



GALE PACIFIC LIMITED

(ASX: GAP)

ASX ANNOUNCEMENT

14 November 2008

Chairman's Annual General Meeting Address

Before dealing with the formalities of the meeting, I would first like to report on the Company's progress on key issues during 2007/2008. Peter McDonald, our Managing Director and Chief Executive Officer, will follow with a presentation on the operations and current state of the business.

It is pleasing to report the improved results for the year ended 30 June 2008 which reflects the significant advances made over the last two years. The Gale Pacific Group underwent some substantial restructuring during 2006 and 2007. The restructuring initiatives were based around the strategy to ensure that the Group had a strengthened and stable platform for future growth.

The key achievements for the year were our return to profitability and continuation of strong positive cash flows from our operations. The net profit after tax for the year ended 30 June 2008 was \$2.51 million, which was an \$18.87 million improvement compared with the reported loss for the year ended 30 June 2007. Other significant improvements and strengthening of the Group's position included:

- Recapitalising the Group with a placement to key shareholders, refinancing core debt and re-establishing a more stable financial position;
- Completing the transfer and commissioning of regional manufacturing equipment to China, thereby maximising the Group leverage of the globally competitive Chinese manufacturing base;
- Liquidating excess and obsolete inventory in Europe;
- Steady growth in the core Australian market and continued strong growth in the Middle East; and,
- Expanded presence in northern hemisphere markets, building the sales base in those markets for future years.

The year was not without some challenges. These included weakening economic conditions in key markets, record high polymer prices and the need to take a further write down on the disposal of obsolete inventories held in Europe from previous product introductions.

Results

Whilst revenue overall for the year declined 4.8% to \$105.1 million, most of this reduction was due to a stronger Australian dollar impacting on consolidation of overseas revenue. Sales increased in Australia, Europe and the Middle East, whilst difficult trading conditions in the USA resulted in a sales decline from the same period last year.

EBITDA, that is earnings before interest, tax, depreciation and amortisation, increased to \$13.6 million or 13% of revenue compared with an EBITDA loss of \$0.3 million from continuing business for the previous corresponding period.

Gross cash generated from operations was \$12.7 million of which \$2.9 million was used for the one-off New Zealand plant restructuring, resulting in reported net cash generated from operations of \$9.8 million. This continues the positive trend of cash generation from the prior year of \$8.5 million.

The Group significantly reduced net borrowings (borrowings less cash and cash equivalents) by \$23.3 million to \$20.5 million during the year through a combination of a capital raising and the positive cash flow from operations.

As mentioned previously, profit after tax was \$2.51 million, an increase of \$18.87 million on the prior year. The result includes a \$1.6 million before and after tax write down of obsolete inventory in Europe. Normalised earnings for FY08 (after removing this write down) were EBITDA of \$15.2 million and a profit after tax of \$4.1 million.

Outlook

Enormous progress has been made within the business over the last few years and the business is in a much stronger position than it was at the end of the previous year.

In recent months, however, we have all experienced the volatility and wild swings which have occurred in the global economy, share markets, commodity markets, and foreign currencies. The recent volatility and decline of the Australian dollar has given us a number of new challenges. Not just on the impact on the cost of goods imported into Australia, but also on our overall debt position. The Managing Director will address these challenges in his presentation.

Whilst we went into this year fully expecting continued improved performance, the extent to which these external pressures will impact on the business this year is impossible to predict at this early stage. Partly in response to this uncertainty, management is currently reviewing the structure of our European operation to assess whether there may be a more cost effective way of servicing this market. Depending on the outcome of this review and any action taken, this too may have an impact on the Company's reported results for FY09.

In these uncertain circumstances, it is pleasing to advise that our first quarter profit is ahead of last year. I do however, caution that both the southern and northern hemisphere summer seasons are still ahead of us, so it would be unwise to attempt forward earnings guidance at this early and unsettled time. Ultimately, how we progress for the full year will be greatly influenced by recent external events and how these will impact on consumer sentiment and purchasing behaviour.

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We will update shareholders with further information on trading and performance when we announce our interim results in February 2009. By that time, we will have completed the important summer selling season in the southern hemisphere, and will have confirmed all product and range decisions with major northern hemisphere customers for their upcoming summer season.

I would like to acknowledge the considerable efforts made by the senior management team and all employees of the Gale group throughout the year. On behalf of the Directors, I thank the entire team for their diligence and dedication to improving the business. We should all rightly feel proud of the return to profitability of the business.

I will now pass you over to Peter McDonald, our Managing Director and Chief Executive Officer who will report on the current state of business.

About Gale Pacific Limited

Gale Pacific is a leading manufacturer and marketer of advanced polymer fabrics and related products with subsidiaries in the USA, Europe, UAE, New Zealand and China.

For further information please contact Mr. Peter McDonald on (03) 9518 3352.

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