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**GERARD LIGHTING GROUP LIMITED**  
**MARKET UPDATE, ACQUISITION AND DISTRIBUTION ANNOUNCEMENT**

**Adelaide, 7 December, 2011**

Gerard Lighting Group Limited (GLG) today announced profit guidance for the half year ending 31 December 2011 ("H1 FY12") and for the full year ending 30 June 2012. This notice also serves to provide a general market update in respect of the company's activities.

Based on the Board's current assessment of market conditions and the unaudited management accounts and forecasts, GLG estimates its Net Profit after Tax (NPAT) for H1 FY12 to be in the range of \$7.75 million to \$8.25 million, compared to \$9.6 million in H1 FY11. The 2012 financial year NPAT is expected to be in the range of \$17.5 million to \$18.5 million compared to \$19.5 million for FY11.

On this basis, the Board expects full year dividends will be in line with the prior year and will be within the company's policy range.

Earnings for H1 FY12 when compared to H1 FY11 have been impacted by the following: -

- sales growth in H1 FY12 not fully offsetting the absence of one-off Government Stimulus spending in the prior year that generated sales of approximately \$13 million and EBIT of approximately \$2.5 million; and
- a \$0.6m expense in H1 FY12 incurred as a result of fully expensing a \$1.1m break cost associated with exiting fixed interest loans offset by lower average interest rates on the new finance facility, as previously disclosed in our announcement of 9 August 2011.

Mr Simon Gerard, CEO said "As detailed in the 2011 Annual Report and reaffirmed at the Annual General Meeting, current market conditions are patchy and challenging. The Australian lighting market has been impacted by a downturn in residential building consents and continued weak approvals in commercial and retail construction. The company continues to anticipate growth in the specific categories of roadway, mining and healthcare. However, the high-end commercial and architectural markets are expected to remain challenging as these sectors compete for a share of the limited available funding. Consequently, our retail, commercial and industrial businesses have been affected by constraints in projects being awarded and work commencing.

The competitive landscape over the last six months has further been influenced by a strong Australian dollar resulting in increased price competition driven by our competitors who import the majority of their product. Gross margins across the group have shown a small improvement when compared to the same period in the prior year which is a significant achievement in an environment where pricing is under pressure.

A significant portion of GLG's revenue comprises the sale of its products into major construction projects. Leading market indicators together with the level of ongoing quoting and order book levels across the GLG's businesses all reflect an improving trend for the second half.

Mr Gerard noted that the full year forecast NPAT for 30 June 2012 is at a level similar to that forecast in the Prospectus for the past financial year ended 30 June 2011 on which the Company issued shares at \$1 each.

He added we have a strong balance sheet and are well placed to meet the challenges of the current market conditions.

Looking beyond FY12, the Board and management of GLG remain optimistic. We have a robust business model that has delivered results. This, combined with leading industry indicators that forecast improved market conditions in FY13 through to FY15, means the business outlook for the group is very positive. For this reason we continue to invest in people, process and strategic initiatives to build a platform required to support our long-term growth expectations."

### Acquisition of Nimbus Lighting Group Ltd and Home Lighting Ltd

GLG is also pleased to announce that it has entered into a Heads of Agreement to acquire the businesses and assets of two leading New Zealand based lighting manufacturers and distributors being Nimbus Lighting Group Ltd and Home Lighting Ltd.

Nimbus Lighting Group trades as DOT down lights. DOT is considered to be the largest designer, developer and manufacturer of **commercial** down lights in New Zealand having an estimated market share of approximately 20-25%, with annual sales of approximately NZ\$2.5m to the NZ commercial down light market. DOT further exports approximately NZ\$6.5 million annually into the Australian market through an existing exclusive distributorship with GLG's Pierlite business.

Home Lighting is the largest assembler of **residential** down lights in NZ having an estimated market share of approximately 60% with annual sales of approximately NZ\$2.8m to the residential down light market in New Zealand.

The proposed acquisition of both the Nimbus and Home Lighting businesses is an exciting addition to the Group's customer product offering and consistent with GLG's stated strategy of growing organically and through strategic bolt-on acquisitions. We are also pleased that the founders of Nimbus (Frank Austin) and Home Lighting (Mike Austin) will have continuing roles in the businesses.

Key metrics of the proposed agreement include:

- GLG to acquire selected business assets of both businesses (stock, fixed assets and intellectual property).
- Combined consideration payable of \$NZ15.5 million with NZ\$1.3 million being deferred subject to the individual businesses meeting FY13 performance targets.
- Acquisitions funded through a combination of GLG's cash flows and debt facilities.
- Completion subject to certain conditions including satisfactory additional due diligence procedures.
- Acquisitions are expected to be immediately EPS accretive.

### GLG signs distribution agreement with OSRAM in New Zealand

GLG also announces it has recently signed an agreement with Osram whereby the group becomes the major distributor of Osram lamps in New Zealand.

The acquisition of Nimbus and Home Lighting combined with the Osram distribution agreement will assist in positioning GLG as one of the dominant forces in the New Zealand Lighting market.

## Innovation

The Group remains fully committed to lighting product innovation and to the further development of the intelligent Lighting Products range (iLP) range. We continue to work closely with global technology partners, which include Osram, Philips, Samsung, Tridonic Atco and Ledzworld. The previously announced recent investment in US based Illumitex Inc has reinforced GLG's commitment to investing in lighting technology.

Our product development pipeline will see the release of several new innovative, energy-efficient products over the next 6 to 9 months. GLG's world leading 1,000 lumen fully dimmable LED down light is scheduled for release in Q3 FY12 closely followed by additional outdoor LED fixtures which will provide energy efficient alternatives to the traditional halogen fittings.

Based on the overwhelming success of the Group's LED MR16 replacement down light the Board and management are excited at the opportunities that currently exist. As a Group, the Board and management believe the company is in a better position to capture the gains resulting from the energy-saving demands of the future than ever before as GLG continues to incorporate more world-leading new technology into its product offering.

**For more information, please contact:**

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