



AVON RUBBER PLC INTERIM RESULTS 2016

AVON
Avon Rubber p.l.c.



DAVID EVANS
Chairman



ROB RENNIE
Chief Executive
Officer

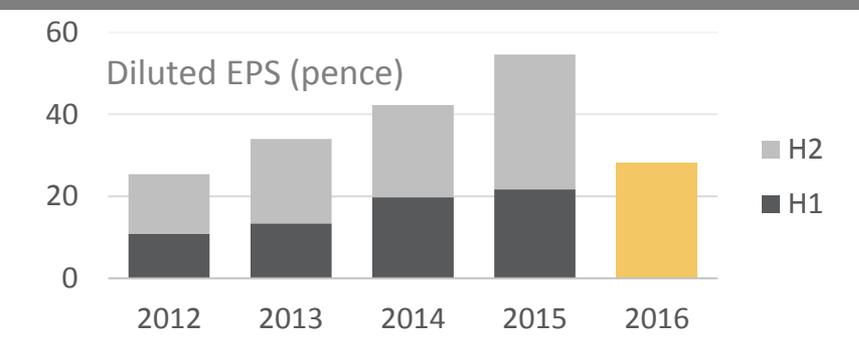
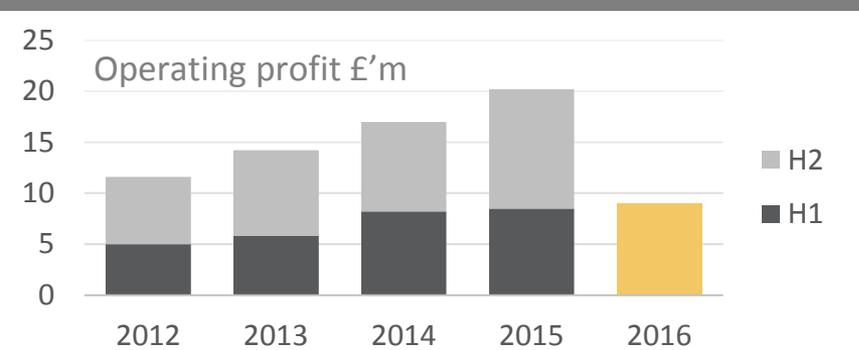
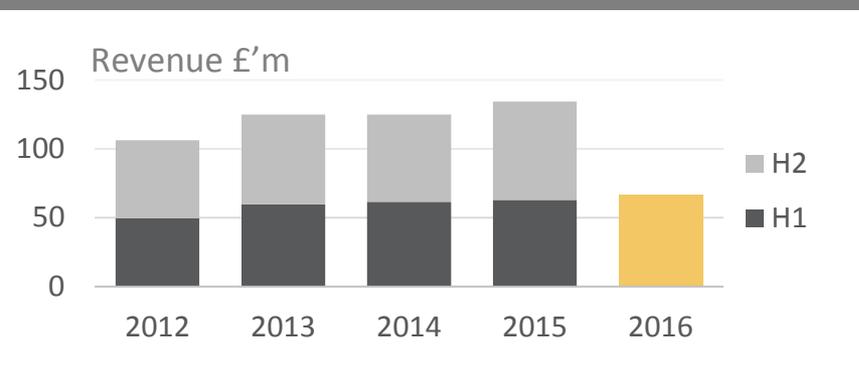


ANDREW LEWIS
Group Finance
Director



**SARAH MATTHEWS-
DEMERS**
Associate Group Finance
Director

<p>P&D MARKET</p>	<ul style="list-style-type: none"> • DOD contract provides stable volume of business • Export opportunities are growing, but timing difficult to predict • NA law enforcement HY on HY growth 	
<p>ARGUS</p>	<ul style="list-style-type: none"> • Manufacturing moved to our UK site • New camera product approved (NFPA/CE) late H1 • Sales teams integrated/trained • Product launched in North America 	
<p>DAIRY MARKET</p>	<ul style="list-style-type: none"> • Low milk price creating weaker market conditions • Milkrite brand continuing to gain market share • Will exit this softer market cycle a better & stronger business 	
<p>INTERPULS</p>	<ul style="list-style-type: none"> • People integrated into Avon functional teams • Milkrite InterPuls sales teams cross trained • Major sales synergy opportunities identified and prioritised • Capital/semi consumable product more affected by low milk price than Avon's traditional consumables business 	



FINANCIAL HIGHLIGHTS

- Operating profit growth of 6%
- Diluted earnings per share increased 29%
- Return on sales (EBITDA divided by revenue) improved 0.5% from 19.4% to 19.9%
- Continuing healthy conversion of operating profit to operating cash at 163%
- Net debt reduced by £4.8m during H1 to £8.4m, after the £3.5m cash acquisition of Argus
- Dividend of 3.16p per share up 30%

OPERATIONAL HIGHLIGHTS

- Acquisition of Argus broadened product range
- Successful integration of InterPuls, Hudstar and Argus into the organisation
- Delivered 107,000 M50 mask systems under our long-term sole source DOD contract
- Military order pipeline healthy, timing of receipt remains difficult to predict
- Milkrite brand continues to grow in cyclically softer dairy market conditions
- Cluster Exchange now servicing 446,000 cows on 1,411 farms

SARAH MATTHEWS-DEMERS
Associate Group Finance Director

GROUP INTERIM INCOME STATEMENT

		2016 Interim £'m	2015 Interim £'m	2015 Full Year £'m
Revenue	↑ 5%	66.3	62.8	134.3
EBITDA	↑ 9%	13.2	12.2	27.3
Depreciation and amortisation		(4.2)	(3.7)	(7.1)
Operating profit before amortisation of acquired intangibles, exceptional items and defined benefit pension costs	↑ 6%	9.0	8.5	20.2
Amortisation of acquired intangibles, exceptional items and defined benefit pension costs		(2.4)	0.4	(1.3)
Operating profit		6.6	8.9	18.9
Interest expense		(0.1)	(0.1)	(0.2)
Other finance expense		(0.4)	(0.4)	(0.9)
Profit before taxation		6.1	8.4	17.8
Taxation		0.4	(1.7)	(2.7)
Profit for the period from continuing operations		6.5	6.7	15.1
Adjusted diluted earnings per share	↑ 29%	28.1p	21.7p	54.6p

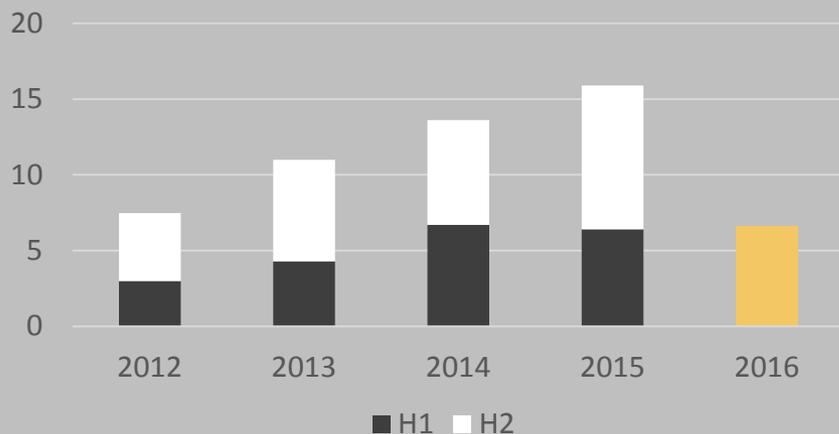
FINANCIALS

		2016 Interim £'m	2015 Interim £'m	2015 Full Year £'m
Revenue	↑ 1%	45.7	45.3	98.8
Adjusted EBITDA	↑ 3%	9.6	9.4	21.6
Adjusted operating profit	↑ 3%	6.6	6.4	15.9

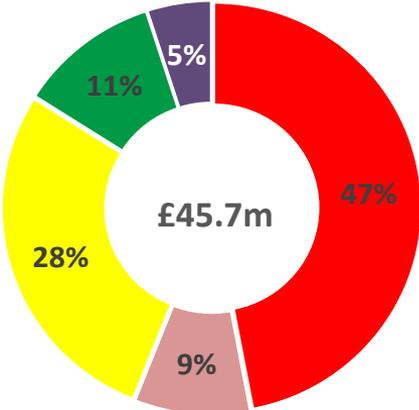
PERFORMANCE DRIVERS

- Stable DOD sales under our long-term sole source contract
- Argus acquisition adding to our fire market offering
- Growth in the underlying portfolio of NA law enforcement
- Return on sales improved 0.5% from 20.6% to 21.1%

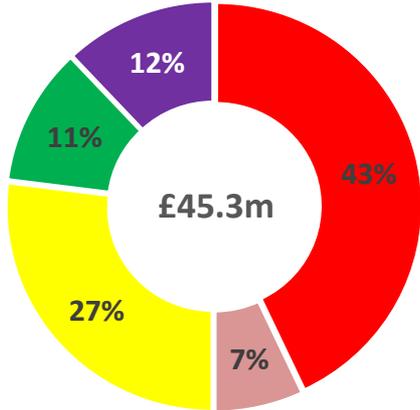
ADJUSTED OPERATING PROFIT £'m



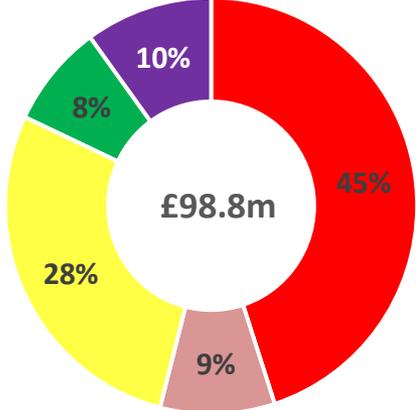
2016 H1



2015 H1



2015 FY



■ DOD ■ DOD SPARES ■ EMEA/NA ■ FIRE ■ AEF

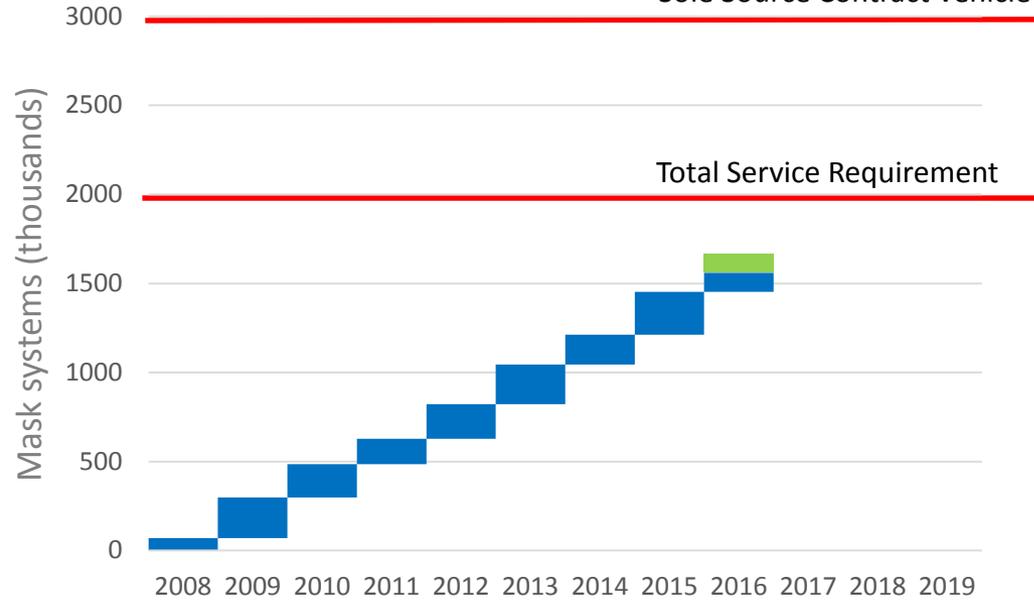
- Strong DOD order intake and deliveries in line with prior period
- No individual 'impact' order, but underlying non-DOD portfolio performing well
- Fire benefiting from the addition of the Argus thermal imaging camera range
- Weaker half year at AEF as timing of DOD flexible storage tank procurement didn't fall into this period

MASK SYSTEMS

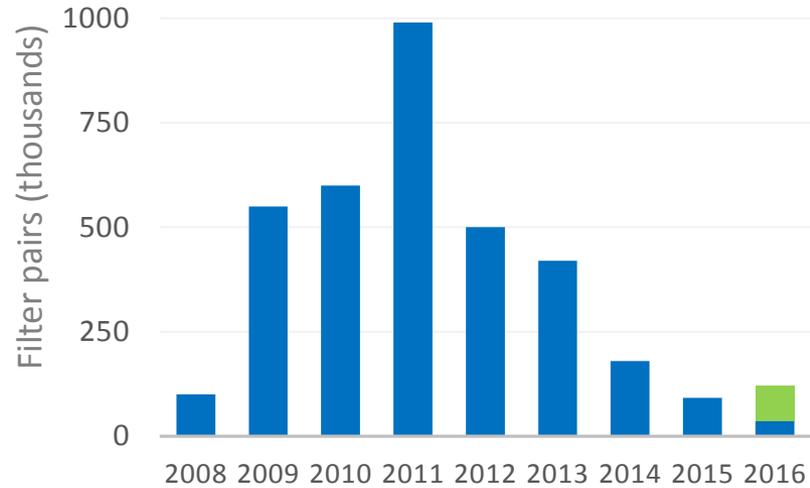
FILTER PAIRS

Sole Source Contract Vehicle

Total Service Requirement



Delivered Orders



Delivered Orders

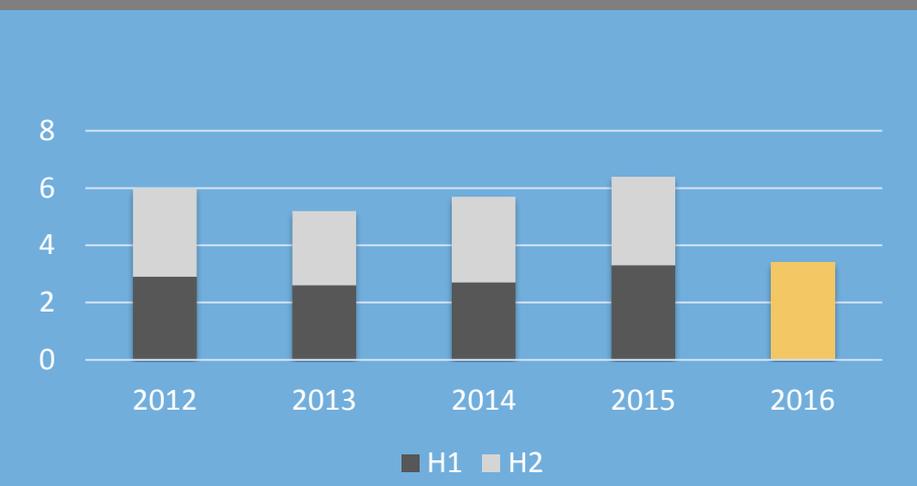


FINANCIALS **PERFORMANCE DRIVERS**

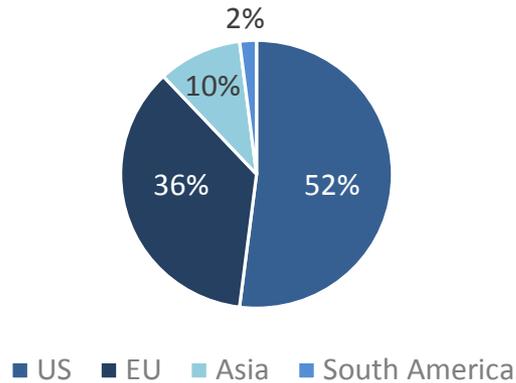
		2016 Interim £'m	2015 Interim £'m	2015 Full Year £'m
Revenue	↑ 18%	20.6	17.5	35.5
Adjusted EBITDA	↑ 17%	4.5	3.9	7.7
Adjusted operating profit	↑ 5%	3.4	3.3	6.4

- Proportion of own brand business growing in soft overall dairy market caused by low milk prices
- Impulse Air market share growth in US and EU
- Cluster Exchange revenues continue to grow, now servicing 446,000 cows on 1,411 farms
- Chinese and South American markets continuing to develop
- InterPuls integration progressing well and on track to deliver sales synergies in 2017

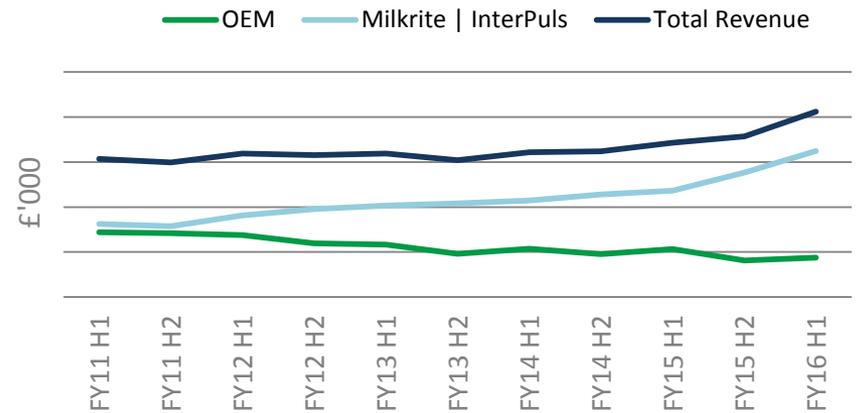
ADJUSTED OPERATING PROFIT £'M



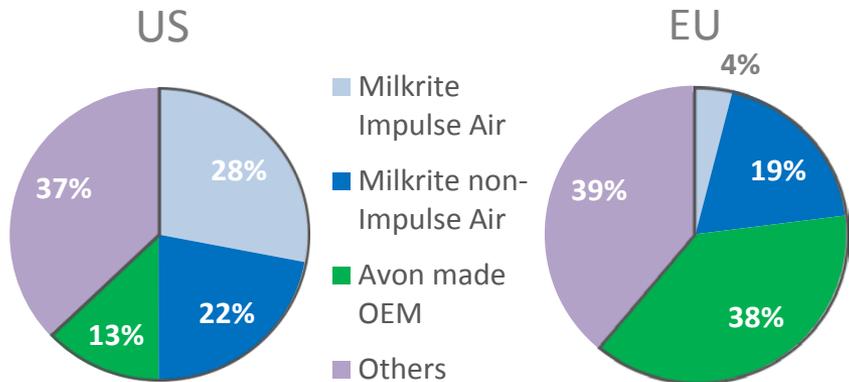
OUR REVENUE SPLIT - GEOGRAPHY



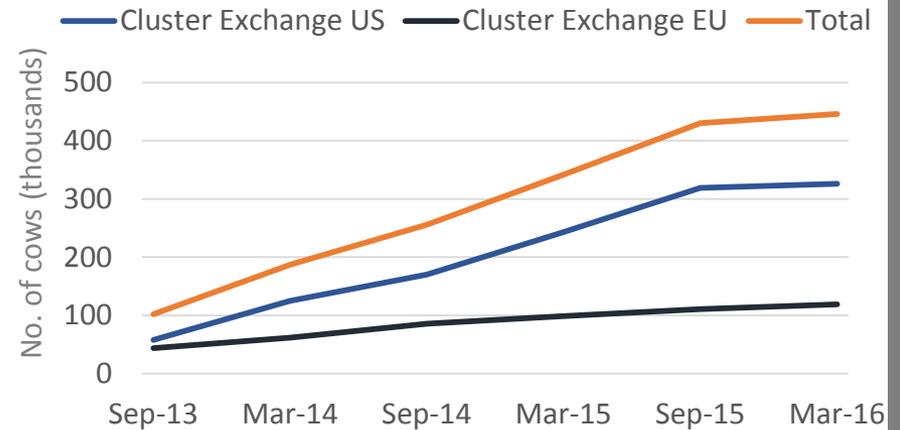
OUR REVENUE SPLIT - BRAND



LINER MARKET SHARE



CLUSTER EXCHANGE GROWTH



GROUP

	Constant currency growth	2016 Interim £'m	2015 restated at 2016 rates £'m	2015 Interim £'m
Revenue	↑ 1%	66.3	65.8	62.8
Adjusted EBITDA	↑ 3%	13.2	12.7	12.2
Adjusted operating profit	↑ 1%	9.0	8.9	8.5

PROTECTION & DEFENCE

	Constant currency growth	2016 Interim £'m	2015 restated at 2016 rates £'m	2015 Interim £'m
Revenue	↓ 4%	45.7	47.7	45.3
Adjusted EBITDA	↓ 1%	9.6	9.8	9.4
Adjusted operating profit	↔ -	6.6	6.6	6.4

GROUP SUMMARY

- 2016 average rate \$1.46 (2015: \$1.54)
- Operating profit translation tailwind of £0.4m partially offset by £0.3m loss on mark to market on forward exchange contracts
- Current US \$ strength positive for H2 outlook

DAIRY

	Constant currency growth	2016 Interim £'m	2015 restated at 2016 rates £'m	2015 Interim £'m
Revenue	↑ 13%	20.6	18.2	17.5
Adjusted EBITDA	↑ 11%	4.5	4.1	3.9
Adjusted operating profit	↔ -	3.4	3.4	3.3

	2016 Interim £'m	2015 Interim £'m	2015 Full Year £'m
Cash generated from continuing operations before effect of exceptional items	14.7	11.8	24.1
Cash effect of exceptional items/discontinued operations	(0.3)	(0.7)	(2.8)
Cash generated from operations	14.4	11.1	21.3
Tax	1.7	(1.2)	(3.3)
Interest	(0.2)	(0.1)	(0.1)
Payments to pension scheme	(0.3)	(0.3)	(0.8)
Capital expenditure	(3.8)	(3.1)	(6.2)
Acquisitions	(3.5)	-	(21.2)
Purchase of own shares	(1.8)	(1.2)	(1.2)
Dividend to shareholders	(1.5)	(1.1)	(1.9)
Exchange and other	(0.2)	0.3	(0.1)
Movement in net (debt)/cash	4.8	4.4	(13.5)
Opening net (debt)/cash	(13.2)	2.9	2.9
Acquired net debt	-	-	(2.6)
Closing net (debt)/cash	(8.4)	7.3	(13.2)



SUMMARY BALANCE SHEET

	2016 Interim £'m	2015 Interim £'m	2015 Full Year £'m
Intangible assets	45.5	19.0	41.3
Property, plant and equipment	29.1	20.3	28.2
Current assets	35.9	32.3	34.1
Current liabilities	(28.5)	(26.6)	(24.8)
Non-current liabilities	(7.0)	(4.0)	(6.8)
	75.0	41.0	72.0
Net (debt)/cash	(8.4)	7.3	(13.2)
	66.6	48.3	58.8
Retirement benefit scheme	(18.7)	(15.6)	(16.6)
Net assets	47.9	32.7	42.2



ACTUARIAL
VALUATION

The triennial actuarial valuation at 31 March 2013 showed that the scheme was 98% funded. The next valuation is due at 31 March 2016.

ACCOUNTING
VALUATION

Accounting deficit moved from £16.6m at 30 September 2015 to £18.7m at 31 March 2016 as the increase in liabilities resulting from the fall in AA corporate bond rates was mostly offset by strong asset performance from both our LDI and return-seeking assets.

ANDREW LEWIS
Group Finance Director

INTEGRATING OUR PROTECTION & DEFENCE TECHNOLOGY

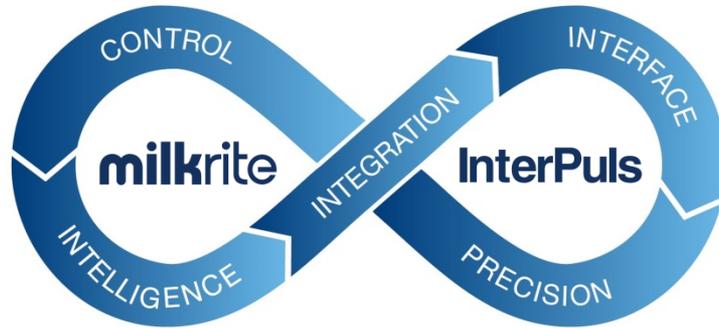
<p>LAND</p>		<p>Land – world leading respiratory protection for military, law enforcement and industrial users</p>
<p>AIR</p>		<p>Air – developing the JSAM mask for the US Air Force fixed-wing requirement</p>
<p>SEA</p>		<p>Sea - development of a multi-role underwater rebreather for military divers</p>
<p>FIRE</p>		<p>Fire – award winning NIOSH/NFPA approved Deltair SCBA now complemented by the Argus range of thermal imaging cameras</p>

MARKET ENVIRONMENT

GROWTH DRIVERS

DOD	<ul style="list-style-type: none"> - Budgets stabilised 	<ul style="list-style-type: none"> - Funding line for JSGPM project secure - Air crew (JSAM) development programme progressing well
EMEA & NA LE	<ul style="list-style-type: none"> - Budget pressures - Increasing recognition of chemical weapons terrorism threat - Events such as G20, Olympics, World Cup etc. drive demand - Timing difficult to predict 	<ul style="list-style-type: none"> - NA market share gain from existing installed user base (>600k masks). Avon share circa 20% - Launch of Fusion product range broadens our product offering - Increase in ME threats leading to significant CBRN spend
FIRE & INDUSTRIAL	<ul style="list-style-type: none"> - Reduced US federal funding - Two main SCBA competitors still without an approved product - Low oil price 	<ul style="list-style-type: none"> - Market share growth with new Deltair product - Argus thermal imaging camera adds to our offering - Industrial opportunities in Oil & Gas and Mining for our escape products

STRATEGY



INTERPULS INTEGRATION PROGRESS

- Opportunities to sell Milkrite products through InterPuls distribution network identified and defined
- Opportunities to sell InterPuls products through Milkrite distribution network identified and prioritised
- Sales teams cross trained and dealers engaged
- Strong product development pipeline including herd management technology solutions

STRATEGY

- Complete milking point solution provider
- Market leading brands
- Enhancing technology in established markets
- Growth opportunities in emerging markets

FARM INVESTMENT



milkrite

InterPuls



Organic
Product
Development

Acquisition



MARKET ENVIRONMENT 

GROWTH DRIVERS 

<p>US</p>	<ul style="list-style-type: none"> - Farm profitability under pressure from lower milk prices - Farm consolidations (mega farms) - Milk price falling in H1 2016 but feed costs also lower 	<ul style="list-style-type: none"> - Cluster Exchange - Impulse Air market share - Full cluster offering - InterPuls product range - Other product launches
<p>EUROPE</p>	<ul style="list-style-type: none"> - Farm consolidations - Quota/subsidy reductions - Russian sanctions - Milk price low since H2 2015 	<ul style="list-style-type: none"> - Milkrite market share - Impulse Air - Cluster Exchange - InterPuls product range - Improved distribution and more feet on the ground following the integration of the InterPuls sales team
<p>EMERGING MARKETS</p>	<ul style="list-style-type: none"> - Population growth - Increasing demand for dairy products - Government supported investment in infrastructure - Increased industrialisation of milking process 	<ul style="list-style-type: none"> - Emerging markets - In-country distribution - China well established - Brazil opened in H1 2015 - InterPuls distribution network will accelerate opportunities in these regions

Rob Rennie
Chief Executive Officer

OUTLOOK STATEMENT

LOOKING FORWARD

The Board remains confident that the Group will continue to make progress as the year develops and maintain our record of strong cash generation.

PROTECTION & DEFENCE

Trading is normally second-half weighted in our Protection & Defence business and we believe this will again be the case this year. We continue to see a number of higher margin export opportunities and while, as always, the timing of order receipt remains unpredictable, the DOD order we received late in the first half affords us production flexibility to fulfil these as and when they are received.

DAIRY

In Dairy, despite weak market conditions, the acquisition of InterPuls and the encouraging gains in Milkrite market share provide us with significant opportunity at the point milk prices start to improve. This, together with the sales and distribution platforms we have established in China and Brazil to service these rapidly growing emerging markets, means we have a Dairy business with excellent short and longer term growth prospects.

OUR H2 2016 FOCUS

P&D MARKET



- Growth of non-DOD business in foreign military and homeland security markets
- Market penetration with our expanded product range – powered air/filters/combo systems
- Improve our fire market share through success with Deltair and Argus
- Complete the integration of the Argus product portfolio

DAIRY MARKET



- Deliver sales synergies through the crossover of Milkrite and InterPuls dealer/distribution network
- Integration of InterPuls products into our portfolio
- Cluster Exchange growth in US & EU
- Impulse Air growth in US & EU, Milkrite growth in EU

A close-up photograph of a person's hand pointing at a tablet. The tablet screen displays the Avon Rubber logo, which consists of the word 'AVON' in a large, bold, grey sans-serif font. Below it, the text 'Avon Rubber p.l.c.' is written in a smaller, italicized, grey sans-serif font. Underneath the text is a horizontal bar with a color gradient from green on the left to red on the right. The background is a blurred blue and white, suggesting an office or industrial setting.

AVON

Avon Rubber p.l.c.

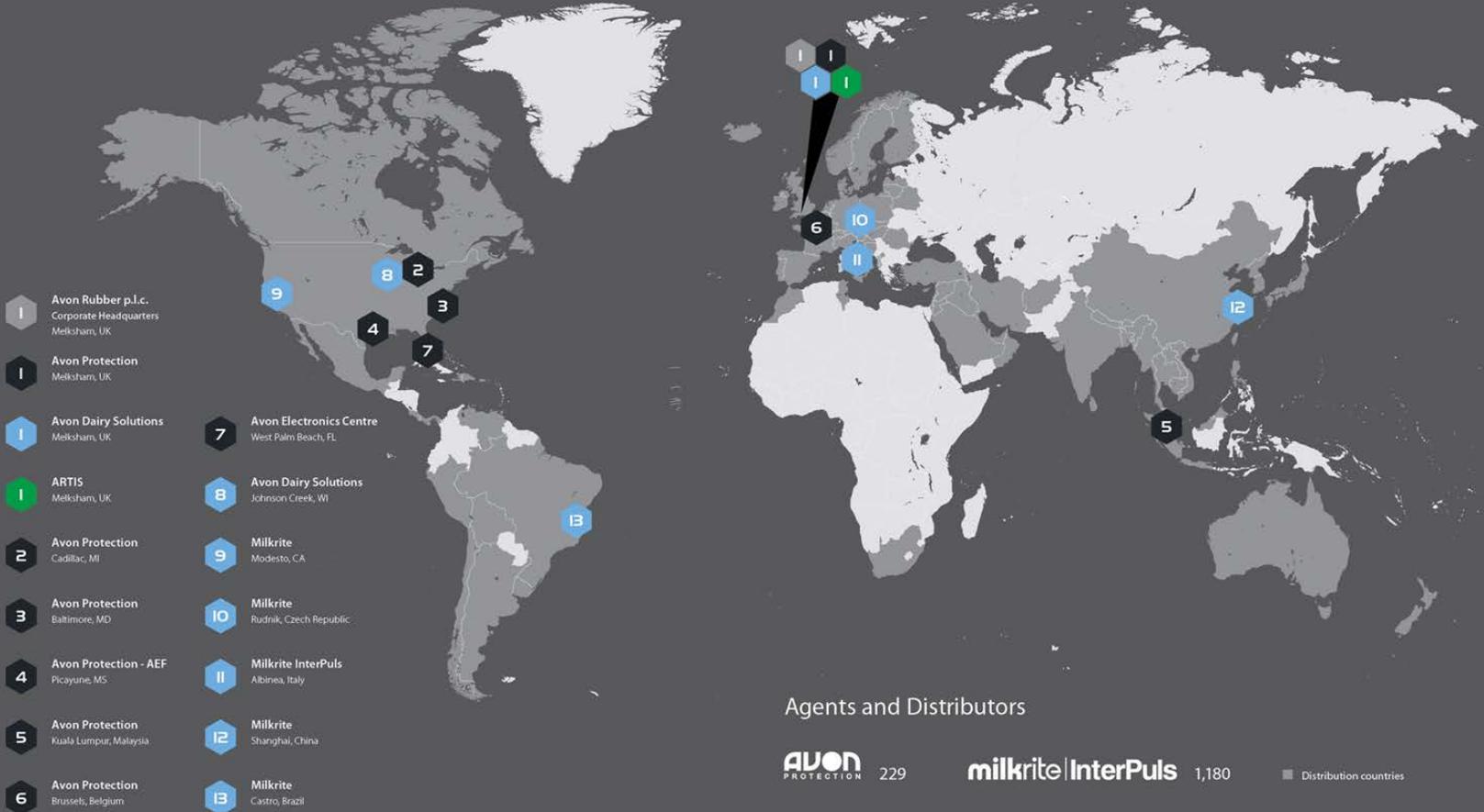


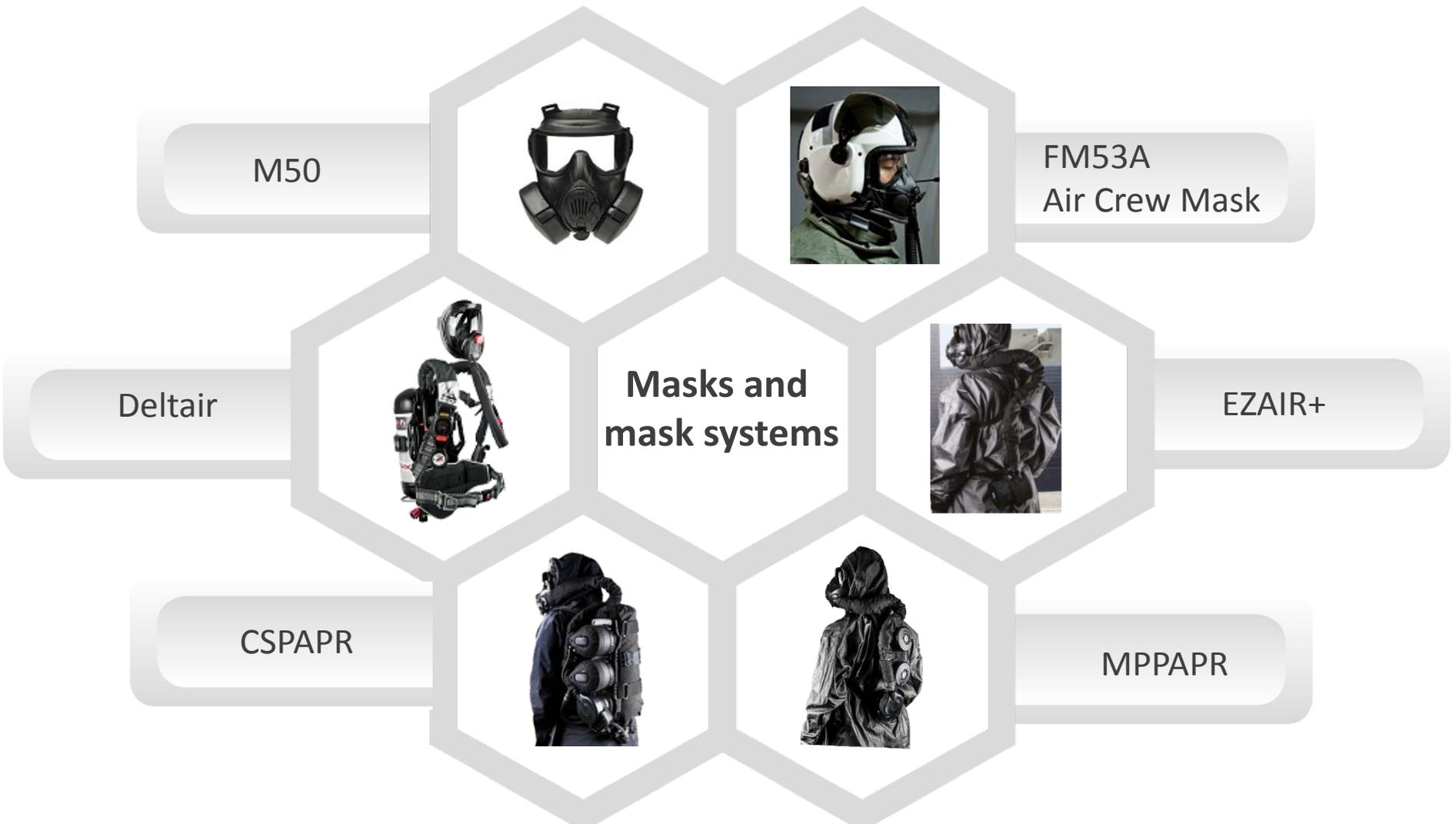


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APPENDICES

GROUP WORLDWIDE LOCATIONS





NH15 hood



AEF skirt

MDC150 dive computer



Other products



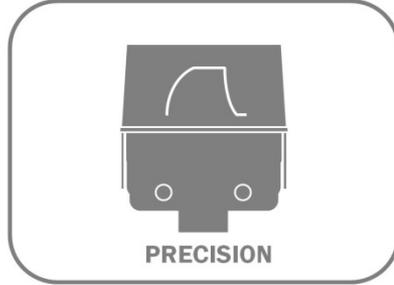
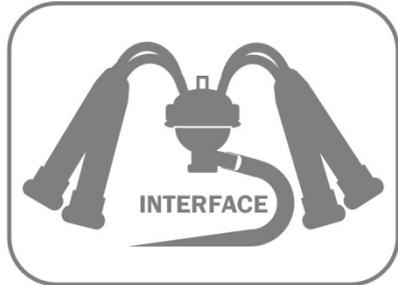
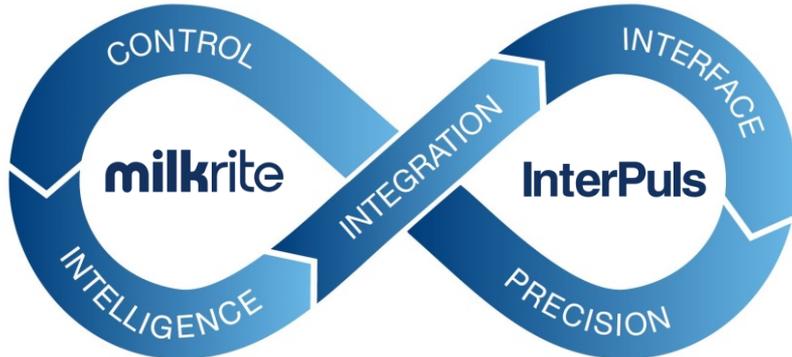
AEF tank

MCM100 rebreather



Thermal imaging camera







Pulsator



Milk meter



Vacuum stability



Precision & Control

Automatic cluster remover



Vacuum pump

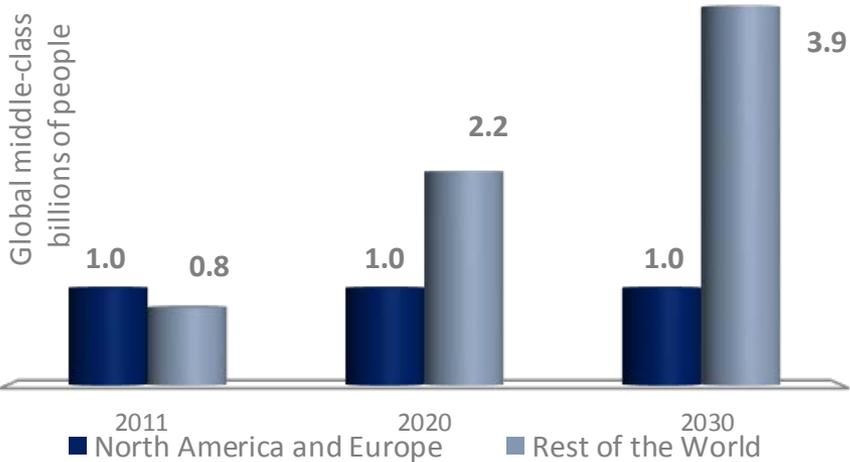


Wash controller



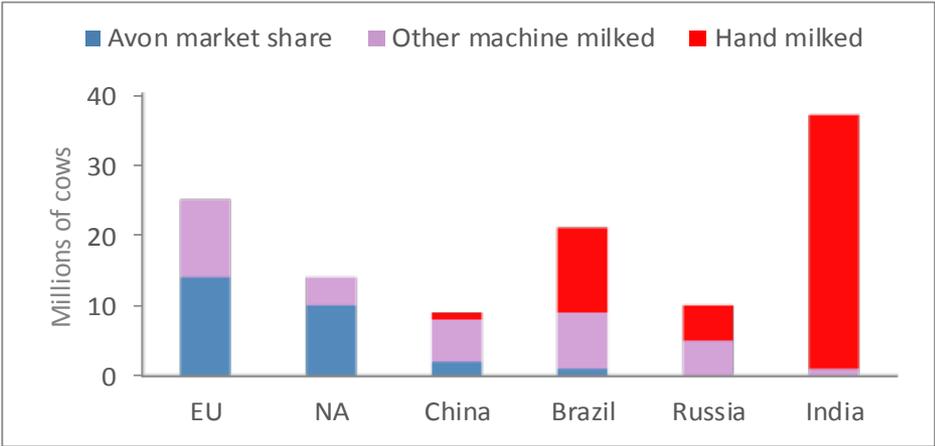


THE EMERGENCE OF 3 BILLION MIDDLE-CLASS CONSUMERS



Source: OECD / McKinsey.
2011 data point based on UN statistics

MARKET OPPORTUNITIES



Term	Explanation
AEF	Avon Engineered Fabrications
AUS	Avon Underwater Systems
BRIC	Brazil, Russia, India, China
CBRN	Chemical, Biological, Radiological, Nuclear
CE	Conformité Européene
EEBD	Emergency Escape Rebreather Device
HUD	Heads-up display
JSAM	Joint Service Aircrew Mask
JSGPM	Joint Service General Purpose Mask
LDI	Liability Driven Investment
LE	Law enforcement
NFPA	National Fire Protection Association
PAPR	Powered Air-Purifying Respirator
SCBA	Self-Contained Breathing Apparatus
US DOD	US Department of Defense