



ANNUAL GENERAL MEETING

22 NOVEMBER 2005

MANAGING DIRECTOR'S ADDRESS

INTRODUCTION

THANK YOU HARRY AND MAY I TAKE THIS OPPORTUNITY TO AGAIN WELCOME YOU TO GALE. AS YOU ARE PROBABLY AWARE, HARRY JOINED THE BOARD AS CHAIRMAN ON 25 AUGUST 2005 UPON THE RETIREMENT OF MR THEO EVERSTEYN. HARRY RECENTLY RETIRED AS CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR OF THE ASX LISTED COMPANY ANSELL LIMITED, AFTER A CAREER SPANNING SOME 28 YEARS WITH ANSELL. HARRY HAS LIVED AND WORKED IN SENIOR POSITIONS IN AUSTRALIA, EUROPE, USA AND CANADA, AND HAS BROAD-BASED EXPERIENCE IN GLOBAL MARKETING AND SALES, MANUFACTURING, AND PRODUCT DEVELOPMENT. HARRY'S EXPERTISE IN ACHIEVING BUSINESS RESULTS THROUGH SETTING AMBITIOUS GOALS, BUILDING THE APPROPRIATE ORGANISATION AND RELATIONSHIPS, AND RELENTLESSLY PURSUING DELIVERY OF COMMITMENTS WILL I BELIEVE BENEFIT GALE SIGNIFICANTLY AS IT CONTINUES TO MAKE THE TRANSITION

FROM A SMALL AUSTRALIAN FAMILY OWNED COMPANY TO A PUBLIC GLOBAL ENTERPRISE.

I WOULD ALSO LIKE TO ACKNOWLEDGE AND RECOGNISE THE CONTRIBUTION OF MR. THEO EVERSTEYN FOR HIS 30 YEARS OF SUPPORT TO THE COMPANY, AS BOTH A PROFESSIONAL ADVISOR, AND MORE RECENTLY AS A DIRECTOR AND CHAIRMAN OF THE BOARD. MR. EVERSTEYN CONTRIBUTED SIGNIFICANTLY TO THE OPPORTUNITIES THAT ARE NOW AHEAD OF THE GROUP, AND HE WAS PARTICULARLY ACTIVE IN THE ESTABLISHMENT OF OUR CHINESE AND EUROPEAN ACTIVITIES.

SUMMARY OF RESULTS

WHILE I AM DISAPPOINTED WITH OUR FINANCIAL RESULTS THIS YEAR, IT NEEDS TO BE RECOGNISED THAT A RANGE OF FACTORS DEPRESSED MARGINS IN THE 2004/2005 YEAR BOTH IN AUSTRALIA AND OVERSEAS. WE HAD A DRAMATIC AND RAPID INCREASE IN RAW MATERIAL COSTS, NOTABLY METAL AND PLASTICS, WHICH WE HAD TO ABSORB FOR SOME MONTHS UNTIL WE COULD IMPLEMENT PRICE INCREASES. SOFTENING IN THE AUSTRALIAN DO-IT-YOURSELF MARKET LED RETAILERS TO RUN DOWN INVENTORY AND THE DEMAND FOR AGRICULTURAL PRODUCTS WAS AFFECTED BY THE DROUGHT.

IN ADDITION THERE WERE ONE-OFF COSTS RELATING TO RESTRUCTURING AND GROWTH. SUBSTANTIALLY HIGHER OVERHEADS WERE REQUIRED WHILE WE WERE BUILDING THE EXPANDED FACILITY IN CHINA AND ESTABLISHING THE GALE EUROPE OPERATIONS. OUR RESULTS WILL ALSO BE AFFECTED IN THE DECEMBER HALF BY THE ANTICIPATED WINTER-SEASON LOSS INCURRED AT JUNG GERMANY WHICH WAS NOT FELT IN OUR 2003/2004 FIRST HALF, SINCE WE PURCHASED JUNG IN FEBRUARY 2004.

WE PASSED ON THE INCREASES IN RAW MATERIAL COSTS AND WE SUBSTANTIALLY REDUCED OVERHEADS DURING THE PERIOD AS THE MANAGEMENT TEAMS BECAME OPERATIONAL IN CHINA AND EUROPE.

ASIA PACIFIC

IN NOVEMBER 2004, THE COMPANY OFFICIALLY OPENED A PURPOSE BUILT FACILITY OF APPROXIMATELY 32,000M² IN NINGBO, CHINA, ABOUT 30 MINUTES FLYING TIME FROM SHANGHAI. THE RELOCATION OF A SIGNIFICANT PORTION OF OUR BRAESIDE, MELBOURNE PRODUCTION EQUIPMENT TO CHINA HAS PROGRESSED VERY WELL. MOST OF THE EQUIPMENT HAS NOW BEEN SHIPPED AND INSTALLED IN CHINA AND WE HAVE RETAINED SUFFICIENT EQUIPMENT IN MELBOURNE TO RUN THROUGH DECEMBER TO ACT AS A BACKUP WHILE CHINA COMPLETES INSTALLATION OF THE TRANSFERRED PLANT.

WE EXPECT SUBSTANTIAL OPERATING SAVINGS TO FLOW FROM THE COMPLETION OF THE PLANT INSTALLATION. OUR FACILITY IN CHINA HAS ADEQUATE CAPACITY TO MEET OUR EXPECTED GROWTH IN SALES VOLUME IN THE NORTHERN HEMISPHERE, WHICH WE EXPECT TO ACCOUNT FOR 70 PERCENT OF SALES OF CONSUMER PRODUCTS WITHIN THREE YEARS. BY REDUCING OUR SUPPLY TIME BY UP TO EIGHT WEEKS WE WILL BE BETTER ABLE TO COMPETE WITH OUR NORTHERN HEMISPHERE BASED COMPETITORS.

AUSTRALASIA

AUSTRALIAN SALES OF \$56 MILLION ARE APPROXIMATELY IN LINE WITH THE PREVIOUS YEAR DESPITE THE DIFFICULT RETAIL TRADING CONDITIONS AND THE PROLONGED DROUGHT IN THE AGRICULTURAL SECTOR. SALES OF INDUSTRIAL FABRICS ARE SLIGHTLY AHEAD, WITH RETAIL SALES DOWN IN A SOFTENING DIY MARKET.

THE RETAIL MARKET IN AUSTRALIA CONTINUES TO BE SLOW AND OUR SALES TO OUR RETAIL CUSTOMERS ARE DOWN.

IN NEW ZEALAND, OUR RECENT ACQUISITION OF THE INDUSTRIAL AND KNITTED FABRICS OPERATIONS OF DONAGHYS INDUSTRIES LIMITED WAS SUCCESSFULLY INTEGRATED INTO THE GROUP, AND REVENUE OF \$9.8

MILLION WAS IN LINE WITH EXPECTATIONS FOR THE PARTIAL YEAR OF OPERATION. WE HAVE ALSO INTEGRATED THE GALE AND DONAGHYS CUSTOMER BASE AND PRODUCT RANGES. THIS FACILITATED THE RECENTLY ANNOUNCED 'DIRECT TO MARKET' DISTRIBUTION STRATEGY FOR THE AUSTRALIAN MARKET, IMPROVING MARGINS AND MARKET PENETRATION OF THE NEW "SYNTHESIS" BRAND AS WELL AS THE "DONAGHYS" BRAND FOR SPECIALTY PRODUCTS. WE NOW HAVE A FOCUSED LOW COST INDUSTRIAL MANUFACTURING PLANT SPECIALISING IN TECHNICAL FABRICS IN NEW ZEALAND PROVIDING THE COMPANY WITH FURTHER MANUFACTURING FLEXIBILITY AND ENHANCED PRODUCTIVE CAPACITY. THE ACQUISITION HAS ALSO STRENGTHENED THE COMPANY'S POSITION IN THE COMMERCIAL, HORTICULTURAL AND INDUSTRIAL MARKETS IN NEW ZEALAND AND AUSTRALIA.

EUROPE, MIDDLE EAST & AFRICA

EUROPE

THE EUROPEAN RESULTS FOR FY05 WERE AFFECTED BY THE FIRST YEAR'S ESTABLISHMENT EXPENSES AND THE COSTS ASSOCIATED WITH SETTING UP GALE EUROPE.

JUNG HAS BEEN A SUCCESS FOR US SINCE WE CONSOLIDATED IT IN FEBRUARY 2004. OUR ACQUISITION OF JUNG HAS HELPED ESTABLISH THE

“COOLAROO” BRAND ON A VERY SOLID BASIS WITH ORDERS FROM APPROXIMATELY 750 STORES ACROSS EUROPE. MANY OF OUR NEW AND EXISTING CUSTOMERS HAVE INCREASED THEIR PURCHASING COMMITMENT FOR NEXT SEASON, AND NEW CUSTOMERS HAVE JOINED OUR DISTRIBUTION BASE.

THE CURRENT FINANCIAL YEAR IS OUR SECOND YEAR IN EUROPE AND WE WILL AIM FOR GEOGRAPHIC EXPANSION AND ESTABLISHING RELATIONSHIPS WITH THE MAJOR RETAILERS. WE WILL THEN FOCUS ON DISTRIBUTING OUR FULL RANGE THROUGH THESE DISTRIBUTORS. AS THE EUROPEAN MARKET IS DIVERSE, PRODUCTS MUST BE CUSTOMISED FOR DISTRIBUTION TO VARIOUS REGIONS. WE ARE WORKING HARD WITH OUR R & D TEAMS DEVELOPING AND TESTING ADAPTATIONS OF PRODUCTS TO FULLY CAPITALISE ON THE OPPORTUNITIES PRESENTED BY THESE MARKETS. TO DATE, THE NEW PRODUCTS WE HAVE DISPLAYED HAVE BEEN WELL RECEIVED AND SIGNIFICANT COMMITMENTS ARE EXPECTED TO FOLLOW.

A SIGNIFICANT PART OF OUR STRATEGY THIS YEAR IS TO EXPAND OUR BUSINESS GEOGRAPHICALLY FROM CENTRAL EUROPE INTO THE MEDITERRANEAN COUNTRIES, WHERE OUR MOST IMPORTANT TARGETS ARE FRANCE, SPAIN AND ITALY. WE ARE EXPANDING THE RANGE OF PRODUCTS BEING SOLD TO EXISTING CUSTOMERS AND WE ARE INITIATING NEW BUSINESS WITH A VARIETY OF NEW D.I.Y. RETAILERS IN THOSE COUNTRIES

AND ALSO BELGIUM, THE NETHERLANDS, IRELAND, GERMANY, ICELAND, AUSTRIA AND SWITZERLAND.

MIDDLE EAST

EXCELLENT REGIONAL GROWTH WAS ACHIEVED IN THE MIDDLE EAST DURING THE 2004/2005 YEAR AND THIS IS CONTINUING IN THE CURRENT PERIOD. OUR EXPANSION INTO THE HIGH MARGIN MARKETS THROUGHOUT THIS REGION CONTINUES TO BE SUCCESSFUL. SALES OUTSIDE THE UNITED ARAB EMIRATES NOW ACCOUNT FOR ALMOST 70% OF REGIONAL REVENUES AND ARE CONTINUING TO GROW, WITH THE RECENT EXPANSION INTO SAUDI ARABIA CONTRIBUTING SIGNIFICANTLY TO THESE EXCELLENT RESULTS.

THIS REGION IS A STRONG MARKET FOR OUR INDUSTRIAL AND ARCHITECTURAL FABRIC RANGE.

AMERICAS

SALES REVENUE IN THE USA INCREASED MARGINALLY IN US DOLLAR TERMS ON THE PREVIOUS YEAR TO US\$11.6 MILLION. LATE IN THE YEAR, WE SUCCEEDED IN EXPANDING THE NUMBER OF MAJOR RETAIL STORES STOCKING OUR STANDARD WINDOW SHADES, IN ADDITION TO A SIGNIFICANT INCREASE IN STORES CARRYING THE CUSTOM SHADE PROGRAM.

WE FINALISED THE CONSOLIDATION OF OUR CAL SHADES ACQUISITION AND “COOLAROO” LOGISTICS INTO ONE LOCATION IN CALIFORNIA, WITH SIGNIFICANT OPERATIONAL AND TRANSPORTATION SAVINGS EXPECTED TO FOLLOW. CUSTOM SHADE PRODUCTION WITHIN THE COMBINED WEST COAST FACILITY WILL BE EXPANDED TO SUPPLY A LARGER VARIETY OF WINDOW FURNISHINGS, INCLUDING HORIZONTAL SHADES. WE EXPANDED THE RANGING OF PET BEDS WITH WAL MART AND PETCO THIS SEASON, AND INITIAL SELL THROUGH IS VERY ENCOURAGING. WE ALSO SUCCEEDED IN EXPANDING THE NUMBER OF MAJOR RETAIL STORES STOCKING OUR STANDARD WINDOW SHADES, IN ADDITION TO A SIGNIFICANT INCREASE IN STORES CARRYING THE CUSTOM SHADE PROGRAM.

WITH PETER MCDONALD, CHIEF OPERATING OFFICER, ASSUMING THE POSITION OF MANAGING DIRECTOR, U.S. OPERATIONS IN DECEMBER, WE EXPECT TO BE ABLE ACCELERATE THE BENEFITS OF OUR NEW, LOWER COST MANUFACTURING PLATFORM, SHORTER LEAD TIMES, AND EXPANDED CAPABILITIES TO DRIVE GALE’S MARKET EXPANSION THROUGHOUT THE AMERICAS. PETER WILL FOCUS ON BUILDING THE EXISTING DIVERSIFIED BASE OF RETAIL AND COMMERCIAL CUSTOMERS, AND WILL ALSO SEEK ADDITIONAL GROWTH OPPORTUNITIES IN THOSE MARKETS, INCLUDING CENTRAL AND SOUTH AMERICA.

MANAGEMENT & STAFF

IN ADDITION TO PETER MCDONALD BEING APPOINTED TO THE POSITION OF MANAGING DIRECTOR OF OUR U.S. OPERATIONS, WE MADE ANOTHER SIGNIFICANT MANAGEMENT CHANGE IN PROMOTING STEPHEN CARROLL, AUSTRALIAN SALES AND MARKETING MANAGER, TO THE POSITION OF MANAGING DIRECTOR OF AUSTRALIAN OPERATIONS. STEVE HAS SUCCESSFULLY OVERSEEN THE INTEGRATION OF THE DISTRIBUTION AND SALES OPERATION OF THE DONAGHYS AND GALE COMMERCIAL AND INDUSTRIAL FABRIC ORGANISATION, INCLUDING THE SUCCESSFUL LAUNCH OF OUR "SYNTHESIS" RANGE OF COMMERCIAL FABRICS, AND THE INTRODUCTION OF DIRECT SALES FROM OUR CHINESE OPERATIONS THROUGH OUR AUSTRALIAN RETAIL NETWORK OF CUSTOMERS.

I LOOK FORWARD TO CONTINUING TO WORK WITH STEVE AND THE TEAM AS WE MEET THE CHALLENGES IN FURTHER DEVELOPING AND ESTABLISHING OURSELVES AS A TRULY GLOBAL ORGANISATION. I WOULD ALSO LIKE TO ESPECIALLY THANK OUR WORLDWIDE TEAM FOR THEIR WONDERFUL COMMITMENT, DEDICATION AND HARD WORK DURING THE DIFFICULT LAST YEAR. THE TRANSITION OF A SIGNIFICANT PORTION OF OUR MANUFACTURING PLANT TO CHINA COULD NOT HAVE BEEN EXECUTED SO WELL WERE IT NOT FOR THEIR WILLING CONTRIBUTION, EFFORT AND SACRIFICE. IT ALSO WORTHY NOTING THAT THE RELOCATION OF THE EQUIPMENT TO CHINA HAS OCCURRED WITH THE HEALTH AND SAFETY OF

ALL OF OUR EMPLOYEES UTMOST IN OUR MINDS AND I AM VERY PLEASED THAT WE CONTINUE TO MAINTAIN OUR EXCELLENT OCCUPATIONAL HEALTH & SAFETY RECORD.

CASH FLOW AND BALANCE SHEET

THE COMPANY SUBSTANTIALLY INCREASED ITS INVENTORY BASE ON THE ESTABLISHMENT OF ITS GALE EUROPE OPERATIONS, AND A PRECAUTIONARY INCREASE IN AUSTRALIAN INVENTORY TO SUPPORT ANY POTENTIAL SUPPLY SHORTFALL DURING THE TRANSFER OF OUR BRAESIDE PLANT TO CHINA. INVENTORY ALSO INCREASED AS A RESULT OF THE PREVIOUSLY DESCRIBED INVENTORY TIGHTENING OF THE DIY MARKET WITHIN AUSTRALIA.

THE COMPANY PURCHASED CAPITAL EQUIPMENT IN EXCESS OF US\$15 MILLION FOR OUR NEW PLANT IN CHINA. CHINA WILL CONTINUE TO MODESTLY IMPACT THE GROUP'S CASH FLOW THIS FINANCIAL YEAR, AS THE FINAL DELIVERIES OF THE EQUIPMENT ARE RECEIVED. AT THAT POINT, THE CAPITAL INVESTMENT BASE IS ANTICIPATED TO BE SUFFICIENT TO SUPPORT THE COMPANY'S CURRENT PLANS.

AS A DIRECT RESULT OF THESE FACTORS, THE COMPANY'S NET DEBT TO EQUITY INCREASED TO 1.45:1 AT YEAR END. THE DIRECTORS ANTICIPATE

THAT WORKING CAPITAL AND NET DEBT WILL REDUCE SIGNIFICANTLY OVER THE NEXT 12 TO 18 MONTHS.

OUTLOOK

I BELIEVE THAT THE COMPANY IS NOW WELL POSITIONED TO LEVERAGE THE BENEFITS FROM EXPECTED SUSTAINED GROWTH IN THE YEARS AHEAD. IN THE SHORT TERM, WE WILL FOCUS ON COMPLETING THE TRANSITION OF EXTRUSION AND KNITTING PLANTS TO CHINA SMOOTHLY. WITH THE ESTABLISHMENT OF OUR EUROPEAN AND CHINA OPERATIONS NOW ALMOST COMPLETE, THE CURRENT YEAR WILL I BELIEVE BE CONSIDERABLY DIFFERENT FROM THIS PAST YEAR AND WE WILL BE FOCUSING ON REAPING THE BENEFITS OF THE INVESTMENT IN THESE OPERATIONS. WE WILL CONTINUE TO BUILD ON THE SUCCESS OF THE LAUNCH OF OUR NEW PRODUCTS IN OUR NEW EUROPEAN CUSTOMER BASE. WE WILL ALSO BE CONTINUING IN EXPANDING BOTH OUR GEOGRAPHICAL BASE AND OUR PRODUCT RANGE. R&D WILL BE A FOCUS AS WE CONTINUE TO INTRODUCE WORLD LEADING TECHNOLOGIES AND PRODUCT CATEGORIES WITHIN OUR AREA OF EXPERTISE INTO ALL OUR MARKETS.

GARY S GALE

MANAGING DIRECTOR