant non-operating items			
Profit on sale of PPE	(30)	(154)	(555)
Restructuring	1,028	9,387	10,654
Impairment*	0	5,459	0
Underlying EBIT performance	(18,293)	(12,294)	(9,763)

* Impairment of Automotive & Paint line assets

Note: Prior year comparatives have been adjusted to comply with AIFRS

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Half Yearly EBIT comparison

	000s
Underlying EBIT H2 04	(12,294)
Underlying EBIT H1 05	(18,293)
EBIT Variance	(5,999)

Volume/Mix	(3,173)
Bremer Manufacturing Variance	(6,146)
Overhead Reduction & Other Items	3,320
	(5,999)

Notes: Prior year comparatives have been adjusted to comply with AIFRS
H1 volumes traditionally lower than H2

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Overhead Analysis

	000's		
	H1 05	H2 04	H1 04
Warehouse Overheads	4,990	5,955	5,702
Selling Expenses	12,908	14,055	14,781
Information Technology	3,648	4,366	4,342
Corporate Overheads	6,101	5,898	5,426
	27,647	30,274	30,251

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Balance Sheet

	30 June 2005 $'000	31 December 2004 $'000	June 2004 $'000
Current assets	116,740	113,658	137,143
Current liabilities	(89,185)	(95,732)	(78,489)
	27,555	17,926	58,654
Non-current assets	175,478	175,919	208,411
Non-current liabilities	(36,108)	(36,952)	(51,683)
	139,370	138,967	156,728
Net assets	166,925	156,893	215,382
Debt	59,831	60,988	47,150
Debt to Debt + Equity	*26%*	*28%*	*18%*

Note: Prior year comparatives have been adjusted to comply with AIFRS

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Cash Flow

	000s		
	H1 2005	H2 2004	H1 2004
Net Cash (Outflow) from Operating Activities	**(25,247)**	**(14,428)**	**(5,763)**
Cash Flows from Investing Activities			
Capital Expenditure	(8,387)	(15,161)	(24,163)
Proceeds from Sale of PP&E	17	1,155	2,297
Other Items	0	44	
Net Cash (Outflow) from Investing Activities	**(8,370)**	**(13,962)**	**(21,866)**
Cash Flow from Financing Activities			
Proceeds/(Repayment) of Debt	2,228	10,348	11,478
Share Issue	32,742	3,946	27,836
Dividends Paid / Other	1,960	0	(1,622)
Net Cash Inflow from Financing Activities	**36,930**	**14,294**	**37,692**
Net Cash Inflow / (Outflow)	**3,313**	**(14,096)**	**10,063**

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Operating Working Capital Performance

	000's		
	H1 2005	H2 2004	H1 2004
Current Assets			
Receivables	65,585	62,220	71,986
Inventories	42,307	43,461	44,037
Other Current Assets	5,308	6,589	5,692
Current Liabilities			
Payables	(60,656)	(57,579)	(62,845)
Other Provisions	(2,779)	(2,801)	(3,510)
Operating Working Capital	**49,765**	**51,890**	**55,360**
Movement – Year on Year *(inc/(dec)*	**2,125**	**3,470**	
Revenue from operations	**157,846**	**187,341**	**169,496**
WC % to Sales *(annualised)*	**15.8%**	**13.8%**	**16.3%**

Note: Prior year comparatives have been adjusted to comply with AIFRS

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