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ASX/Media Release **(ASX: GAP)**

27 February 2015

Results for the Half Year Ended 31 December 2014

Gale Pacific Limited, the manufacturer and marketer of branded screening, shading and home improvement products, today announced an underlying after-tax profit of $1.1 million for the six months to 31 December 2014. After non-recurring costs of $1.7 million after tax, related to restructuring and the re-launch of the company's pool fencing and balustrade ranges, the statutory result was a loss of $0.6 million (pcp: $3.5 million profit). This is in line with the company's guidance in January 2015.

Sales increased by 11% to $67.4 million from $60.9 million.

As already announced, no interim dividend will be paid, although the directors expect to declare a dividend for the full year.

Results summary for six months ended	31 December 2014 (A$ million)	31 December 2013 (A$ million)	Change (%)
Sales revenue	67.4	60.9	11
Underlying EBITDA	4.5	7.3	(38)
Underlying EBIT	1.6	4.6	(65)
Underlying profit before tax	0.7	4.1	(83)
Underlying profit after tax	1.1	3.5	(69)
Statutory profit/(loss) before tax	(1.8)	4.1	N/A
Statutory profit/(loss) after tax	(0.6)	3.5	N/A
Underlying earnings per shares (cents)	0.37	1.18	(69)
Statutory earnings per share (cents)	(0.22)	1.18	N/A
Interim dividend (cents)	-	1.30	-

Note: Refer to page 4 for reconciliation between statutory and underlying results.

Nick Pritchard, Group Managing Director, said: "While this result is disappointing, there has been substantial progress with transforming our Australasian business and improving the performance of all our operations.

The growth and business improvement strategy we announced in August 2014 has already changed Gale Pacific into a more focused, innovative and consumer driven operation, with a stronger service ethic.

We have invested in repositioning and building digital platforms for our brands; invigorating our product categories; stabilising our Australian computer system; and streamlining our supply chain. We have reduced the number of warehouses in Australasia from eight to six and our transport providers in Australia from nineteen to six, improving our control over deliveries and service levels. We have also strengthened customer relationships and begun to act more globally, build a performance culture and develop a stronger leadership team focused on further improvements in our processes, marketing and on international growth.

These changes have positioned the Company to return to profit in the second half and to resume growth through leveraging our global leadership and technical expertise in advanced fabrics manufacturing."

Australasia

For the Half Year to	31 December 2014 A$ million	31 December 2013 A$ million	Change %
Sales	48.6	43.8	11%
EBITDA	(0.9)	4.2	N/A
Product relaunch costs	2.2	-	N/A
Underlying EBITDA	1.3	4.2	(70)%

Retail

Sales through retail channels grew strongly, with increased demand for shade cloth, portable shade products and for pool fencing, mirrors and shower screens. Retail margins, however, were lower due to competitive pressures and the fall in the AUD/USD rate.

A comprehensive brand review was completed during the half, and the Australian retail business is now focused on three brands: Coolaroo (shade products); EVERTON (glass pool fencing, balustrades, mirrors and shower screens); and Zone Interiors (window furnishings).

The EVERTON pool fencing and balustrade range, formerly marketed as Highgrove, was relaunched with more attractive and durable packaging, a website with an effective product selection facility, and a new marketing campaign. Initial sales have been very positive.

The Zone Interiors range of window furnishings was also reviewed thoroughly and slow moving inventory was cleared. An updated, modern range is being delivered to stores in the third quarter.

The company is transitioning from merchandisers to a more direct selling model to service retail stores. It has also upgraded its digital capability to support consumers' evaluation of brands and products: a new EVERTON website (www.everton.com.au) was introduced in October and its results have been above expectations, and a new Zone Interiors website (www.zoneinteriors.com.au) was launched earlier this month.

Commercial

Commercial sales were in line with the previous year. Sales of commercial knitted fabrics increased, but there was lower demand for harvest protection fabrics due to the weaker grain harvest, and a large offshore order for fabric to be used as flexible piping for sugar cane irrigation was delayed. As a result, inventory and storage costs increased.

The company intends to consolidate its commercial brands under the GALE brand, phasing out the Synthesis brand.

New Zealand

Sales revenue in New Zealand increased by 40%, driven by strong growth in both the retail and commercial sectors. Margins were in line with the previous year, but costs were higher due to increased marketing investment, rising freight costs and supplier quality issues.

The New Zealand business continued to consolidate its retail and commercial ranges, significantly improving inventory and service levels.

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Americas

For the Half Year to	31 December 2014 US$ million	31 December 2013 US$ million	Change %
Sales	8.9	8.9	-
EBITDA	(0.5)	(0.3)	(67%)

Commercial product sales in the Americas increased by 18% to US$1.8 million and sales of custom window shades grew by 25% to US$1.6 million. Offsetting these gains, retail sales declined by 8% to US$5.4 million, partly due to lower inventory replenishment by major home improvement customers.

Several investments were made to strengthen the management team and improve operations. These included the appointment of a new commercial channel sales leader and the extension of the custom window shade manufacturing operation to Gale Pacific's US headquarters at Orlando, Florida. As most of the window shade business is in the eastern half of the US, this move will reduce delivery times and freight costs, although the full financial benefit of the change is not expected to be realised until FY16.

Progress was also made with migrating the Americas business to the group's new global Enterprise Resource Planning (ERP) system which is scheduled to go live during the second half of FY15.

Middle East

For the Half Year to	31 December 2014 US$ million	31 December 2013 US$ million	Change %
Sales	5.7	5.4	6%
EBITDA	1.3	1.1	18%

The Middle East business performed strongly, with growing demand for Gale Pacific's commercial shade fabrics.

Work continues on securing specification of the company's architectural shade fabrics for large-scale shading projects. Further investment in the region is planned, and a business development manager has been appointed to service the Saudi Arabian market where there is considerable potential for shade fabrics.

China Manufacturing and Other International Markets

For the Half Year to	31 December 2014 US$ million	31 December 2013 US$ million	Change %
Sales – Other overseas markets	2.1	1.2	75%
EBITDA (includes margin on inter-company sales)	4.0	3.8	5%

International growth represents a significant opportunity for Gale Pacific. Management is currently reviewing current and potential export markets with a view to prioritising them, refocusing on core product categories and adopting a more localised selling model, instead of servicing markets from Australia.

The company is recruiting an international sales leader, to be based in Shanghai, who will lead expansion into China as well as activities in other international markets.

The majority of international sales take place in the second half during the northern hemisphere summer.

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China: manufacturing facility

The company's Chinese manufacturing operation, which produces knitted and woven fabrics including a range of value-added products, performed strongly with record yields and reduced waste levels.

New equipment to increase extrusion and broader plant capacity was commissioned successfully, other equipment was upgraded and idle plant returned to production during the half.

Cash flow and balance sheet

Cash used in operations was $9.0 million compared with $4.0 million in the previous corresponding period. This increase resulted from higher inventory, mainly in Australia due to the weaker grain season, the brand change from Highgrove to EVERTON, and supply chain challenges.

Inventory reduction is one of the Company's highest priorities and there are a number of key initiatives in place to substantially reduce inventory. The Company is also working to improve supplier payment terms, consolidating to a smaller number of more strategic suppliers and leveraging its global scale. These initiatives will have a positive impact on net debt levels in coming months.

Net debt at 31 December 2014 was $26.2 million compared with $14.4 million at 31 December 2013 and $11.2 million at 30 June 2014. The company's gearing ratio (net debt/total funds employed) was 29% at 31 December 2014.

Reconciliation of Underlying Result to Statutory Result

During the half year period, the company incurred non-recurring costs related to restructuring and the re-launch of the company's pool fencing and balustrade ranges. The following table reconciles the underlying results to the statutory results.

A$ million	EBITDA	EBIT	Profit before tax	Profit after tax
Statutory	2.0	(0.9)	(1.8)	(0.6)
Restructuring costs	0.3	0.3	0.3	0.2
Product re-launch costs	2.2	2.2	2.2	1.5
Underlying	4.5	1.6	0.7	1.1

Underlying profit , EBITDA and EBIT are the Statutory profit, EBITDA and EBIT respectively adjusted for non recurring costs related to restructuring and the re-launch of the company's pool fencing and balustrade ranges. The Company believes that underlying profit, EBITDA and EBIT provide a better understanding of its financial performance and allows for a more relevant comparison of financial performance between financial periods.

Underlying profit, EBITDA and EBIT are useful as they remove significant items that are material items of revenue or expense that are unrelated to the underlying performance of the business thereby facilitating a more representative comparison of financial performance between financial periods.
Underlying profit is presented with reference to the Australian Securities and Investments Commission Regulatory Guide 230 "Disclosing non-IFRS financial information" issued in December 2011. The Company's policy for reporting underlying profit is consistent with this guidance. The Directors have had the consistency of the application of the policy reviewed by the external auditor of the Company.

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Outlook

Australian market conditions are expected to remain challenging in the short-term, with continued pressure on margins as a result of the strengthening of the US dollar. The company will continue to take initiatives to improve working capital, especially inventory in Australia, and a significant working capital reduction is expected by June 2015.

Transformation of the Australasian businesses will continue in the second half, with a focus on strengthening the supply chain, reducing supply chain costs and taking advantage of new product category opportunities. The Company is very confident of future revenue growth and is focused on improving gross margins through pricing and ongoing sourcing improvements.

The outlook for the Americas business is positive. It has secured strong retailer programs for the summer season and both the commercial and custom window shade businesses are expected to deliver solid growth.

The Middle East business is expected to continue to perform strongly, benefiting from the company's additional investment in the region.

The outlook for other markets is positive, although accurate forecasts are difficult due to the diversity of the customer base and the immaturity of some of the business. The order book is solid, and the focus during the second half will be on implementing the company's international expansion strategy.

The manufacturing operation in China is expected to continue to perform strongly, although volumes are likely to be lower in the second half due to the company's inventory reduction initiatives.

As in previous years and also as a result of the Company's working capital reduction initiatives, net debt is expected to decrease substantially by year end.

In line with the guidance on 28 January 2015, the company's second half profit is expected to be significantly greater than for the second half of FY14. Underlying after-tax profit for the full year is now expected to be between $6.5 million and $7.5 million.

About Gale Pacific

Gale Pacific Limited (ASX: GAP) is a leading manufacturer and marketer of shading, screening and home improvement products. The company is Australian-based with operations in the USA, Middle East, China and New Zealand, and employs approximately 800 people.

The company distributes to the home improvement, agriculture, horticulture, mining, architectural and construction sectors globally. Core markets are Australia, New Zealand, the United States, Canada, the Middle East and Japan.

The company has a large, wholly-owned manufacturing facility in Ningbo, China, where the majority of its knitted and woven products are manufactured.

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