ASX & MEDIA RELEASE

GALE PACIFIC LIMITED (ASX : GAP)

26 August 2015

GALE Pacific underlying EBITDA $18.2 million after strong second half

- Second half underlying EBITDA up 33%
- Strong second half operating cash flow
- Dividend of 1 cent
- Net debt less than 1 X underlying EBITDA

GALE Pacific Limited, the manufacturer and marketer of branded screening, shading and home improvement products, today announced an underlying after-tax profit of $6.9 million for the year to 30 June 2015 (FY2014: $8.2 million). This is in the middle of the guidance in February 2015.

Following implementation of a strategic plan to increase profitability, second half underlying after-tax profit was $5.8 million, compared with $1.1 million for the first half of FY2015 and $4.7 million for the second half FY2014. Second half underlying earnings before interest, tax, depreciation and amortisation (EBITDA) were $13.7 million, up 33% from the second half of FY2014.

After non-recurring costs of $1.7 million after tax in the first half, related to restructuring and the re-launch of the pool fencing and balustrade ranges, statutory after-tax profit for the full year was $5.2 million (FY2014: $8.2 million).

Sales for the year increased by 8% to $148.0 million (FY2014: $137.3 million), with strong seasonal sales in the Americas and Middle East.

Following an operating cash outflow of $9.0 million in the first half, strong cash generation in the second half resulted in positive operating cash flow of $4.4 million for the year.

An unfranked dividend of 1.0 cent per share will be paid on 1 December 2015 to shareholders on the register at 17 November.

	FY2014 A$ million	FY2015 A$ million	Change %
Sales	137.3	148.0	8
Underlying EBITDA	17.6	18.2	3
Underlying EBIT	12.1	10.6	(13)
Underlying profit before tax	11.0	8.7	(21)
Underlying profit after tax	8.2	6.9	(16)
Statutory profit/loss before tax	11.0	6.2	(43)
Statutory profit/loss after tax	8.2	5.2	(37)
Diluted earnings per share (cents)	2.72	1.72	(37)
Dividends per share (cents)*	2.65	1.0	(62)

* FY2015: final dividend 1.0 cent. FY2014: interim dividend 1.3 cents; final dividend 1.35 cents.

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Nick Pritchard, Group Managing Director, said: ‘I am very pleased to be able to report considerable progress with transforming the company in line with our strategy to create a more focused, innovative, globally collaborative business, geared to improving service and leveraging our global scale. While full year earnings were below the previous year, they were in line with our guidance in February and the results for the second half demonstrate that the strategy is working.

‘It will take time to realise the full benefits of the strategy, but we have laid important building blocks. These have included implementing the right structure, building team capability, developing the right brand and product strategies, creating the information technology infrastructure, investing in our core manufacturing competencies, building a stronger company culture, improving key service metrics, implementing a regional selling model, and more.

‘We have achieved these while improving our working capital position, reducing debt and delivering a solid second half financial performance.

‘Inventory has been reduced significantly across the group and there have been improvements in our supply chain which are starting to yield sizeable cost reductions in warehousing, transport and product.

‘We have also established a strong pipeline of new products in our core categories which already have translated into significant range wins with our largest retail customer in Australia.’

Results by Region

Australasia

	FY2014 A$ million	FY2015 A$ million	% change
Sales	79.9	82.7	4
Underlying EBITDA	4.7	3.2	(32)

Australian sales through retail channels continued to grow with increased demand for shade cloth, portable shade structures, pool fencing, mirrors and shower screens. This was partially offset, however, by lower commercial sales, caused primarily by the non-repeat of a large commercial fabric export order in the prior year and weaker demand for grain protection fabrics due to weather. Excluding the impact of the non-repeated order, commercial sales grew 30%.

In New Zealand both retail and commercial sectors returned to strong growth with positive performance across most categories. New retail ranging positioned the company for further sales increases.

The region’s full year earnings were impacted by the depreciation of the Australian dollar, higher inventory levels and other supply chain challenges, as well as by restructuring, increased marketing investment, and exiting non-core categories. Wherever possible, price increases were implemented to offset some of the cost pressures.

A comprehensive brand and product category review was completed during the second half and decisions were made to exit brands with low consumer equity and non-core categories including folding doors, pet beds and pet kennels.

The EVERTON pool fencing and balustrade range, formerly branded Highgrove, was relaunched in time for the peak selling season. Point-of-sale performance, which previously was declining, is now positive and the company is in a position to capitalise on the category’s potential.

An underperforming range of Zone Hardware interior blinds was replaced by a more fashionable range of ZONE Interiors branded products, positioning the category for future growth.

New product development of both knitted and coated fabrics was accelerated and this will remain a key area of focus as the company establishes its technical leadership in commercial fabrics.

Improvements were made across the Australian and New Zealand supply chain, with reductions in the numbers of warehouses and suppliers as well as other service and cost improvements.

Americas

	FY2014 A$ million	FY2015 A$ million	% change
Sales	36.1	43.4	20
Underlying EBITDA	3.3	5.0	51

Sales and profit grew strongly with sales increasing across retail, online and commercial sectors. During the year the region upgraded its ERP (I.T.) system successfully and also extended its custom window shade manufacturing plant to Florida to service customers more effectively and reduce freight costs.

The region has assumed responsibility for South America as part of the strategy to service global customers locally rather than from Australia, and this is expected to lead to increased sales in FY2016.

The company also invested in sales leadership for the Americas commercial business. Currently this is small, but it has considerable potential and significant progress is expected in FY2016.

Middle East / North Africa (formerly Middle East)

	FY2014 A$ million	FY2015 A$ million	% change
Sales	12.2	14.4	18
Underlying EBITDA	2.7	3.3	20

The company continued its strong performance in the region driven by sales of architectural shade fabrics for use in large scale shading projects, including public areas, car parks and vehicle protection for automotive manufacturers. Further investments in this fast-growing region, coupled with the company's new architectural fabric products, are expected to result in ongoing growth.

China Manufacturing and EurAsia (formerly International)

	FY2014 A$ million	FY2015 A$ million	% change
Sales	9.0	7.5	(17)
Underlying EBITDA	9.7	10.6	9

Sales to the EurAsia region declined temporarily as the company moved from an Australian-based selling team to a selling team based in this high potential region. Sales in Japan and Europe were lower, but will benefit in the future from structural changes implemented during the year and new leadership.

During the year, a review of the region's markets and product portfolio resulted in refocusing on core product categories and restructuring its leadership, with the appointment of a new general manager based in Shanghai.

The company's China manufacturing operation has been established as a cost centre rather than a profit centre, effective 1 July 2015. This will improve earnings visibility and increase the focus on quality, manufacturing efficiency and service. Efficiency in the plant remained high during the year, with improved quality, waste reduction and service metrics.

Balance Sheet

Net debt at 30 June 2015 was $16.7 million, compared with $26.2 million at 31 December 2014 and $11.2 million at 30 June 2014. The increase during the year reflected greater investment in product development, regeneration of the China manufacturing facilities, and integration of the Americas operations onto the company's global ERP (I.T.) platform.

Gearing (net debt divided by net debt plus shareholders funds) at 30 June 2015 was 15%.

Cash Flow and Working Capital

Working capital increased as a result of changes in exchange rates, increased receivables following higher year-end sales, and higher inventory which was due partly to recent Australian new product range wins. Despite this, operating cash flow for the year was $4.4 million, with positive operating cash flow of $13.5 million in the second half, helped by strong sales in the Americas and Middle East regions and continuing cost reductions in Australasia.

In the second half of FY2015, inventory was reduced by $9.5 million, driven by disciplined focus on inventory management, with an increase in inventory turn and a decrease in aged inventory.

Outlook

Nick Pritchard, said: 'The next phase of the company's transformation will focus on:

- Successful execution of the significant new business we have won across product categories in Australia;
- Building a more robust global supply chain with improvements in product forecasting, procurement, manufacturing and inventory management;
- Advancing new product development, particularly in the area of commercial fabrics;
- Accelerating commercial sector growth in all regions;
- Developing a strong EurAsia selling region; and
- Continuing to optimise the company's information technology platform to reduce costs and improve service.

'We are confident that GALE Pacific is well positioned to deliver strong sales and earnings growth and has a very bright future.'

Reconciliation of Underlying Result to Statutory Result

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

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 allow 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. This information has not been subject to audit or review by the external auditor.

	EBITDA A$ million	EBIT A$ million	Profit before tax A$ million	Profit after tax A$ million
Statutory	15.7	8.0	6.2	5.2
Restructuring costs	0.3	0.3	0.3	0.2
Product re-launch costs	2.2	2.2	2.2	1.5
Underlying	18.2	10.6	8.7	6.9

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For information about GALE Pacific, please see the next page or visit www.galepacific.com

GALE Pacific

GALE Pacific is a manufacturer and marketer of commercial and DIY products that protect and enhance environments around the world.

Based in Australia, we operate globally with approximately half our revenue coming from other markets.

Our products are marketed across commercial and retail sectors, with distribution into architectural, horticultural, agricultural, mining, construction, and home improvement channels. They are stocked by many of the world's largest retailers and also have strong online distribution.

Key products include architectural shade fabrics, exterior window shades, shade sails and an array of specialised commercial fabrics used for crop protection, irrigation, water storage and screening.

Retail shade and screening products are marketed under the Coolaroo brand. Commercial products are marketed under the GALE Pacific brand.

In Australia and New Zealand we also market a range of interior window furnishings under the ZONE Interiors brand and a range of glass DIY pool fencing and balustrading, shower screens and other glass products under the EVERTON brand.

GALE Pacific is a world leader in specialised textiles and associated products and is recognised in our markets as an innovator and long-term producer of premium quality products.

The company is focused on strengthening our global market position through product innovation and brand strength.

APPENDIX 4E

PERIOD ENDING 30 JUNE 2015

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 2015
Previous Corresponding Period is the Financial Year Ended:	30 June 2014

RESULTS FOR ANNOUNCEMENT TO THE MARKET

		%	$'000		$'000
Revenues from continuing activities:	Up	8%	10,689	To	147,993
Profit from continuing activities after tax attributable to members:	Down	(37)%	(3,063)	To	5,170
Net profit for the period attributable to members:	Down	(37)%	(3,063)	To	5,170
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 2015:	1.0 cent	0%

Date dividend is payable:	01 December 2015
Record date for determining entitlements to the dividend:	17 November 2015
Trading ex dividend:	13 November 2015

APPENDIX 4E

PERIOD ENDING 30 JUNE 2015

NET TANGIBLE ASSET PER SECURITY

	As at 30 June 2015	As at 30 June 2014
Net tangible asset per ordinary security:	24.4 cents	19.2 cents

EARNINGS PER SECURITY (EPS)

	2014 / 2015	2013 / 2014
Earnings used in the calculations of basic and diluted earnings per share:	5,170,000	8,233,000
Weighted average number of ordinary shares used in the calculation of basic earnings per share:	297,474,396	297,474,396
Performance rights on issue:	2,364,138	3,700,000
Weighted average number of performance rights issued in prior years:	3,700,000	6,622,500
Weighted average number of performance rights issued during the year:	1,394,123	961,644
Weighted average number of performance rights vested during the year	-	(724,932)
Weighted average number of performance rights lapsed during the year:	(2,741,644)	(1,260,000)
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share:	299,826,875	303,063,608

Name: David Allman
Title: Chairman
Date: 26 August 2015