GALE PACIFIC LIMITED

(ASX: GAP)

ASX Release

27 October 2017

2017 Annual General Meeting – Chairman's Address

I am pleased to report solid financial results for GALE Pacific during the year to 30 June 2017. At the same time, the Company continued to make excellent progress with its key strategic initiatives thereby building a platform for strong and sustainable growth. Our Group Managing Director, Nick Pritchard, will talk more about these later.

Sales revenue for the year, at $175.3 million, was marginally ahead of the prior year, while underlying pre-tax profit at $13.5 million and underlying after tax profit at $10.1 million were in line with the prior year. A highlight was the 39% increase in earnings by our Americas business, and we believe there is considerable further potential for our products in this market.

One of the objectives of our Australian and New Zealand business has been to exit non-core products efficiently so we can focus on developing our high-performance textiles business. The sale of the Company's non-core glass business in June 2017 necessitated a review of the carrying value of goodwill which resulted in an $18.4 million one-off, non-cash write-off of intangibles and other related items, and after this the Company reported a pre-tax loss of $4.9 million.

Operating cash flow of $19.7 million, helped by tight control of working capital and inventory, was a record for the Company. As a result, debt was reduced and we had net cash of $1.3 million on our balance sheet at 30 June 2017.

A final unfranked dividend of one cent per share was paid to shareholders on 2 October, bringing dividends for the year to two cents per share, 14% above 2016, and in addition we have initiated an on-market share buyback to further enhance shareholder returns.

We are now well positioned to invest for growth in the Company's core business and we have a particularly busy and exciting time ahead in this regard including significant upgrades to our manufacturing capabilities in Australia and China to support growth in all markets. Again, Nick Pritchard will present more detail about these.

Trading during the first quarter of 2017/18 has been adversely affected by a poor grain season in Australia, leading to reduced demand for grain cover fabrics, and hurricanes affecting key markets in the south of the USA. We have also made strategic investments in the first half to support future growth, including the setup of our new warehouse in the USA.

At this stage we expect our sales and earnings in the first half to be well below the prior corresponding period as a result of these one-off factors which have affected pre-tax earnings by around $4 million, therefore we anticipate the 1st half pre-tax profit to break even compared with $3.9 million for the prior year.

We are, however, confident of a strong second half performance. This second half earnings growth confidence is largely driven by the Americas region where we have already secured significant product ranging commitments in our core window shade and shade sail categories.

As a result, we anticipate full year earnings to be in line, or slightly above last prior year underlying pre-tax profit of $13.5 million.

I would like to thank Nick Pritchard, our management and all members of our teams around the world for their achievements in transforming our business during the past three years. They have put us in a strong position to execute our growth strategy and take advantage of opportunities in our key selling regions.

I would also like to thank my fellow board members for their advice and support, and to welcome Tom Stianos to the Board.

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