

ASX and Media Release

(ASX : GAP)

17 February 2016

GALE Pacific FY2016 first half profit exceeds guidance Full year guidance increased

- H1 FY2016 profit before tax of \$3.5 million (H1 FY2015: \$0.70 million underlying)
- Revenue up 22% compared to H1 FY2015
- Positive operating cash flow of \$1.5 million, compared to cash outflow of \$9.0 million in H1 FY2015
- Interim dividend reinstated – 0.75 cents per share
- New long term multi-currency banking facilities secured
- FY2016 profit before tax forecast to be in the range \$12 – \$14 million (FY2015: \$8.7 million underlying)

GALE Pacific Limited today announced a profit before tax of \$3.5 million for the six months to 31 December 2015, up on the \$0.7 million underlying pre-tax profit in the previous corresponding period. This exceeds the higher end of company's guidance range of \$2.75-\$3.25 million provided in October 2015. After-tax profit was \$3.2 million, compared to underlying after-tax profit of \$1.1 million in H1 FY2015.

Directors have declared an interim dividend of 0.75 cents per share unfranked (H1 FY2015: nil), payable on 4 April 2016 to shareholders on the register at 21 March 2016.

| Results summary for the 6 months ended | 31 December 2015 (A\$ million) | 31 December 2014 (A\$ million)* | Change (%) |
|---|-----------------------------------|------------------------------------|-----------------------|
| Sales revenue | 82.4 | 67.4 | 22 |
| Underlying EBITDA | 8.2 | 4.5 | 82 |
| Underlying EBIT | 4.5 | 1.6 | 179 |
| Underlying profit before tax | 3.5 | 0.7 | 383 |
| Underlying profit after tax | 3.2 | 1.1 | 194 |
| Statutory profit/(loss) before tax | 3.5 | (1.8) | Loss to profit |
| Statutory profit/(loss) after tax | 3.2 | (0.6) | Loss to profit |
| Underlying earnings per share (cents) | 1.07 | 0.4 | 194 |
| Statutory earnings per share (cents) | 1.07 | (0.2) | Loss to profit |
| Interim dividend – unfranked (cents) | 0.75 | - | - |
| Net debt | (20.0) | (26.2) | 24 |
| Operating cash flow | 1.5 | (9.0) | negative to positive |
| * Please refer to the Group Managing Directors report for reconciliation between underlying and statutory numbers for comparative year. | | | |

GALE Pacific Group Managing Director Nick Pritchard, said: "We are pleased with the improved profit performance which is the result of continued execution of our growth strategy. The strong sales growth reflects new business wins, increased innovation in our product categories and improvements in our service.

"Importantly, the strong sales growth has been achieved whilst simultaneously exiting non-core product categories and non-strategic and unprofitable business, and we now have a platform that will support further profitable growth.

"All regions delivered strong sales growth with the exception of Eurasia which, as announced previously, is undergoing a major transformation. Australasia was a particular highlight, driving a large part of the profit improvement, primarily as a result of higher sales and ongoing improvements in the supply chain.

"We have continued to focus on improving inventory management, reducing the number of suppliers and improving supplier terms. These initiatives contributed to positive operating cash flow compared to a significant cash outflow in the prior corresponding period.

"The much improved operating performance and robust balance sheet has provided the directors with the confidence to reinstate the interim dividend."

AUSTRALASIA

| For the 6 months ended | 31 December 2015 (A\$ million) | 31 December 2014 (A\$ million) | Change (%) |
|------------------------|-----------------------------------|-----------------------------------|----------------|
| Sales | 57.4 | 48.6 | 18 |
| EBITDA | 4.1 | (0.9) | Loss to profit |

The transformation of the Australia/New Zealand region is largely complete and has resulted in strong sales growth across both retail and commercial sectors, driven primarily by new product range wins and improving service. The company continues to work collaboratively with key customers to ensure that it delivers the innovation needed in its product categories. At this time of change within the Australian home improvement sector, innovation will be crucial to GALE Pacific's future success.

In line with the company's strategy to simplify logistics and procedures, warehouses across Australia were consolidated and a new Victorian warehouse was established that will enable further cost reductions and improve service.

Importantly, there was also significant investment in the Coolaroo brand, with an integrated national marketing campaign that included television. This is the first significant brand investment by the business in many years and is in line with the strategy of investing more heavily in a smaller number of brands.

AMERICAS

| For the 6 months ended | 31 December 2015 (A\$ million) | 31 December 2014 (A\$ million) | Change (%) |
|------------------------|-----------------------------------|-----------------------------------|------------|
| Sales | 14.1 | 10.1 | 40 |
| EBITDA | (0.9) | (0.5) | (71) |

Sales in the Americas region continued to grow strongly across both retail and commercial sectors and, in local currency, grew 14%; however, profit was impacted by higher end-of-season returns by major retailers.

The company secured additional ranging at major hardware retailers which will commence early in calendar year 2016, providing an impetus to retail sales in the second half.

Several investments were made to strengthen the regional supply chain management team and improve operations, including the establishment of new 3rd party logistics facilities to service customers better in eastern USA and in Canada.

Most sales and profit in the Americas are recorded in the northern hemisphere summer, and the region is expected to report a strong profit for the second half.

MIDDLE EAST NORTH AFRICA

| For the 6 months ended | 31 December 2015 (A\$ million) | 31 December 2014 (A\$ million) | Change (%) |
|------------------------|-----------------------------------|-----------------------------------|------------|
| Sales | 8.6 | 6.4 | 34 |
| EBITDA | 1.7 | 1.5 | 18 |

Despite more challenging market conditions, the MENA business once again performed strongly with sales in local currency up 9% on the previous corresponding period. Considerable potential exists for the company's commercial products in this region and a number of strategies have been implemented to accelerate taking advantage of this opportunity. Further growth is expected via the addition of new, higher performing architectural shade fabrics and increased investments in people to capitalise on the opportunity.

EURASIA

| For the 6 months ended | 31 December 2015 (A\$ million) | 31 December 2014 (A\$ million) | Change (%) |
|------------------------|-----------------------------------|-----------------------------------|------------|
| Sales | 2.4 | 2.4 | - |

Progress with transforming the Eurasian business has been pleasing, with the appointment of an entirely new, multi-lingual team, now based in the region. The company has refocused on a smaller number of more strategic geographic areas and customers, and this is expected to deliver sales growth in the years ahead.

The Eurasia EBITDA contribution is included in the China Manufacturing Operations' result.

CHINA MANUFACTURING OPERATIONS

| For the 6 months ended | 31 December 2015 (A\$ million) | 31 December 2014 (A\$ million) | Change (%) |
|------------------------|-----------------------------------|-----------------------------------|------------|
| EBITDA | 4.3 | 4.5 | (3) |

The transformation of the China manufacturing operations continues to progress on schedule as activities to improve cost-effectiveness, flexibility and service start to take effect. Non-core manufacturing processes are being exited in order to focus on manufacturing processes where the company has a core competency and a globally competitive manufacturing cost position.

EBITDA for China includes contributions from Eurasia and inter-company trading.

CASH GENERATION AND WORKING CAPITAL

Group working capital increased year-on-year as a result of unfavourable exchange translation and higher receivables due to considerably increased sales. Pleasingly, inventories reduced in all major markets despite the effect of foreign currency translation. The positive operating cash flow reflected improved trading terms with suppliers and better inventory management, along with the stronger profitability.

NEW GLOBAL BANKING ARRANGEMENT

The company has reached agreement with the Australia and New Zealand Banking Group (ANZ) for a new long-term, multi-currency banking facility on improved commercial terms, and with reduced overall funding costs compared to previous facilities and a three year funding term.

The new banking arrangement is in line with the company's strategy to simplify the business and make arrangements that will support international growth.

OUTLOOK

The board is confident that the company's current momentum will be maintained and that its strategy is appropriate to deliver continued earnings growth.

Based on current indications, it is anticipated that the second half results will be above the same period last year and that FY2016 profit before tax (PBT) will be in the range \$12 – \$14 million, considerably ahead of PBT for the prior corresponding period of \$6.2 million (\$8.7 million underlying).

ABOUT GALE PACIFIC

GALE Pacific is a manufacturer and marketer of commercial and DIY products that protect and enhance environments around the world. Based in Australia, the Company operates globally with approximately half of its revenue coming from other markets. GALE's products are marketed across commercial and retail sectors, with distribution into architectural, horticultural, agricultural, mining, construction, and home improvement channels; they are stocked by many of the world's largest retailers and also have strong online distribution.

Key products include architectural shade fabrics, exterior window shades, shade sails and an array of specialised commercial fabrics used for crop protection, irrigation, water storage and screening. Retail shade and screening products are marketed under the Coolaroo brand. Commercial products are marketed under the GALE Pacific brand.

In Australia and New Zealand, the Company also markets a range of interior window furnishings under the ZONE Interiors brand and a range of glass DIY pool fencing and balustrading, shower screens and other glass products under the EVERTON brand.

GALE Pacific is a world leader in specialised textiles and associated products and is recognised in its markets as an innovator and long-term producer of premium quality products.

The Company is focused on strengthening its global market position through product innovation and brand strength.

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