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ASX Online
Australian Securities Exchange Limited
Level 25
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ADELAIDE SA 5000

IMPORTANT NOTICE

Gerard Lighting Group Limited (GLG) was incorporated as a proprietary company on 11 December 2009. On 31 December 2009, GLG became the holding company for the Gerard Lighting Group, after Gerard Lighting Pty Ltd and its then holding company Gerard Lighting Holdings Pty Ltd undertook various changes to their structure and portfolio of assets to prepare the business for the proposed listing of GLG. The company changed its status to that of a public company on 9 March 2010.

As a result of GLG becoming the holding company, effective 31 December 2009, there is no corresponding comparative financial information available for the 6 months ending 31 December 2009.

December 2010 Half Year Results Announcement

Financial Performance

Highlights for the 6 month period ending 31 December 2010 include:

- Revenues of \$209.3 million, up 15.6% on H2 FY2010, with all Australian businesses improving EBITDA margin.
- EBIT to Sales of 9.5% vs 8.5% for H2 FY2010 and IPO forecast of 8.9%.
- EBITDA of \$21.9 million, up 25.4% on H2 FY2010.
- Net profit of \$9.6 million, up 69.1% on H2 FY2010.
- Earnings per share of 5.67 cents (statutory earnings per share for six months).
- Dividend per share of 2.7 cents, fully franked, declared.
- Gearing reduced to 36%.

A summary of results appears in the table below.

	Actual 6 mths to 31/12/10	Actual 6 mths to 30/06/10	Forecast Proforma* FY2011	Actual Proforma* FY2010
Year to 30 June (\$000's)				
Sales	209,255	180,918	399,850	362,112
EBITDA	21,905	17,466	40,234	35,380
Depreciation and amortisation	(2,103)	(2,014)	(4,691)	(3,792)
EBIT	19,802	15,452	35,543	31,588
Financing costs	(5,014)	(6,231)	(8,370)	(13,915)
Equity accounted investments	(25)	-	-	-
Profit before tax	14,763	9,221	27,173	17,673
Income tax (expense)/ benefit	(5,179)	(3,553)	(8,773)	(6,913)
Profit/ (loss) for the period	9,584	5,668	18,400	10,760

* Proforma information is unaudited and has been extracted from the Prospectus for information purposes only.

Commentary on Results

- Sales revenue for the period was positively impacted by the Federal Government's fiscal stimulus package. However, not all of the Group's business units benefitted from the effect of stimulus spending which was essentially restricted to the supply of volume or commodity lines for use primarily in schools and other Federally-funded buildings. Sales from other activities were satisfactory and in line with plan.
- Product mix resulted in a positive EBIT variation when compared to H2 FY2010. Our three largest businesses (Pierlite, Sylvania and Crompton) continue to develop and release innovative products that, initially, are generating higher EBIT margins than the group's average margins. Sales of intelligent lighting products (iLP) are currently tracking ahead of management's expectations.
- During H1 FY2011 the appreciation of the \$AUD led to reduced costs of imported lighting products but as a result of competitive activity actually led to reduced selling prices. Our current estimate is that an annualised exchange rate appreciation of more than \$US 0.05 is required to offset a 1 per cent reduction in pricing.
- The business continues to invest for the future. This investment is in the areas of systems, people, research and development and marketing initiatives such as the TRIBE. The TRIBE, an electrical contractor loyalty program, is a long-term investment aimed at creating demand and growing our distribution network for our trade brands. The program was launched less than a year ago and membership is now over 1,300 which has exceeded management's expectations. The investment in research and development in the Group's iLP category has already reaped significant benefits with the release of new products.
- The Group's offshore operations showed performance improvement during the Half Year.
- Reduction of debt led to a 20 per cent decrease in financing costs.
- The Group generated operating cash flow of \$18.4 million for the period.

Funding

Net debt at 31 December was \$65.9m (net of cash \$16.1m), compared with \$71.9m at 30 June 2010. The Group's focus on working capital management and improved cash flows from operations led to an improvement in the Group's gearing ratio [net debt to debt plus equity] reducing to 36% as at 31 December 2010 (30 June 2010: 40%). The acquisitions of FRENED Lighting, White-Lite and the payment of the FY2010 final dividend, totalling \$12.1m, were financed through cash from operations and cash on hand. No additional funds were drawn under the Group's facility.

The Group's weighted average interest expense on interest-bearing borrowings was stable at 9.4% (6 months to June 2010: 9.2%). There has not been any significant change to the Group's debt profile, with approximately 85% of interest-bearing debt being subject to fixed interest rates with terms ranging from 18 to 24 months (30 June 2010: 83%).

Acquisitions

During H1 FY2011 the Group successfully completed the following acquisitions:

- i. A 100% interest in FRENED Lighting Pty Limited, a Queensland-based lighting manufacturer and distributor, for \$9m of which \$8m has been paid in cash and \$1m is deferred consideration. The FRENED acquisition has proved to be a good strategic fit within the Group's existing portfolio of project and high-end lighting businesses. FRENED's contribution to EBIT for the three months since acquisition was \$0.5m.

- ii. A 50% interest in White Lite Pty Limited, a New South Wales based manufacturer of emergency lighting products, for \$0.6m. This acquisition has provided the Group with additional capability in the fields of LED, monitoring systems and systems integration support.

Growth Strategy

The Group continues to pursue earnings growth opportunities through a combination of product innovation, intelligent lighting products (iLP), international expansion and local acquisition.

Ongoing investment in research and development provides an important competitive advantage in relation to technology-based opportunities. Product innovation continues to be a major focus with the Group's three largest businesses (Pierlite, Sylvania and Crompton) successfully launching more than two hundred new products in the six months to December 2010.

The successful release of the LED downlight in June 2010 resulted in sales that exceeded management's expectations. The Group commitment to research and development will see further iLP investment, generating the next wave of new products growth, particularly in the 'energy-saving category.'

Outlook

The demand for lighting products in Australia is heavily influenced by building and construction activity. In the 2010 calendar year, effects of the Federal Government's fiscal stimulus package positively supported sales at a time when residential and commercial construction activity was constrained. Going forward, demand for our products will be driven increasingly by any improvements in private sector funded building and construction activity as government stimulus related construction spending diminishes.

Gerard's core businesses are sound and the Group's balance sheet is strong. While we anticipate H2 FY2011 will be more challenging, the Group's initiatives with respect to product mix and release of new products mean the Board remains very confident the Group will achieve the FY 2011 financial forecasts outlined in the Prospectus dated 1 April 2010. The Group's leadership in lighting product innovation, especially in iLP, delivers a significant competitive advantage which is reflected in a rising level of demand for energy-saving products. We are in a strong position to capitalise on opportunities as they present when private sector funding starts to fill the gap left from a slowing of the fiscal stimulus spending.

Dividends

The Directors announced a fully franked dividend of 2.7 cents per share for the First Half of FY2011. The record date for the dividend will be 8 March 2011 and the dividend will be paid on 18 March 2011. This dividend represents a payout ratio within the Board's policy range of 40-60%.

The Preliminary Report Appendix 4D can be viewed at www.gerardlighting.com.au

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