



GALE PACIFIC LIMITED

(ASX: GAP)

ASX and Media Release

26 October 2018

2018 Annual General Meeting – Chairman’s Address

On behalf of Gale Pacific’s Board and Management, I am pleased to report that for the year ended 30 June 2018, the Company achieved a profit before tax of \$12.5 million, a result at the top end of its guidance range.

Other financial highlights and achievements included:

- Strong operational performance, despite sharp increases in raw material costs;
- Major facility rationalisation and upgrades in both the USA and China;
- Investment in an expanded and more targeted US sales presence;
- Commencement of a major capex program in Australia to update and upgrade equipment;
- Strong balance sheet, with an active capital management program;
- Final (unfranked) dividend of 1 cent per share paid to shareholders on 4 October, bringing total dividends for FY2018 to 2 cents per share, in line with the prior period.

Pleasingly, and despite some operational headwinds, the Company has achieved a number of milestones, the importance of which contribute to turning the Company into a faster growing, more profitable, innovative, global fabrics technology business. We are confident to report that we are well positioned to achieve profitable growth in key markets, further details of which will be provided by Nick Pritchard shortly.

Ahead of Nick’s presentation, I would like to make mention of two notable investment programs which commenced in FY2018. Firstly, the Company commenced the capex program relating to the installation of a new coating machine at our Braeside, Victoria, manufacturing facility. Whilst commissioning of this new equipment will occur in Q4 of FY2019, this \$10m investment will effectively more than double the Company’s existing capacity and provides opportunity for us to pursue growth in the profitable commercial sector as well as deliver flexibility and efficiencies to our existing customers.

Secondly, we have commenced the upgrade of our China manufacturing facilities, ensuring they deliver products of a quality and a rate of efficiency which are world standard. In fact, we recently hosted visits from two of our largest customers, including one from the USA. The positive feedback received following these visits provides us with confidence that we are focused in the right areas and that we have opportunity to expand the existing relationships with these key partners. We are proud to be able to showcase our facilities to our customers.

Based on first quarter trading to date and outlook for the next two months we expect first half earnings for the 2018/19 year to be above those for the prior year. While it is too early to provide guidance for the second half and therefore the full year, I can say we are confident of achieving earnings per share growth in FY2019. As with previous years we expect second half earnings to be considerably higher than first half.

I would like to thank Nick Pritchard, our senior management team and all staff around the world for their achievements in transforming our business during the past four years. They have put us in a good position to pursue opportunities in our key selling regions.

I would also like to thank my fellow directors for their advice and support and also welcome Donna McMaster to the Board.

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