

CAVALIER CORPORATION

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Preliminary announcement of results for the year ended 30 June 2015

Cavalier Corporation Limited today announced a reported loss of \$25.7 million for the 12 months ended 30 June 2015.

As signalled in our announcement on 3 August, we have reviewed the carrying value of certain assets and as a result there has been a significant write-down of tangible and intangible assets, particularly in our tile business. The write-downs are mainly non-cash in nature.

On a normalised basis (**non-GAAP measure) profit after tax was \$1.1 million compared to \$5.8 million reported last year.

A large contributor to the decline from the prior year has come from the Australian tile business within our carpet segment. High manufacturing costs have made it difficult to compete in a price driven market where there has been a large influx of good quality imported alternatives. While the imported tile programme introduced earlier in the year had started to gain some momentum, the decision to sell Ontera, as announced previously, was one the company considered carefully and decided was in the Group's best interest. \$6.5 million will be released to reduce debt.

Volume sold in the broadloom carpet business was up 9% from last year and this increase has translated into improved revenue. However, with the almost record high New Zealand dollar against the Australian dollar earlier in the year, increasing wool prices and pressure on pricing, margins in the broadloom business suffered as a result.

The wool buying business had another good year matching the strong performance it achieved in 2014.

The proposed rationalisation of wool scouring through the merger of Cavalier Wool Holdings (CWH) and Wool Services International has been provisionally approved by the Commerce Commission and we await their final decision. Our share of CWH profits is down from last year, largely resulting from the significant costs associated with the Commerce Commission approval process. The strengthened US dollar and increased wool grease prices will provide an ongoing lift in income from the CWH operation which continues to provide good returns on our investment.

Our rest of world broadloom carpet sales programme has maintained similar volumes from last year. We have recently partnered with distributors in the USA and Canada and while these programmes have taken longer to establish than we first anticipated, samples are now being displayed in store. This programme is focused on leveraging our unique wool products at the premium end of the market.

In recent months our focus has been to reduce inventory and costs. Inventory is \$17.0 million lower than last year and in July of this year our net group debt was under \$50 million for the first time in a number of years. We expect debt to substantially reduce further before the end of 2015 as proceeds are received from assets sales, and cost reduction initiatives start to take effect.

Cash flows from operating activities of \$5.4 million was an increase of \$4.7 million from the \$0.6 million achieved last year.

In the last few months Cavalier executed a number of key strategic initiatives. These included:

- Entering into a conditional agreement to sell the tile business.
- Completing outsourcing arrangements for Australian broadloom carpet logistics.
- Restructuring New Zealand support functions to reduce overhead costs.
- Releasing our Sydney facility for sale.

There are further initiatives under consideration that will focus on lifting revenue and making us more competitive.

The company is not in a position to pay a final dividend for the 2015 financial year.

In a challenging economic environment, Cavalier has continued a process of transformation to meet the significant market shifts in recent times that have affected our key businesses. Our broadloom business now has a full range of products to satisfy all market needs, both in wool and synthetics. We have made appropriate personnel changes at both governance and management levels and developed a clear strategic direction. We are now implementing our plans; the end result will be a tightly focussed and profitable operation.

A handwritten signature in black ink, appearing to read 'Paul Alston', with a small flourish at the end.

Paul Alston
Chief Executive Officer
For and on behalf of the Board of Directors
28 August 2015

For more information regarding this announcement, please contact Paul Alston on 021 918 033 or 09 277 1135.