

ASX RELEASE

Second Half 2017 – Trading Update

19 July 2017

Coventry Group Ltd (ASX: CYG) is pleased to announce that trading performance of the Group has stabilised during the past six months and is showing encouraging signs of improvement as turn-around initiatives begin to deliver results.

Revenue

Percentage revenue change in the second half (January to June) and first half (July to December) of FY2017 when compared with the prior corresponding periods (PCP) in FY2016 is shown below:

% Revenue Change	2HF17 vs 2HF16	1HF17 vs 1HF16
Trade Distribution	-8.2%	-10.9%
Cooper Fluid Systems	+11.1%	-7.1%
AA Gaskets	+6.8%	+15.9%
Consolidated Group	-0.9%	-7.5%

Divisional Commentary

- Trade Distribution Australia showed encouraging improvement during May and June 2017. Whilst the division remains down on PCP, daily sales run rates are beginning to improve (particularly in WA and QLD, as the mining and engineering construction sectors rebound).
- Trade Distribution New Zealand performed strongly, with revenue up high single digits on PCP.
- Cooper Fluid Systems continued to perform strongly. Revenue has improved steadily since the start of 2H 2017 – driven by the increase in service and repair work in the resources sector.
- AA Gaskets (owned 72.5% by the Group) has consolidated its market position and has continued its revenue growth (off a higher base, since securing a major new customer in 2016).

Business Event – Cyber Attack

The Group was subject to a cyber-attack in May when ransomware was inadvertently executed within Coventry's IT networks. This resulted in significant disruption to business operations in June and July 2017. Coventry engaged external specialists to assess and respond to the incident and IT functionality has now been largely rectified. Defensive controls, monitoring processes and contingency plans have also been significantly strengthened to reduce the likelihood of material impact from any future attacks.

Coventry has been unable to determine the exact financial impact of this incident on the Group. It is likely that material sales were lost during the incident as the ability to take customer orders in Trade Distribution and Cooper Fluid Systems was compromised. Third party consultant costs in the order

of \$0.5 million have also been incurred to date. These costs may be partially offset by an insurance recovery, a claim for which is yet to be raised by the Group.

Other matters

The review of inventory in Trade Distribution and Cooper Fluid Systems, led by the CEO, is close to completion but still subject to audit review. It is currently anticipated that a material non-cash increase in the current inventory provisioning will be included in the FY17 results.

Following a comprehensive review of corporate overheads by the CEO, further rationalisation of back office functions occurred in June. This has resulted in a reduction of personnel costs in the order of \$1 million (annualised), which will be offset by some one-off redundancy costs in 2017. Further significant cost savings in information technology have been identified and activities to realise these savings are well advanced.

Progress is being made with re-leasing at the surplus property at Redcliffe, Perth. Existing tenants have agreed to extend the term of their leases, albeit at lower rental rates and for shorter terms. With a part of the property yet to be sub-let, it is anticipated that a decrease in rental income in the order of \$1 million is likely in 2018.

Full year results

Further details on current initiatives and the outlook for the Group will be released in conjunction with the full year 2017 financial results, which are scheduled to be released on 25 August 2017.

For further information contact:

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