



## news release

12 August 2010

### Hampson Industries PLC Interim Management Statement and Trading Update

Hampson Industries PLC (“Hampson” or “the Group”), the international aerospace and precision engineering group, today issues the following Interim Management Statement covering the period from 1 April to the current date.

#### Markets and Performance

##### *Summary*

We reported in June 2010 that the overall rate of recovery during the first two months since the year end had been slower than we had anticipated, particularly in our Odyssey tooling business, and that it was appropriate to remain cautious about the Group’s expectations for the 2010/11 financial year and in particular the results for the first half.

Since that time, conditions in the Group’s core aerospace markets have remained broadly as anticipated, albeit a slower than expected overall rate of order conversion has continued into June and July.

##### *Aerospace Composites & Transparencies*

In aerospace tooling, Coast Composites and GTS have seen strong improvements compared with the equivalent period in 2009/10 - largely driven by increased activity on the A350 and Joint Strike Fighter (“JSF”) programmes. Order intake has, however, remained very low at the Group’s largest facility, Odyssey. Delays in the receipt of engineering data from certain customers have further impacted activity levels and hence operational efficiencies at this facility for the period. In light of these issues, further significant cost reductions have been initiated together with improvement actions that include the implementation of SAP, the strengthening of key management positions and the consolidation of resource across other tooling facilities. These actions are expected to deliver benefits in the second half. Don Stockton, formerly of Precision Castparts Corporation Inc., was appointed to the newly created position of Chief Executive Officer, Tooling Operations, with effect from 3 June 2010.

In August 2010, the Group was awarded a new tooling contract worth USD10 million (£6 million) from Boeing – the largest in the year to date – which is expected to be partially completed in the current financial year. Discussions are currently at an advanced stage with respect to further substantial opportunities with Boeing and other customers which are expected to result in further order book growth in the near term. Nevertheless, Odyssey has been loss-making in the period to date and will continue to remain so until order flow recovers and the management actions that have been put in hand take effect.

The Group’s composite component businesses, Texstars and CHI, have seen delays in the placement of orders by customers for some military programmes which are now expected to be received in the second half of the financial year. In particular, the JSF programme is now starting to gain greater momentum in the Low Rate Initial Production Phase which will benefit CHI with increased sales of composite engine components from the end of the first half onwards.

##### *Aerospace Components & Structures*

In Aerospace Components and Structures, following the successful implementation of SAP, the planned restructuring at BHW is proceeding as anticipated with further cost reduction actions expected to contribute to improved results in the second half.

The shims businesses have performed strongly in the period and are expected to continue to exceed the Board’s previous expectations throughout the rest of the year.

## **Outlook**

Although the overall rate of recovery in the Group's tooling operations has been slower than the Board had initially anticipated, both the tooling order book and the pipeline of potential new work in quote continue to remain strong. Based on current discussions with customers, the Board envisages that the rate of conversion from quotation to new orders will accelerate in the near term, which, together with management actions in hand, will lead to improved results in the second half.

However, in light of the slower than anticipated start to the year, the Board now expects first half trading profit\* to be approximately £6 million and therefore also expects profit before taxation for the year as a whole to fall materially below current market estimates.

## **Financing**

Net debt at 31 July was approximately £99 million, an increase of approximately £17 million since the previous year end. The increase reflected usual seasonal phasing of working capital and was after funding net capital expenditure of approximately £3 million and the settlement cost of hedging instruments of £4.5 million. In light of the revised expectations for the year to March 2011, the Board expects net debt at the year end to be approximately the same level as at March 2010.

Hampson continues to benefit from strong banking relationships with committed borrowing facilities with a weighted average term to maturity of 3.3 years. The Group continues to monitor closely its compliance with its key terms and conditions of borrowing and should it become necessary, expects to be able to negotiate any amendments required to fund the expected growth from new tooling contracts in the second half.

## **Disposal**

The loss-making Automotive Turbocharger business was divested on 23 June 2010 for a net cash consideration of £2.5 million. Results of this business will be shown as discontinued activities in the financial statements for the year to 31 March 2011. The disposal will give rise to an exceptional loss of approximately £9 million.

## **Directorate Change**

As previously announced, Kim Ward stood down as Group Chief Executive and left the Group with effect from 31 July 2010. He will be succeeded by Norman Jordan, who joins Hampson as Chief Executive as of 1 September 2010, having previously held senior positions in several international aerospace businesses, including latterly as Chairman and Chief Executive of Toulouse, France-based Labinal S.A.

*\*Trading Profit is defined as operating profit before restructuring and rationalisation charges, impairment charges, gains and losses on disposal or closure of businesses, amortisation of intangible assets arising on acquisition, changes in the net fair value of financial instruments and the results of discontinued operations.*

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## **Cautionary Statement:**

This announcement contains forward-looking statements that are based on current expectations or beliefs, as well as assumptions about future events. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as anticipate, target, expect, estimate, intend, plan, goal, believe, will, may, should, would, could, is confident, or other words of similar meaning. Undue reliance should not be placed on any such statements because they speak only as at the date of this document and, by their very nature, they are subject to known and unknown risks and uncertainties

and can be affected by other factors that could cause actual results, and Hampson's plans and objectives, to differ materially from those expressed or implied in the forward-looking statements.

There are a number of factors which could cause actual results to differ materially from those expressed or implied in forward-looking statements. Among the factors that could cause actual results to differ materially from those described in the forward-looking statements are; increased competition, the loss of or damage to one of more key customer relationships, changes to customer ordering patterns, delays in obtaining customer approvals for engineering or price level changes, the failure of one or more key suppliers, the outcome of business or industry restructuring, the outcome of any litigation, changes in economic conditions, currency fluctuations, changes in interest and tax rates, changes in raw material or energy market prices, changes in laws, regulations or regulatory policies, developments in legal or public policy doctrines, technological developments, the failure to retain key management, or the key timing and success of future acquisition opportunities or major investment projects.

Hampson undertakes no obligation to revise or update any forward looking statement contained within this announcement, regardless of whether those statements are affected as a result of new information, future events or otherwise, save as required by law and regulations.

**Notes to editors:**

About Hampson:

The Group's operations are structured into two business segments, serving the global commercial and military aerospace markets from manufacturing facilities in the UK, North America and India.

Hampson is a world leader in the design and manufacture of close tolerance tooling and assembly systems for composite and metallic aero structures. The Group employs approximately 1,400 people worldwide.

Hampson Industries PLC is listed on the main market of the London Stock Exchange (Symbol: HAMP). For more information on Hampson: [www.hampsongroup.com](http://www.hampsongroup.com)