

PRELIMINARY RESULTS 2014





PETER SLABBERT
Chief Executive



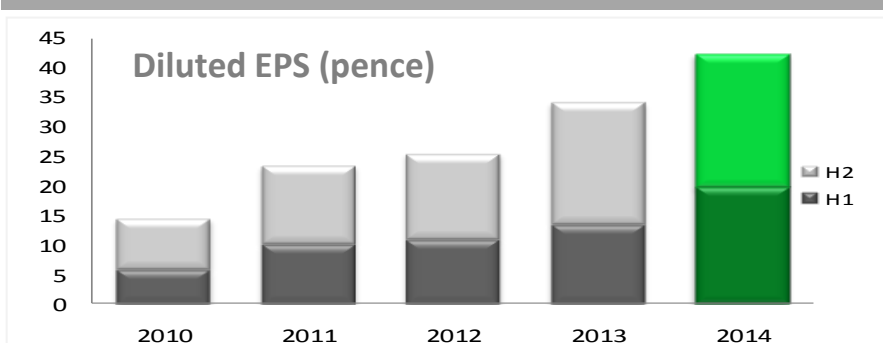
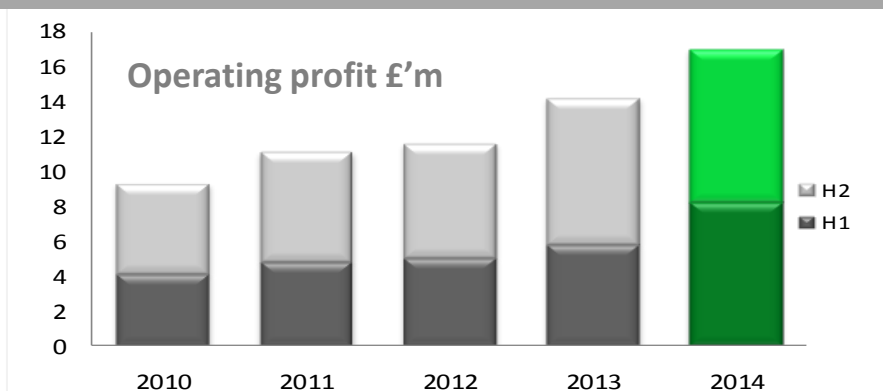
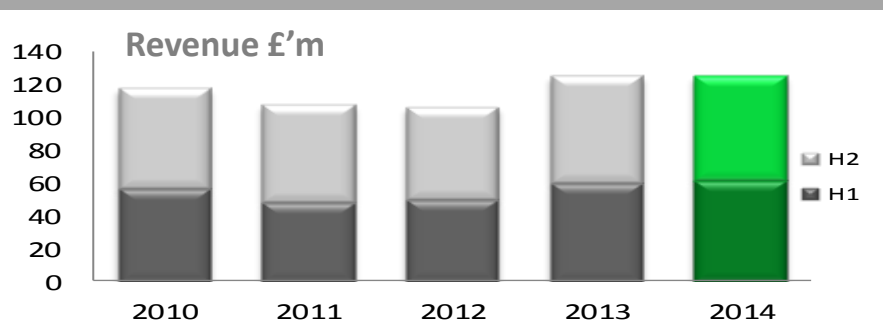
ANDREW LEWIS
Group Finance Director



DAVID EVANS
Chairman



SARAH MATTHEWS-DEMERS
Group Financial
Controller

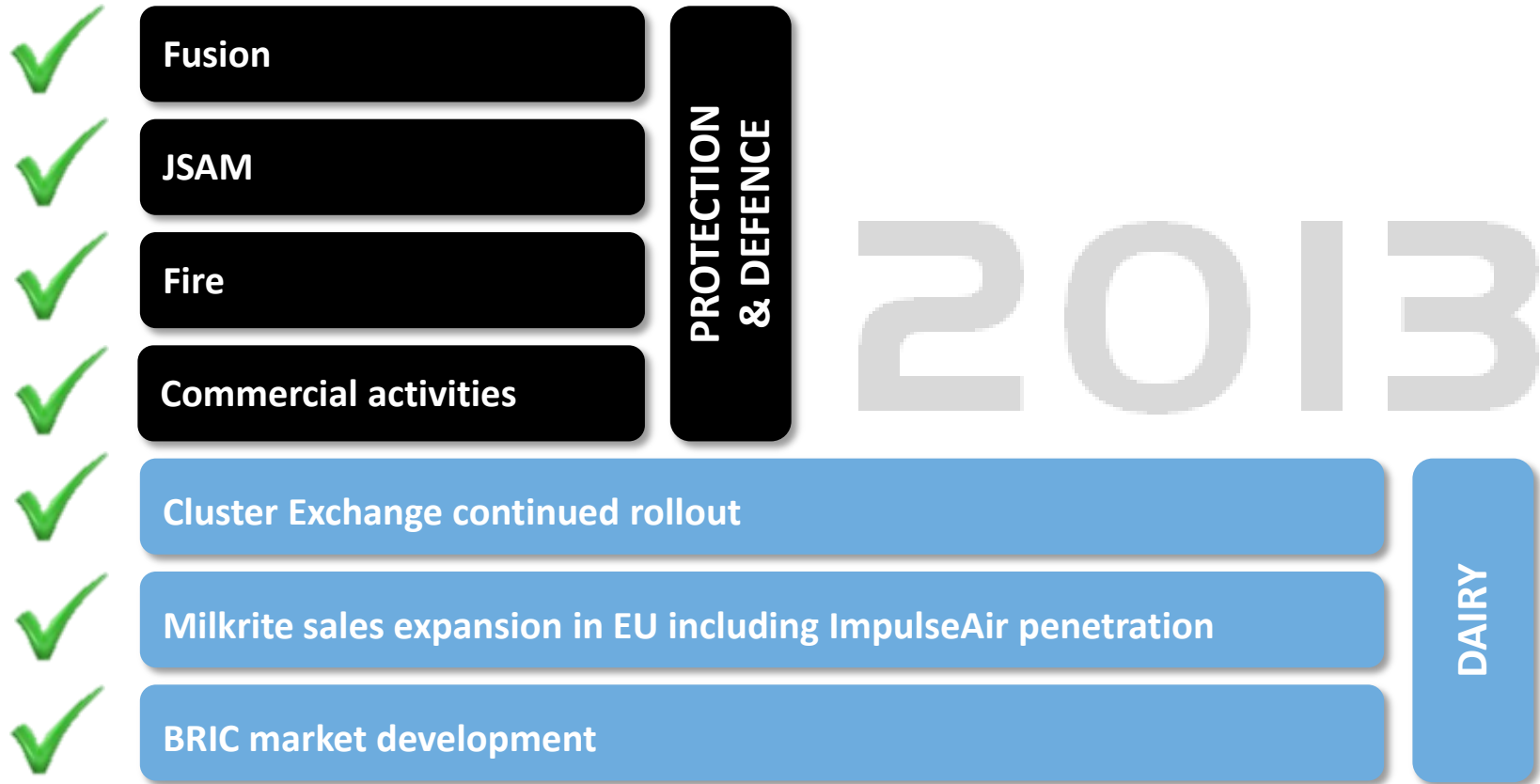


FINANCIAL HIGHLIGHTS

- Operating profit growth of 20% (26% at cc) and profit before tax increased 21% (28% at cc)
- Return on sales (EBITDA divided by revenue) improved 2% from 16% to 18%
- Diluted earnings per share increased 30% (37% at cc)
- 156% conversion of operating profit to operating cash; debt eliminated, £2.9m cash at year end
- Dividend of 5.61p per share up 30%

OPERATIONAL HIGHLIGHTS

- Order intake in Protection & Defence increased 26% to £93m; order book of £33m for delivery in 2015
- Growth in non-DOD sales from strong opening order book and higher order intake; Protection & Defence operating margin increased from 11.9% to 14.6%
- 11 new product approvals including our Deltair self-contained breathing apparatus (SCBA) and emergency escape breathing device (EEBD)
- The consolidation of our Lawrenceville facility into our Cadillac site is substantially complete
- Dairy operating margin increased from 16.3% to 17.9%
- Cluster Exchange service successfully launched in EU and US
- Dairy facility open for business in Brazil in Q1 2015





GROUP INCOME STATEMENT

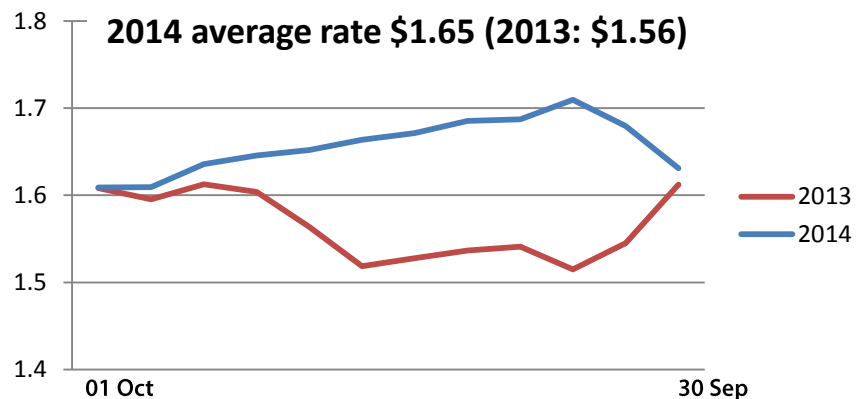
		2014 £'m	2013 £'m
Revenue		124.8	124.9
EBITDA	↑ 14%	22.9	20.0
Depreciation and amortisation		(5.9)	(5.8)
Operating profit before amortisation of acquired intangibles, exceptional items and defined benefit pension costs	↑ 20%	17.0	14.2
Amortisation of acquired intangibles, exceptional items and defined benefit pension costs		(2.7)	(1.2)
Operating profit		14.3	13.0
Interest expense		(0.3)	(0.3)
Other finance expense		(0.2)	(0.3)
Profit before taxation		13.8	12.4
Taxation		(3.0)	(3.6)
Profit for the year		10.8	8.8
Adjusted diluted earnings per share	↑ 30%	42.3p	32.5p

IMPACT OF US\$ TRANSLATION – SIGNIFICANT HEADWIND

GROUP

	Constant currency growth	2014 £'m	2013 restated at 2014 rates £'m	2013 £'m
Revenue	↑ 5%	124.8	119.1	124.9
Adjusted EBITDA	↑ 20%	22.9	19.0	20.0
Adjusted operating profit	↑ 26%	17.0	13.5	14.2

US DOLLAR RATE



Average rate for the US \$/£ translation moved from \$1.56 to \$1.65

9 cent headwind impacted 2014 operating profit adversely by £0.8m

Growth rates at constant currency approximately 5% better than reported growth rates

Current rate of \$1.57 is lower than 2014 average rate and if it continued would create an 8 cent tailwind in 2015

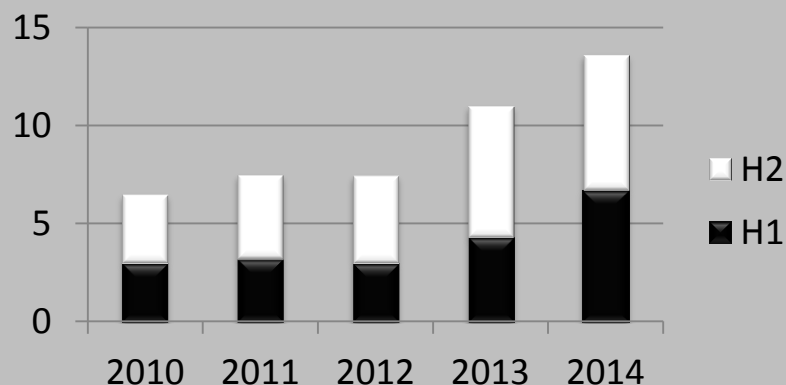
FINANCIALS

	2014 £'m	2013 £'m
Revenue	92.8	93.2
Adjusted EBITDA	18.5	16.1
Adjusted operating profit	13.6	11.0

IMPACT OF US \$ TRANSLATION

	Constant currency growth	2014 £'m	2013 restated at 2014 rates £'m	2013 £'m
Revenue	↑ 5%	92.8	88.7	93.2
Adjusted EBITDA	↑ 20%	18.5	15.4	16.1
Adjusted operating profit	↑ 28%	13.6	10.6	11.0

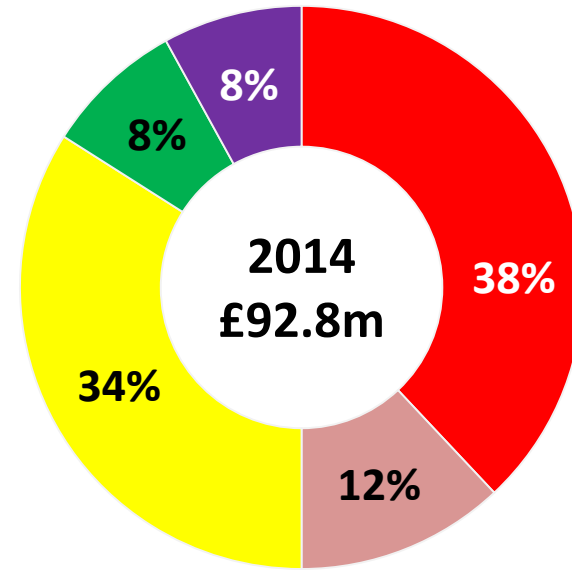
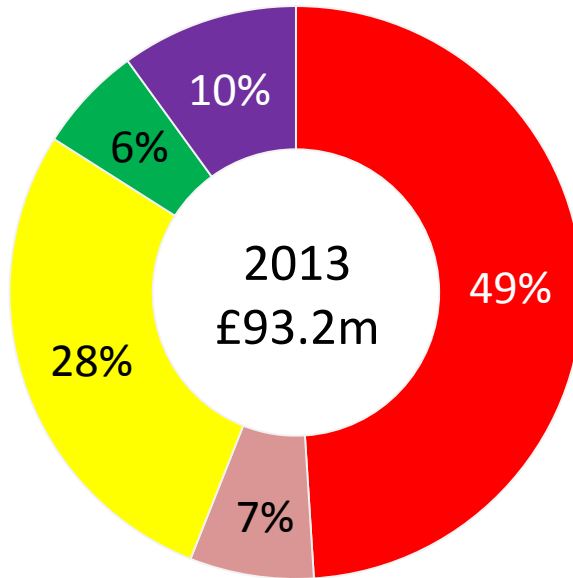
OPERATING PROFIT £'M



PERFORMANCE DRIVERS

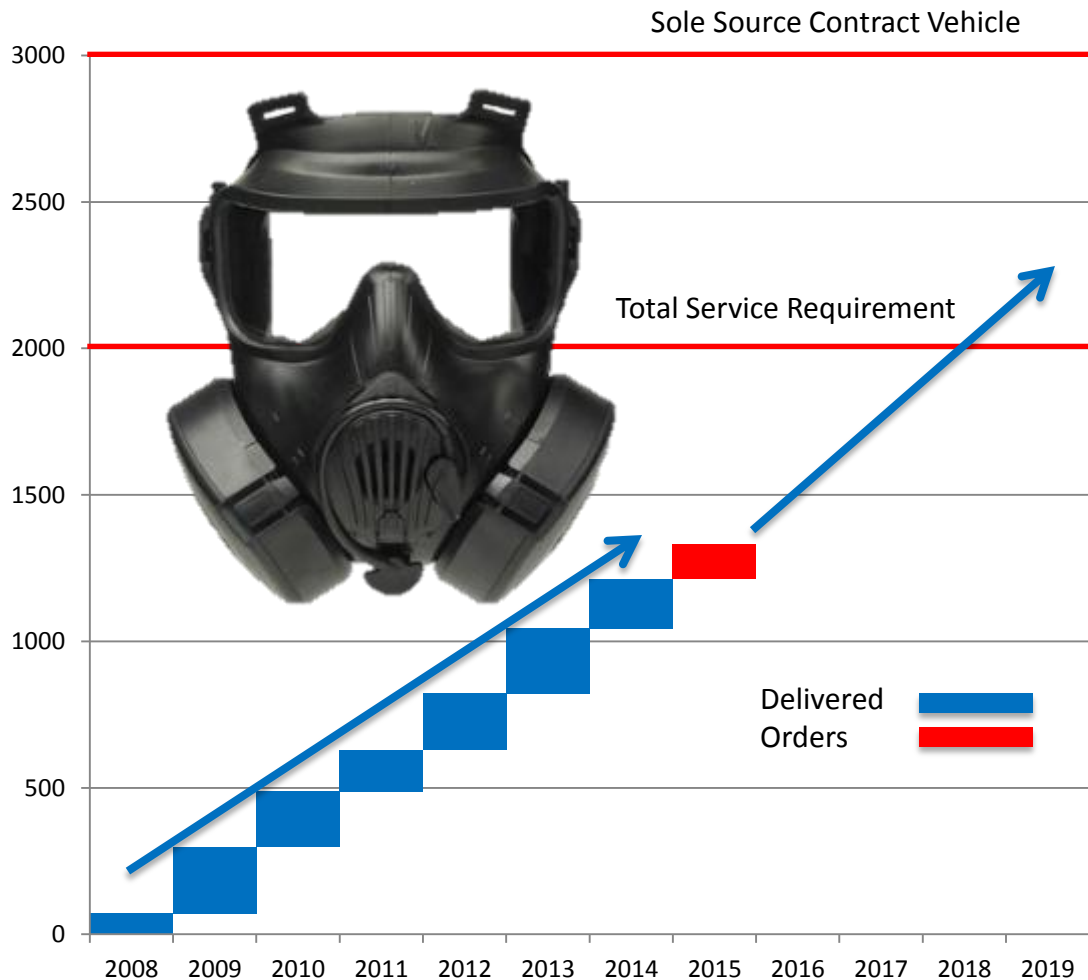
- Growth in non-DOD sales from the shipment of export orders and orders won brought forward into this financial year
- Growth in sales of other DOD spares as the installed base of M50 masks grows
- Offset by expected decrease in mask systems and filters to the DOD as production scheduling was flexed to accommodate export orders
- AEF enjoyed another positive year
- Closing order book of £33m, £12m of which is non-DOD, all for delivery in 2015

■ DOD masks / filters
 ■ DOD spares
 ■ EMEA / NA LE
 ■ Fire
 ■ AEF

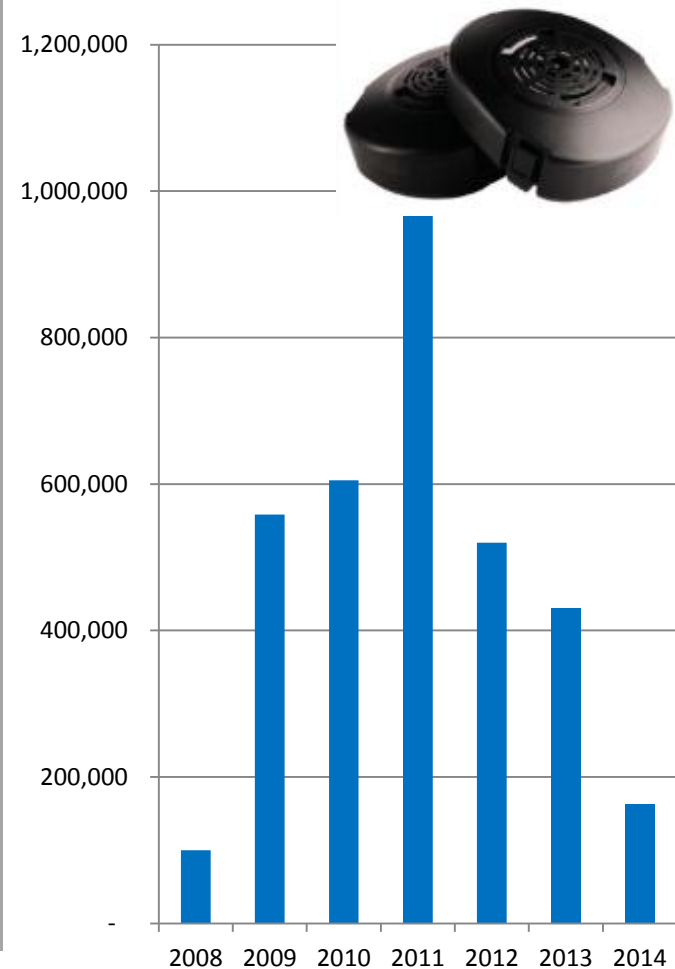


- DOD lower as operational flexibility used to produce more non-DOD
- DOD spares grow as installed base grows
- Positive market reaction to new fire product, Deltair
- Another good year at AEF

MASK SYSTEMS (THOUSANDS)



FILTER SPARES (PAIRS)



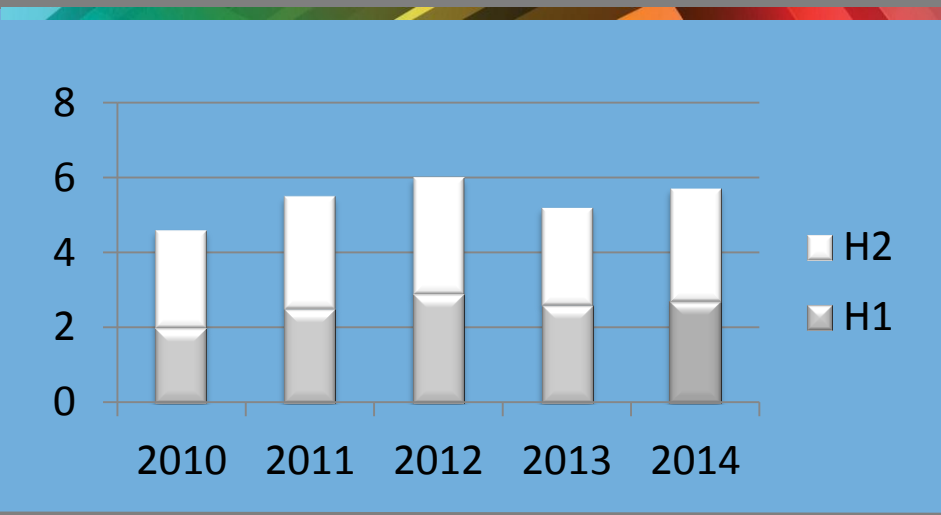
FINANCIALS

	2014 £'m	2013 £'m
Revenue	32.0	31.7
EBITDA	6.6	5.8
Operating Profit	5.7	5.2

IMPACT OF US \$ TRANSLATION

	Constant currency growth	2014 £'m	2013 restated at 2014 rates £'m	2013 £'m
Revenue	↑ 5%	32.0	30.4	31.7
EBITDA	↑ 19%	6.6	5.5	5.8
Operating profit	↑ 17%	5.7	4.9	5.2

OPERATING PROFIT £'M



PERFORMANCE DRIVERS

- Higher milk prices and lower feed costs led to more normal levels of demand for our consumable products, offset by a stronger dollar
- ImpulseAir liner reached 21% market share in US and 2.5% market share in EU
- EU Milkrite sales benefiting from increased investment in infrastructure
- Cluster Exchange programme launched successfully in Europe and the US with 887 farms signed up representing 256,000 cows
- Positive second half of 2014 in China; facility opened in Brazil in Q1 2015

	2014 £'m	2013 £'m
Cash generated from operations before effect of exceptional items	26.5	15.5
Cash effect of exceptional items	(1.0)	(0.2)
Cash generated from operations	25.5	15.3
Tax	(2.9)	(2.2)
Interest	(0.3)	(0.4)
Payments to pension scheme	(0.5)	(0.6)
Capital expenditure	(6.8)	(11.1)
Acquisition of Avon Underwater Systems	(0.1)	(0.4)
Purchase of own shares	-	(1.8)
Dividends to shareholders	(1.4)	(1.1)
Exchange and other	0.3	0.1
Movement in net cash / (debt)	13.8	(2.2)
Opening net debt	(10.9)	(8.7)
Closing net cash / (debt)	2.9	(10.9)



SUMMARY BALANCE SHEET

		2014 £'m	2013 £'m
Intangible assets		17.2	16.6
Property, plant and equipment		19.6	20.4
Current assets	£ 7 m INVESTMENT IN NEW PRODUCTS	32.1	34.3
Current liabilities		(26.5)	(23.4)
Non-current liabilities		(4.3)	(5.0)
Net cash / (debt)		38.1	42.9
		2.9	(10.9)
Retirement benefit scheme		41.0	32.0
		(16.0)	(11.3)
Net assets		25.0	20.7

IAS 19R 2014

Accounting deficit moved from £11.3m at 30 Sept 2013 to £16.0m at 30 September 2014 due to lower AA corporate bond yields reducing the discount rate used in the accounting valuation.

The AA corporate bond driven discount rate has not moved in line with the liability driven investment (LDI) (which tracks gilts) as the LDI is designed to hedge actuarial not accounting liabilities.

The triennial actuarial valuation at 31 March 2013 showed that the scheme was 98% funded and cash contributions have been agreed for the next 5 years. An update of the actuarial position as at 30 September 2014 shows a 97% funding position.

The 2013 results have been restated to reflect the revision to IAS 19. This has negatively impacted the full year 2013 statutory income statement by £0.8m. The current year results and comparatives have been adjusted to exclude all IAS 19R defined benefit scheme costs as the scheme is closed to future accrual therefore does not relate to current operations.



**Manufacturing
Excellence**

Brand

Technology

DOD

- JSGPM mask system to DOD (initial contract to 2018)
- Strong position in military Air Cushion Vehicle (ACV) market
- MM53 aircrew programme in development
- EEBD bid in 2015
- Underwater rebreather systems in development

EMEA/NA LE

- Global leader in military land based Respiratory Protection Equipment (RPE)
- Growing position in North America Law Enforcement

Fire & Industrial

- 2% - 3% market share in North America fire market
- Minimal industrial presence
- Deltair launched in H2 2014

**Manufacturing
Excellence**

Brand

Technology

DOD

- Sustainment of DOD JSGPM contract post 2018
- Portfolio of aerospace products led by MM53
- Global technology leader in military diving rebreather technology
- 15 year EEBD programme
- ACV & Fluid storage tank supplier

EMEA / NA LE

- Fusion complete – reinforce dominance in LE / First Responder market in NA
- Global leader in military respiratory protection:
 - Land based
 - Airplane crew
 - Underwater
 - Special Forces

Fire & Industrial

- Deltair market share increase in the North America fire market
- Success in water storage systems supply to fracking market
- Strong niche player in respiratory protection for oil & gas and the mining market
- Medical & biological threat protection

MODULAR PPE SYSTEM | MULTIPLE FUNCTIONALITY | TOTAL MARKET COVERAGE

In 2014 we delivered Stage 1 of our AvonAir Powered Air Purifying Respirator System (PAPRs), an extended range of NIOSH and CE-approved filters, Deltair, EEBD & HMK150 Helmet Mask Kombination System.

11 products delivered in 2014

5 products currently undergoing testing

18 products in progress to deliver in 2015 (primarily PAPR variants)

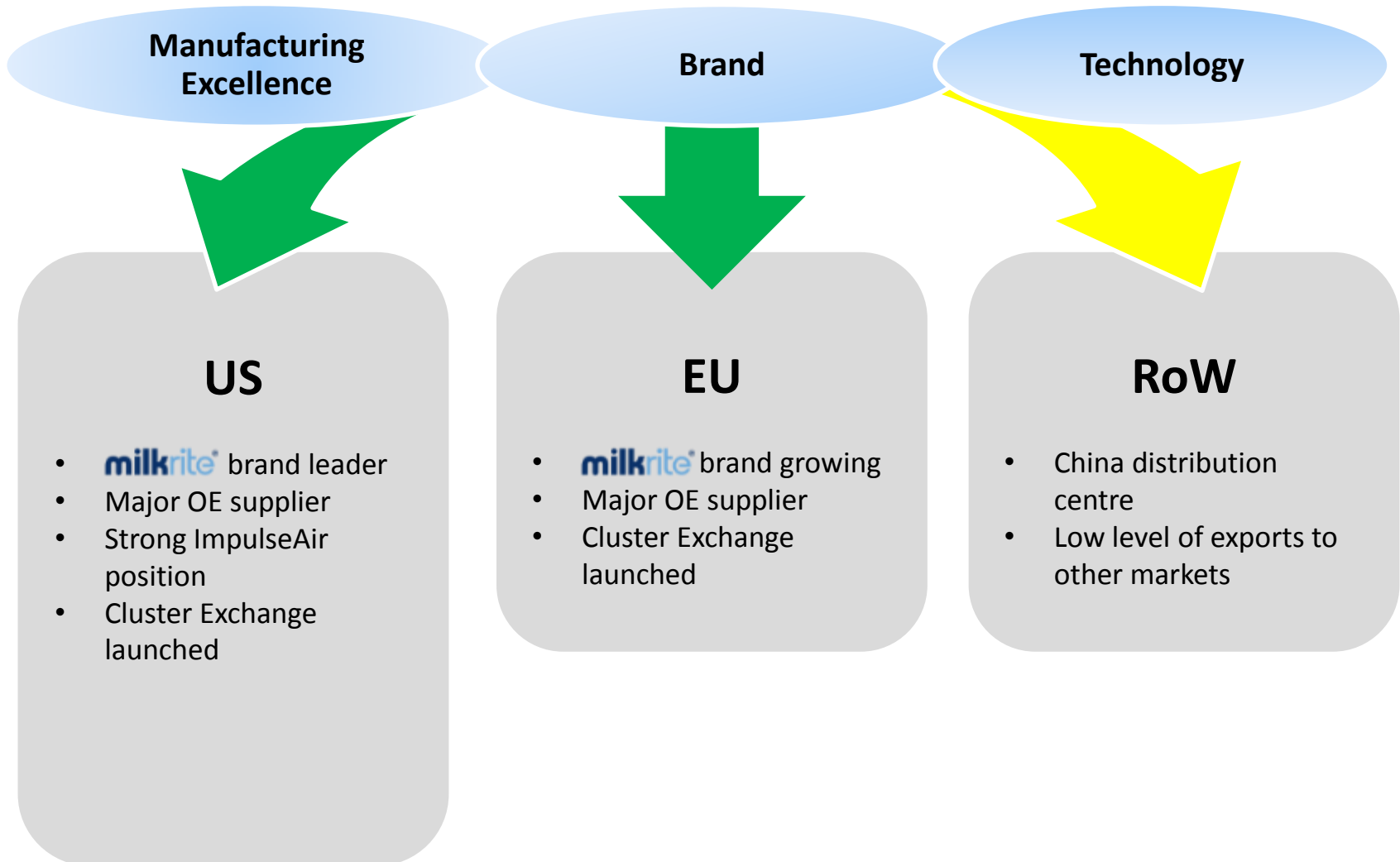
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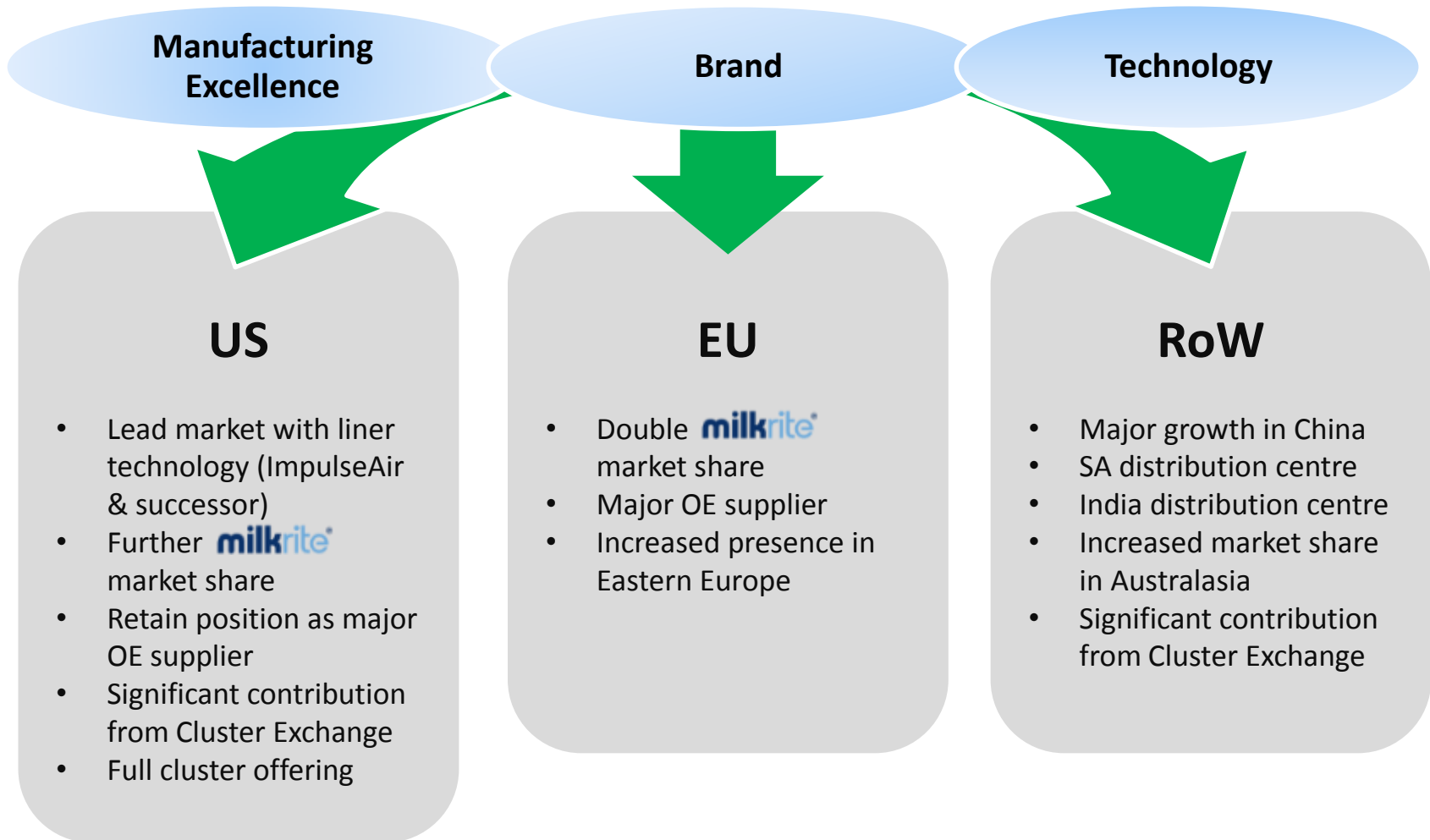


MARKET ENVIRONMENT


GROWTH DRIVERS

	MARKET ENVIRONMENT	GROWTH DRIVERS
DOD	<ul style="list-style-type: none"> Budgets stabilised 	<ul style="list-style-type: none"> Personal protection remains a priority JSGPM filters Funding line for JSGPM project still intact JSAM new programme start (\$70m opportunity) EEBD (\$140m opportunity) Navy rebreather programme (\$15m opportunity)
EMEA & NA LE	<ul style="list-style-type: none"> Reducing US federal funding Budget pressures Increasing risk recognition / events Emerging markets 	<ul style="list-style-type: none"> Market share gain from existing installed user base (>600k masks). Avon share circa 15% (\$100m opportunity) Current bio threat Increase in chemical weapons terrorism threat ME threats leading to significant CBRN spend New markets recognising CBRN protection needs Events – G20, Olympics, World Cup etc. Likely replacement product of choice in established markets
FIRE & INDUSTRIAL	<ul style="list-style-type: none"> Reducing US federal funding NFPA standard implemented April 14 	<ul style="list-style-type: none"> \$400m p.a. NA market Market share growth with new Deltair product New technology / standards creating industrial opportunities in Oil & Gas and Mining AEF fracking JV






LINERS | TUBING | SHELL | CLAWS | CLUSTER EXCHANGE SERVICE | PULSATORS



impulseAir®

21% market share in US
2.5% in Europe



cluster
exchange service

Monthly Revenue £000

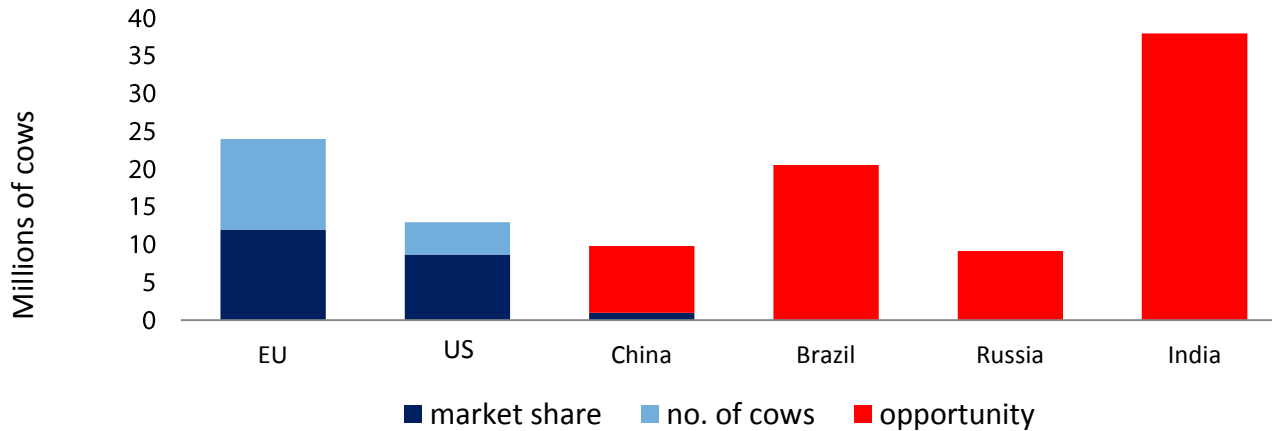
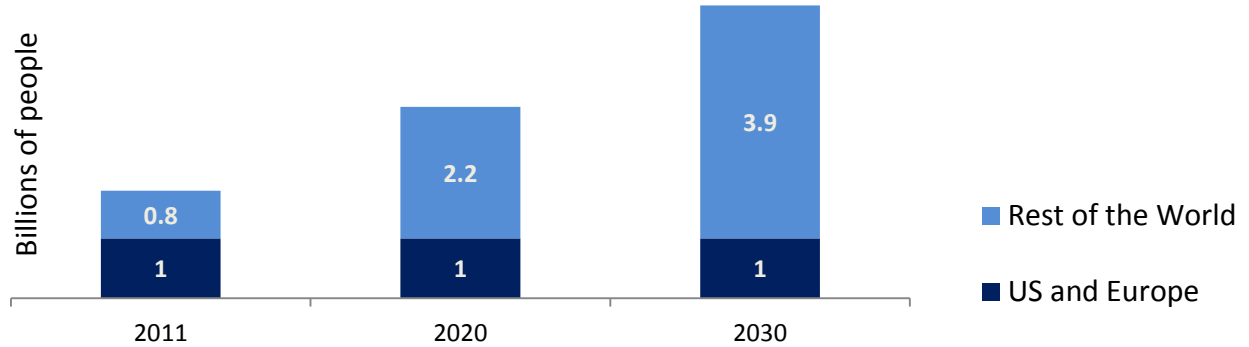
Year	Monthly Revenue (£000)
Oct-12	35
Oct-13	75
Oct-14	165

887 farms
256,000 cows

FULL CLUSTER OFFERING 2015

THE EMERGENCE OF 3 BILLION MIDDLE-CLASS CONSUMERS

Source: OECD / McKinsey. 2011 datapoint based on UN statistics



MARKET ENVIRONMENT

GROWTH DRIVERS

US

- Farm profitability improving with higher milk price and lower input costs
- Farm consolidations (Mega farms)

- Cluster Exchange
- ImpulseAir
- Full cluster offering

EUROPE

- Farm consolidations
- Quota/subsidy reductions
- Russian sanctions

- Milkrite market share
- ImpulseAir
- Cluster Exchange
- Eastern Europe
- Improved distribution & more feet on the ground

EMERGING MARKETS

- Population growth
- Increasing demand for dairy products
- Government supported investment in infrastructure
- Increased industrialisation of milking process

- BRIC markets
- In-country distribution
- China well established
- Brazil opened in Q1 2015



Our strategy has significantly improved the shape of the Group, reduced the risk profile and improved margins. This is providing continued growth and the outlook for the future remains positive.

In our global Protection & Defence business we have good visibility of DOD revenues for 2015 and expect to see growth in the fire and industrial markets. New products will contribute to growth and we should see a positive operational gearing effect from a stable cost base.

The Dairy business is well positioned with positive current market conditions and long-term market growth potential. We expect volume growth from our investment in the emerging markets of China and Brazil and from the Cluster Exchange programme. We continue to invest in enhanced milking technologies.



Growth of non DOD business in foreign military, homeland security and industrial

Further DOD business with EEBD & JSAM

Improve our fire market share in NA through success with Deltair

Expand product range

PROTECTION & DEFENCE

ImpulseAir growth in US & EU

Cluster Exchange growth in US & EU

Brazil sales & distribution facility open for business

Expand product range



DAIRY



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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.

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