

ASX Online
Australian Securities Exchange Limited
Level 25
91, King William St
ADELAIDE SA 5000

GERARD
L I G H T I N G

Gerard Lighting Group Ltd.
ABN 16 141 079 594

101 Port Wakefield Road
Cavan, South Australia 5094

PO Box 186, Enfield Plaza
South Australia 5085

Telephone +61 8 8139 7332
Facsimile +61 8 8139 7325

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GERARD LIGHTING GROUP 2012 HALF YEAR RESULTS - NPAT \$8.1 MILLION

Gerard Lighting Group (ASX: GLG) today announces its financial results for the half year ending 31 December 2011. The Group achieved a net profit after tax of \$8.1 million, which is within the earnings guidance range of \$7.75 million to \$8.5 million announced in the market update on 7 December 2011. The results represent earnings per share for the half-year of 4.78 cents. The directors declared a fully franked dividend of 2.7 cents.

Commenting on the results, GLG Chairman, Robert Gerard AO said "This is a good result for the company in the current economic environment where non-residential construction remains subdued. We have continued to grow sales of our intelligent lighting products and released a series of new products during the half year. Together with acquisitions, the ongoing development and release of these new products is expected to drive increases in sales and EBIT margins over the coming periods."

Financial Performance

When commenting on financial performance Mr Gerard said "Sales growth in 1H12 did not fully offset 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. When taking this into account our reported EBIT compares favourably with 1H11."

Highlights for the 6 month period ending 31 December 2011 include:

- Revenues of \$197.4 million, with the Australian businesses maintaining EBITDA margin.
- EBIT to Sales of 8.8%, Targeting >10% by FY2016.
- EBITDA of \$19.6 million.
- Net profit of \$8.1 million in line with market guidance.
- Earnings per share of 4.78 cents (statutory earnings per share for six months).
- Dividend declared of 2.7 cents per share, which is consistent with the previous period.
- Average rate paid on interest bearing liabilities reduced to 7.9% (2H11 9.1%).
- Maintained full year NPAT guidance of \$17.5 million to \$18.5 million.

A summary of results appears in the table below.

Half Year to 31-Dec (\$000's)	Actual 1H12	Actual 1H11
Revenue	197,427	209,255
EBITDA	19,609	21,905
Depreciation and amortisation	(2,280)	(2,103)
EBIT	17,329	19,802
Net Financing costs	(4,115)	(5,014)
Loss of equity accounted investee	-	(25)
Profit before tax	13,214	14,763
Income tax expense	(5,091)	(5,179)
Profit for the period	8,123	9,584

Commentary on Results

- The company anticipates the Australian lighting market will continue to experience growth in demand from the roadway, mining and healthcare sectors. However, the downturn in residential building consents and continued weak approvals in commercial and retail construction has impacted overall market growth. The high-end commercial and architectural markets are expected to remain challenging as these sectors compete for a share of the limited available funding for these sectors. Consequently, our retail, commercial and industrial businesses have been affected by constraints in projects being awarded and work commencing.
- The domestic competitive landscape over the last six months has further been influenced by a strong Australian dollar. This has seen the company experience increased pressure on prices from competitors who import the majority of their product. Notwithstanding this pricing pressure, EBIT margins in our domestic businesses have remained stable when compared to the same period in the prior year.
- The company continued to generate strong operating cash flow of \$18.3 million for the period, representing 93% of EBITDA.

Funding

Net debt at 31 December 2011 was \$76.3m (net of cash \$4.7m), compared with \$64.3m at 30 June 2011. The Group's gearing ratio (net debt to debt plus equity) increased slightly to 37.7% as at 31 December 2011 (30 June 2011: 34.5%) driven by payments for investments (\$2.8m), income tax (\$13.3m) and the payment of the FY11 final dividend (\$5.0m). These amounts totalling \$21.1m were financed through cash from operations and cash on hand.

Investments & Acquisitions

On the 31 January 2012, the Group completed the acquisition of the Nimbus and Home Lighting businesses in New Zealand for a combined consideration of \$NZ15.5 million with NZ\$1.3 million being deferred subject to the individual businesses meeting FY13 performance targets. These companies are the leaders in the New Zealand commercial and residential down light markets, respectively.

The acquisition of these two businesses is an exciting addition to the Group's customer product offering and is consistent with the Group's stated strategy of growing organically and through strategic bolt-on acquisitions. The acquisitions were funded through a combination of GLG's cash flows and debt facilities. Both Nimbus and Home Lighting are profitable and the acquisitions will be immediately earnings accretive.

Dividends

The Directors announced a fully franked dividend of 2.7 cents per share for the First Half of FY2012. The record date for the dividend will be 6 March 2012 and the dividend will be paid on 16 March 2012. This dividend represents a payout ratio within the Board's policy range of 40-60%.

Outlook

The Australian lighting market continues to be impacted by a downturn in residential building consents and continued weak approvals in commercial and retail construction, however, Gerard's core businesses are sound and the Group's balance sheet is strong. We anticipate conditions in the second half of this financial year to improve but remain patchy. However, the Group's initiatives with respect to improving product sales mix and release of new products mean the Board remains confident the Group will achieve a full year financial result within the previously announced guidance range of \$17.5 million to \$18.5 million.

The Group's continued leadership in lighting product innovation, especially in iLP, delivers a significant competitive advantage that is reflected in a rising level of demand for all styles of energy-saving products. We are in a strong position to capitalise on opportunities as private sector investment starts to fill the gap left from a slowing of the fiscal stimulus spending.

Looking beyond FY12, the Board and management of GLG remain optimistic and energised. 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 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.

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

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For further information please contact:

Investors:
Simon Gerard, GLG
(08) 8139 7332

Media:
Ian Brown, First Advisers
0418 466 129