GALE PACIFIC LIMITED
(ASX:GAP)

ASX and Media Release

23rd August 2013

- Record NPAT of $9.1 million up 7% on previous year
- Revenue increase of 9% to $120 million
- Diluted earnings per share of 3.00 cents (Basic EPS 3.07 cents)
- Continued strong cash flow generation from operations of $11.5 million
- Ordinary final dividend of 1.35 cents per share franked to 80% to be paid
- Further growth opportunities being assessed

## NPAT Increase Of 7% To $9.1 Million – Highest on Record

Net profit after tax of $9.1 million for the financial year ended 30 June 2013 is the highest on record for the Company. This result is a 7% or $0.6 million increase on the reported result for the previous corresponding period.

## Final Dividend Payment Of 1.35 Cents Franked to 80%

Directors are pleased to announce to shareholders that the Company has increased the ordinary final dividend to 1.35 cents per share. Dividends for the full year of 2.65 cents per share have been declared on diluted earnings of 3.00 cents per share. This represents an 8% increase on full year ordinary dividends compared to last year. The final dividend payment of 1.35 cents per share will be franked to 80% and will be paid to shareholders on 4 October 2013.

## Revenue Increase Of 9% To $120 Million

Revenue for the year increased by 9% to $120 million. Sales revenues in local currencies grew by 22% in the USA and 23% in the Middle East. We continued to invest in building our international business as we increased our marketing efforts in South Africa, Europe, South America and India. Lower sales were recorded to our distributor in Japan due to a carry-over of inventory in the network from the record sales in 2011/2012. Sales increased in Australasia due to the addition of the Highgrove Glass Solutions business from December 2012. Lower sales were recorded in our traditional markets in Australia and New Zealand due to weaker demand in some market segments, price deflation, ongoing inventory reduction programs with our major retail customer and competitive conditions.

## EBITDA in Line With Last Year at $18.0 Million

Earnings before interest, tax, depreciation and amortisation (EBITDA) was in line with last year at $18.0 million.

## EBIT Increase Of 4% To $12.9 Million

Earnings before interest and tax (EBIT) was $12.9 million compared to $12.4 million for the previous corresponding period. The increase was achieved through sales growth in the USA and the Middle East and the contribution from the Highgrove Glass Solutions business which is being integrated into the operations of the Australian business. Lower waste and efficiency improvements and the benefits of additional production volume in the Company's Chinese and Australian manufacturing facilities also contributed to the increased earnings.

## Cash From Operations $11.5 Million

The Company continued to generate strong cash flow from operations and net debt (borrowings less cash) at 30 June 2013 reduced to $3.2 million from $4.1 million at 30 June 2012.

The business invested capital expenditure of $2.5 million during the year (an increase of $1.1 million on the prior year and including $1.1 million of expenditure for upgraded I.T. systems for implementation in 2013/2014) and dividends totalling $7.6 million were paid to shareholders.

## Regional Results (Local Currency)

| | Sales Revenue | | | EBITDA | | |
|---|---|---|---|---|---|---|
| $ Million (Local Currency) | FY13 | FY12 | % Change | FY13 | FY12 | % Change |
| Australasia (A$) | 76.9 | 71.0 | 8% | 6.2 | 7.8 | (21%) |
| Americas (US$) | 25.9 | 21.2 | 22% | 2.1 | 1.6 | 31% |
| Middle East (US$) | 9.7 | 7.9 | 23% | 1.9 | 1.6 | 19% |
| International Sales (US$) | 7.6 | 10.4 | (27%) | Included in China | | |
| China (US$) Internal Sales | 28.6 | 23.0 | 24% | 7.6 | 7.2 | 6% |

## AUSTRALASIA (AUSTRALIAN DOLLARS)

Sales increased by 8% over the prior year (reported in Australian dollars) and include the contribution of the Highgrove Glass Solutions business acquired in December 2012. Consumer demand in Australia and New Zealand showed ongoing signs of weakness and trading conditions remained highly competitive. Sales of Coolaroo and Zone branded products sold to the retail channel were slightly lower than the previous year but inventory levels in the retail channel reduced significantly. Products including Coolaroo branded synthetic grass and shade sails showed positive growth in the retail market. The Riva Window Fashions business, which sells custom made interior window blinds direct to consumers contributed an operating loss for the year and this business model was found to be extremely challenging. In July 2013, the decision was made to exit this business and closure costs have been included in the 2012/2013 result.

Sales of Synthesis branded coated fabrics were 5% less than the previous year due to lower volumes of grain storage covers, fabrics used in the mining industry and some price deflation due to the high Australian dollar and strong market competition. Construction activity was subdued and impacted the sales of shade fabrics for commercial applications. Paper coating for Visy products increased by 24% over last year and contributed to additional volumes through the Australian manufacturing operation.

We are pleased with the contribution from the Highgrove Glass Solutions business which was acquired in December 2012. The business is being integrated with the Gale operations.

Sales of Coolaroo and Zone branded products sold through retail channels in New Zealand decreased by 14% over the prior year. The continued weak horticultural market in New Zealand resulted in lower sales of commercial shade cloth and protective nets. During the year the business lost a large customer for the electric fence business through a competitive tender.

EBITDA declined year on year due to selling price reductions in response to competitive pressure and product cost increases that we were unable to pass on at the time. A number of price increases have now been implemented to improve this position as we move into FY14. Also within the Australian business, warehousing and freight costs have increased year on year due to picking and load inefficiencies and freight increases. A number of management changes have been made within the Australasian operation to improve operational and financial performance.

EBITDA for the Australasian region fell by 21% year on year which was a disappointing result in tough market conditions.

## AMERICAS (US DOLLARS)

The Gale Americas business secured additional range listings with some of the larger retailers in the USA during the year in addition to improving market conditions and consumer sentiment. The weather conditions in most parts of the USA have been favourable to boosting demand for outdoor shading and screening products. The improved performance is also the result of earlier investments in expanding our retail sales and marketing resources. Sales of products through the retail channel grew by approximately 25%.

Sales of commercial fabrics were slightly down on the previous year and are a result of more subdued activity in the commercial sector. The funding of projects for the government sector has been tight and private sector project spending has been sporadic and often delayed. We have launched our fire retardant architectural range and waterproof Synthesis Commercial 95 fabrics ranges in the USA market.

EBITDA increased in the Americas by 31% to US$2.1 million for the year due to the growth in sales to the retail market.

## MIDDLE EAST (US DOLLARS)

Market conditions and business activity in the Middle East region were very positive. Sales growth of 23% to US$9.7 million was achieved for the year. Strong growth was recorded in the U.A.E. and Qatar markets and solid sales were recorded in the key Saudi market. Construction activity has shown areas of steady improvement and the demand for Gale commercial fabrics continues to be enhanced by the well earned and long held reputation in the market for quality and long lasting products which is essential in the extreme weather conditions of the region.

The sales growth has been enhanced by the continued growth of our new waterproof range of Synthesis Commercial 95 fabric with strong penetration into key markets.

EBITDA increased by 19% to US$1.9 million in our Middle East business due to the increased level of sales.

## INTERNATIONAL MARKETS (US DOLLARS)

International market sales reduced by 27% to US$7.6 million mainly due to a reduction in sales to Japan due to a carryover of seasonal inventory by our Japanese distributor following record sales in the 2011/2012 year. Sales into South Africa declined year on year as sales in FY12 included the initial full year pipe-line fill orders which were not repeated in FY13 as the business is now established. We have added further market development resources based in Europe and China to support future growth initiatives in these markets. Business development activities are expanding in Europe, South America, India, China and other key markets.

## CHINA (US DOLLARS)

Increased demand from our USA and Middle East businesses has seen additional production volumes from our Chinese manufacturing operation for the year. The continuous improvement program has also generated further reductions in scrap rates and improved yields. The higher production volumes, labour efficiencies and improving yields have been important elements in curbing the impact of higher wage rates and labour on costs in China. There have also been increases in raw material costs and the unfavourable impact of the strengthening Chinese renmimbi against the US dollar. During the year we undertook a number of initiatives to improve our sourcing from third party Chinese suppliers to procure high quality and lower cost sourced products which continue to become an increasing part of our business.

## OUTLOOK

Trading conditions are expected to remain highly competitive in all markets. Retail conditions generally in Australia and New Zealand are difficult, but on a positive note we are seeing improved consumer spending in the USA and improved construction activity in the Middle East.

Further sales expansion of Coolaroo, Zone, Highgrove and Synthesis branded products is expected to deliver another solid financial result in 2013/2014 and Gale continues to generate strong positive cash flows and operates with a solid balance sheet with the capacity to support further growth opportunities which we continue to explore.

Mr Peter McDonald
Managing Director and Chief Executive Officer

For further information contact the Managing Director, Mr Peter McDonald on 03 9518 3312.

# APPENDIX 4E
# PERIOD ENDING 30 JUNE 2013

## FULL YEARLY REPORT

| | |
|---|---|
| Name of Entity: | Gale Pacific Limited |
| ABN or Equivalent Company Reference: | 80 082 263 778 |
| Report for the Year Ended: | 30 June 2013 |
| Previous Corresponding Period is the Financial Year Ended: | 30 June 2012 |

## RESULTS FOR ANNOUNCEMENT TO THE MARKET

| | | % | $'000 | | $'000 |
|---|---|---|---|---|---|
| Revenues from continuing activities: | Up | 8.6% | 9,515 | To | 119,988 |
| Profit from continuing activities after tax attributable to members: | Up | 7.2% | 607 | To | 9,084 |
| Net profit for the period attributable to members: | Up | 7.2% | 607 | To | 9,084 |
| Please refer to the accompanying Directors' announcement to the Australian Securities Exchange for further commentary. | | | | | |

## DIVIDENDS

| | Amount Per Security | Percentage Franked |
|---|---|---|
| Final Dividend for the year ending 30 June 2013: | 1.35 cents | 80% |

| | |
|---|---|
| Date dividend is payable: | 4 October 2013 |
| Record date for determining entitlements to the dividend: | 13 September 2013 |
| Trading ex dividend: | 9 September 2013 |

## NET TANGIBLE ASSET PER SECURITY

| | As at 30 June 2013 | As at 30 June 2012 |
|---|---|---|
| Net tangible asset per ordinary security: | 21.2 cents | 19.3 cents |

## EARNINGS PER SECURITY (EPS)

| | 2012 / 2013 | 2011 / 2012 |
|---|---|---|
| Earnings used in the calculations of basic and diluted earnings per share: | $9,084,000 | $8,477,000 |
| Weighted average number of ordinary shares used in the calculation of basic earnings per share: | 296,195,413 | 287,191,658 |
| Weighted average number of performance rights issued in prior years: | 735,000 | 13,940,000 |
| Weighted average number of performance rights issued during the year: | 5,866,164 | - |
| Weighted average number of performance rights lapsed during the year: | - | (4,955,000) |
| Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share: | 302,796,577 | 296,176,658 |

Name: Peter McDonald
Title: Managing Director & Chief Executive Officer
Date: 23 August 2013