



## Directors Announce Earnings Downgrade

The Directors of Gale Pacific Limited, Australia's leading manufacturer and exporter of advanced polymer fabrics and related products with subsidiaries located in the USA, Germany, United Arab Emirates, the Peoples Republic of China, and New Zealand have announced a reduction in the operating profit expectations for the current financial year.

Although second half earnings will be substantially higher than both the first half and the corresponding second half in 2004, the Board expects the full year 2004/05 earnings to be approximately \$4.5 million. An earlier estimate as advised to the market on 24 February was for earnings to be in line with last year's \$7 million.

A continuation of the very tight retail and agricultural trading conditions in both Australia and New Zealand, along with delays in the commercialisation of some new product initiatives have also impacted on the Australian market. Additionally a shortfall in North American sales against forecast has contributed to this profit downgrade.

The success of our initiatives in the European and North American markets has generated dynamic order growth, unfortunately this has outpaced current production capacity in China.

However, the equipment expansion, new product initiatives and the implemented \$3 million cost savings program, as previously announced, will generate financial benefits which will be reflected in full next year.

With the completion over the next few months of the new equipment program in China and given the positive feedback on the European marketing initiatives, a confident future is foreshadowed. Marketing and logistics staff are working together, with improvements in delivery performance receiving the highest priority.

A handwritten signature in black ink, appearing to read "Gary S. Gale".

**Gary S. Gale**  
Managing Director  
21 April 2005

For further information contact the Chief Operating Officer, Mr Peter McDonald or the Managing Director, Mr Gary Gale on 9518 3312.