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# OLDFIELDS HOLDINGS LIMITED
# ANNUAL GENERAL MEETING
# 26th NOVEMBER 2012

## CHAIRMAN'S ADDRESS

Last year has been very challenging. The company has responded well to these challenges and some important milestones in the turnaround process have been reached including an important opportunity to recapitalise your company.

In the year to June 2010 Oldfields traded at a loss of $8.6 million, by June 2011 that loss had been reduced to $3 million. In the year to June 2012 the loss had reduced to $1.7 million and the company was EBITDA positive. Those shareholders reading the printed version can see these figures in the table below. The company has made a good start to the 2012-13 financial year and in the first quarter trading resulted in an EBITDA of $393k, significantly above the result for the corresponding period in 2011.

| 30 June 2010 | 30 June 2011 | 30 June 2012 |
|---|---|---|
| Loss of $8.6 million | Loss of $3million | Loss of $1.7 million |
| | | |

As I mentioned at the AGM last year, the outlook was not rosy. The construction industry is going through a period of low activity which has affected the scaffolding business severely along with economic uncertainty has led to a reduction in consumer spending.

The economic outlook for the Australian economy remains subdued. The outlook for Oldfields is better than the outlook for the economy as a whole. The national network of scaffolding depots allows us to meet the market as it emerges and we believe that our manufacturing facility in China gives us access to the most cost effective supply of aluminium scaffolding in Australia. In the paint applications division we are growing with the increase in competition driven by new entrants to the large format hardware retail market. Our sheds business is competing on quality and service and exports are continuing even with the current strong Australian currency and weak European demand.

We have an opportunity to recapitalise the company with support from our bank in the form of a debt buy back at a 50% discount. That will transform our balance sheet and create a company which is well positioned to grow strongly as the market recovers from its current lows. Negotiating this agreement with a major bank has been a long and difficult process but has resulted in an outcome which offers Oldfieldsôshareholders good value. I would like to express the boardôs appreciation of our bank for their patience and support and also to recommend to shareholders that they seize the opportunity that has been given to them and strongly support the rights issue.

Financial structuring is only part of the story. Management has achieved a great result and I would like to express the boardôs appreciation of their efforts in delivering the performance that has brought the company to this point. On 1 July Ray Titman, our former Managing Director, retired. We wish him well and thank him for his many years of service.

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Chris Giles, who will be addressing you shortly, has proved an able and valuable replacement and the board is pleased to report that he has taken to his new role with a passion and ability that has given the company a much needed boost. Good work has been done to build strong relationships with our key customers and to transform our range of products and services to meet customersô needs. The Paint Applications and Sheds businesses have been aligned and now use a combined sales force that is properly incentivised to expand Oldfieldsô presence at each point of sale.

Several shareholders voted against the Remuneration Report last year. I contacted each of these shareholders to canvas their views and provide information on how bonuses and other remuneration elements are set. Many were more concerned about the poor performance of their company than about the remuneration report. The board and management agree that the last three financial yearsô performance has been very poor. If you, as a shareholder, have any issues that you would like to raise I invite you to contact me and I will endeavour to resolve them.

Oldfields has a small board; Lewis Timms, Chris Giles and me. We work to provide good corporate governance without excessive cost. Our approach to governance is explained in the annual report. We work closely with our auditors, Paul Bull and Greg Bell at BDO. Paul is with us today and will answer any questions you may wish to ask.

Your board believes that a firm foundation for growth has now been established. The challenge is to build upon that foundation at a time when the construction market is still weak and the household sector is under pressure. The changes of ownership in the hardware retail sector will help Oldfields to achieve above average growth over the next five years. Our cost structure is competitive in the scaffolding business and, once recapitalised, we will benefit from low gearing.

With that, I would now like to hand over to Chris Giles, who will present a more detailed review of Oldfieldôs operations, and give an update on trading performance in the first quarter.

## CEO'S ADDRESS

Thank you Julie.

I am honoured to have been appointed as CEO of Oldfields, a company approaching its 100th anniversary. As I am sure you are aware it is a company that has underperformed for many years, and I have no doubt that our shareholders are dissatisfied with the performance of the company, the board shares your frustration and you can rest assured the whole team at Oldfields are working hard to deliver on our strategy, and will get the business growing again and back to profitability.

This strategy involves:
Step 1

- Getting the business fundamentals right
- Getting our cost base right
- Working with our customers better to ensure we have a long term business relationship

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Step 2

- Renegotiate a medium term credit facility which is workable for the business
- Execute our side of the agreement

Step 3

- Invest in product development
- Enhance our consumer offering
- Look at entering new categories within the hardware market where we can leverage our brand and relationships
- Look at ñbolt onò acquisitions that fit our business model

Last year my predecessor, Ray Titman, outlined a number of initiatives that had been undertaken to commence the turnaround, and stated that we have a lot more work to do. You can be assured that we are continuing the transformation of the business to lead it back to profitability and these results are now being reflected in our improved financial performance.

Whilst the financial result for last year was unsatisfactory, the foundations were being laid to get the business back on track. We merged our paint applications and sheds sales teams into one unit, in addition to this we restructured a number of reporting lines and made a number of key management appointments which strengthened the team. We are investing in our people again; we recently rolled out a 5 day national training program for all of our sales staff, more training will be taking place for all staff. We reduced costs, particularly in the scaffolding area in order to ensure the business survived as demand dropped away.

I am very pleased to say that we achieved total company wide cost savings of $1.1M last year and we are on target to achieve further savings this year of around $900,000. These savings are real, and there has been no impact on the business from these, itôs all about working smarter, negotiating better with our suppliers and in some cases finding different ones. We are reinvesting some of these savings to in the business, developing new attractive packaging for our products, investing in our people, and developing new products. In July we took price increases in our paint applications business, this was the first increase since 2008/09.

I will now discuss each of the business in more detail.

**Paint Applications**

Paint Applications revenue grew at 2.3%, which is a strong turnaround after many years of decline. Profitability has also improved. Much of this growth has come from the Masters hardware business where we enjoy excellent distribution and are working well with the Masters team to grow the category. Our growth is forecast to accelerate as the store rollout program develops.

We are also very aware of the importance of our independent trade customer base and continue to provide the highest levels of customer service to these customers to support them by providing more relevant products for their customer base. Our sales to Mitre 10 also increased in the year and we continue to service this major customer. This year we will be working more closely with all of our customers as we develop new in store point of sale material to promote our products and grow our customers business.

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We recently employed our own sales staff in South Australia replacing our independent distributor and the benefits of this are already being felt with improved sales coverage and service. In addition we continue to work at growing our distribution of products in the independent trade and look for opportunities to increase our presence in this important market.

The outlook for the paint applications business is very good, with strong growth forecasted for this year reversing the declines over many years. New consumer appealing packaging and products will be rolled out in 2013 further enhancing our product offering.

**Scaffolding Division**

This business had a difficult year, brought about by the decline in building activity, which are at 20+ year lows; revenue was down 11% on prior year however margins remained strong. In order to offset the decline in activity, costs had to be cut, which unfortunately meant we had to reduce our staff numbers in some branches, as well as reducing discretionary expenditure to get the cost base right to ensure the business could be maintained until activity improved. Rationalising the Brisbane branch network from two branches to one in July 2011 delivered the expected cost savings. In addition we strengthened the management of the branches in a number of key locations during the year, and efficiencies are now coming through.

Customer service continues to be a key focus of the business, ensuring that we offer a seamless service to our customers and we become the scaffolding company of choice for our customers.

Working capital management is also an area where continued good progress was made in reducing outstanding receivables and inventory levels.

The expected uplift in sales due to changes in the WH&S guidelines for scaffolding in NSW and Queensland, did not eventuate to the degree expected, mainly because of the downturn in the hire industry, however we expect when activity increases, additional sales orders will be received to meet the new requirements, in particular as these new guidelines will be introduced in some other states from next year.

Hire revenues in the past year were subdued, competitive activity is high, and work has declined, which has been a difficult mix to deal with. However, we are seeing signs of improvement this year, it is somewhat patchy, with very good activity very early in the year in Victoria and NSW, this has now reduced marginally, however Queensland, South Australia and Western Australia have improved. The momentum appears to be more on the upside than downside. Revenues this year are still down on prior year, however margins have improved significantly, as we improve the utilisation of our own scaffolders. Profitability is more than double that achieved in the same period last year.

**Outdoor Storage**

This business continues to do reasonably well and is trading profitably. Revenues in the year grew at 4.7%. The export business continues to hold up remarkably well considering the high Australian dollar and the depressed European economy. Domestic sales are maintaining similar sales rates from prior years. The product holds a good niche position in

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the market, and we continue to work on obtaining both additional export business as well as gaining a position with one or more of Australia's three largest hardware chains. This is a major area of focus.

We are also benefitting from a larger sales force following the combination of sales representation for all of the company's consumer products.

**PT Ace Oldfields**

Our Indonesian JV business continues to grow its domestic business, however the low margin export business to the US is under pressure from cheaper supply sources. All profits from this business continue to be reinvested back into growing market share in Indonesia.

We recently reduced our equity stake in the business from 49% to 34%, this stake was sold slightly above the carrying value. The sale proceeds will be used to reduce debt.

**Outlook**

I believe that the outlook for the business is the best that I have seen in the 2 years I have been with the company. Business fundamentals are stronger, our unaudited EBITDA for October year to date is 71% ahead of prior year. We recently provided shareholders with a company presentation showing that we expect to improve our EBITDA this financial year to $2M and generate cash before capital expenditure of $1.4M.

Whilst these numbers are a great improvement on prior years, it is just the start of the turnaround story for Oldfields with good growth opportunities in all three of the categories we operate in.

The business has been in survival mode for many years, I think the whole team has done a remarkable job to get the business to where it is today considering the financial constraints that we have been under, particularly our inability to fund growth initiatives.

The first stage of the Oldfields recovery is nearly complete, which was getting the business fundamentals right, we have closed our loss making operations, strengthened management, improved financial reporting and controls, we have a good growth engine in terms of our paint applications business, right sized the cost structure in the scaffolding and outdoor storage business, and now we need to complete stage 2 of the strategy. That is to repair the Balance Sheet to give us the opportunity to invest further in our people and brands and capitalise upon additional organic and acquisitive growth opportunities.

As we announced on Thursday November 22, we have extended to offer for our rights issue by 2 weeks, this was done to provide additional time for us to talk to existing shareholders and new investors to complete the capital raising, which is a condition precedent for our banking facility. The successful completion of the capital raising is critical to the success of the business. If we are unable to raise the required funds, then this will be an event of default under our facility agreement with our bank. I sincerely hope you support the strategy we have in place and show this support by subscribing to the rights issue.

Thank you

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