CAPRAL LIMITED (ABN 78 004 213 692)
ANNUAL GENERAL MEETING – 14 APRIL 2016
CHAIRMAN'S AND MANAGING DIRECTOR'S ADDRESSES

CHAIRMAN'S ADDRESS

The Capral Group reported a net loss after tax of $2.5 million for the year ended 31 December 2015. This compares to a profit of $2.7 million for 2014. However, 2015 saw an improved performance at the operating level, with Trading EBITDA* of $13 million, higher than the $9.2 million reported in 2014. EBITDA was negatively impacted by the material fall in LME aluminium prices and market premiums in the second half of the year, which resulted in a $7 million negative inventory revaluation during the year compared to a $3.2 million positive inventory revaluation in 2014. This $10.2 million year on year swing in inventory valuation, together with one-off costs of $0.9 million, saw Capral's EBITDA reduce from $11 million in 2014 to $5.1 million in 2015.

2015 revenues of $403 million increased over the $375 million reported in 2014. This 7.5% increase was primarily driven by the resurgent residential construction market and some favourable anti-dumping outcomes which are having a positive impact on local extrusion volumes.

Management continued to deliver meaningful cost savings and efficiencies through productivity improvements, which played a significant part in the uplift in the trading result.

While Capral continues to face competitive challenges, volumes of low priced Chinese imports are slowing, with a positive impact on Australian extruders. This, combined with the strong dwelling construction currently taking place, has gone some way to reduce the excess capacity in local aluminium extrusion. As a result of these factors and Capral's continued focus on cost reduction and efficiencies, Capral is forecasting an increase in profits in 2016.

No dividends have been declared or paid for the 2015 financial year. If the 2016 forecast earnings are achieved, and absent any unforeseen events, Capral would be in a position to consider a fully franked dividend.

Rex Wood-Ward
Chairman

* Trading EBITDA is EBITDA adjusted for significant items that are material items of revenue or expense that are unrelated to the underlying performance of the business. Capral believes that Trading EBITDA provides a better understanding of its financial performance and allows for a more relevant comparison of financial performance between financial periods. These items are LME and Premium revaluation, and one-off costs relating to restructuring that are non-recurring in nature. Trading EBITDA is presented with reference to the Australian Securities and Investment Commission Regulatory Guide 230 "Disclosing non-IFRS financial information" issued in December 2011

MANAGING DIRECTOR'S ADDRESS

During 2015 Capral experienced fluctuating market conditions. The first half was relatively soft with the strength in the housing market offset by weakness in the industrial segments. During the second half, market conditions strengthened considerably as a result of a buoyant housing market, some improvement in the industrial segments, and positive outcomes from anti-dumping reviews.

Dwelling commencements grew strongly, largely driven by the high density sector. The new housing and medium density sectors, which have a greater influence on Capral's volumes, grew more modestly.

The year started with metal costs at multi-year highs but, midway through 2015, aluminium costs collapsed.

Capral achieved a Trading EBITDA* of $13.0 million compared to $9.2 million in 2014, on sales revenue growth of 7.5%. EBITDA of $5.1 million included a negative inventory revaluation of $7.0 million and one-off costs of $0.9 million.

The net cash position improved by $3.6 million during 2015, primarily as a result of reduced inventory levels and metal cost. The balance sheet remains strong with net cash of $20.1 million at 2015 year end.

Capral continues to take the lead industry role in taking effective action against imports of dumped aluminium extrusions into the Australian market. During 2015 a number of positive outcomes were achieved. These have started to have a positive impact for local extruders. Combined with the weaker Australian dollar this has recently resulted in reasonable volume returning on-shore.

External forecasts are for the housing market to remain strong throughout 2016 with starts forecast to remain at the current high levels. Pent up demand and a strong pipeline for home builders will have a positive impact on volumes for the year ahead.

We expect to see an improvement in the transport and industrial sectors as infrastructure projects progress and the lower Australian dollar assists local manufacturers.

Our guidance remains unchanged from that detailed in our 2015 full year results, with EBITDA forecast to lift and deliver a full year result between $13 million and $15 million.

Tony Dragicevich
Managing Director

* Refer to Trading EBITDA explanation in footnote to Chairman's Address