

CAPRAL LIMITED (ABN 78 004 213 692)
ANNUAL GENERAL MEETING - 24 APRIL 2009
CHAIRMAN'S AND MANAGING DIRECTOR'S ADDRESSES

CHAIRMAN'S ADDRESS

Capral's reported result for 2008 was a net loss after tax of \$131.8 million representing an after tax loss from normal activities of \$47.4 million and a write off of all the goodwill of \$83.4 million. The latter was the result of a review of our current and anticipated depressed business conditions on Capral's forecasts. This is obviously a disappointing result and, in the most part, reflective of the market conditions, combined with the impact of record levels of low-priced imports from The Peoples' Republic of China that have affected the performance of the Australian aluminium extrusion industry. This has been exacerbated by an almost unilateral destocking of product by our customers in the light of uncertain market conditions. Despite the positive impact of productivity improvements and overhead cost savings, the low order levels drove the poor operating result.

Our funding position was restructured during 2008 with:

- a fully underwritten rights issue raising over \$29 million before costs which also resulted in our major shareholder, GPG, increasing its shareholding in Capral to nearly 76%.
- a new debt facility of up to \$116 million from GE Commercial Finance. With the sale of the Canning Vale property on 1 April 2009, one of the facility loans of \$11.5 million has been fully repaid.

In light of uncertain trading conditions late in 2008 and early 2009, Capral took a number of immediate steps including securing a loan facility from GPG of \$10 million and suspending interest payments on the convertible notes. The Board will be revisiting whether to continue the suspension of interest payments at the end of this year.

The Board robustly reviewed Capral's forecasts before approving the financial statements for the 2008 year on a "going concern" basis and noted some uncertainties in light of market volatility and other external factors. This is detailed in the Annual Report. Capral is still performing generally in line with the forecasts that supported the financial statements.

The first quarter of 2009 has seen the continuation of weak trading. In volume terms, it is below our expectations, however, performance improvements and cost savings referred to earlier have mitigated the impact of this.

During 2008, Capral improved efficiencies at its facilities and continued to build capability for the future. The Annual Report details some of the initiatives that are delivering the improved capability and these and others are being pursued into 2009 to improve our business including:

- Further productivity improvements and cost reductions at our Bremer Park plant.
- Continuation of overhead cost reductions.
- Capturing additional sales through focused sales plans and in particular those arising from the stimulus packages announced by the Federal Government, including the \$14.7 billion "education revolution" program.

In addition, Capral is aware of a recent decision by the Canadian Border Services Agency (ratified by the independent Canadian International Trade Tribunal) to impose significant anti-dumping and countervailing (Subsidy) duties on aluminium extrusion exports from China to Canada, affecting more than 50 Chinese exporters who market product into Australia. Key Australian aluminium extruders (including Capral) are currently preparing a similar action in Australia, based on the results of the Canadian Government investigation.

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The Board is pleased to introduce to shareholders our new Managing Director, Phil Jobe, who will play a fundamental role in driving these initiatives and Capral back to profitability. Phil joins us after a very successful career in the building products industry where he has gained a strong reputation in growing businesses and where necessary "turning them around". He is regarded by the Board as the most appropriate leader in Capral's present situation. Capral has been fortunate to secure his services and his remuneration package is reflective of both our need to attract Phil from his previous position and the level of his experience and expertise. The Board believes that by offering him a competitive remuneration package, including the termination payment and options detailed in the Notice of Meeting, will strengthen the alignment of his interests with that of shareholders and provide him with an appropriate incentive commensurate to his role and the difficult job ahead.

During 2008 your Board met on 20 occasions, as well as Audit and Remuneration and Nomination Committee meetings. There have been a number of Board changes during the year and, as you will see from the Notice of Meeting, Mr Wood-Ward, Mr Jefferies and Mr Eisen are seeking election as directors having been appointed during the year to fill casual vacancies and I am seeking re-election as a director after retiring by rotation. The Board is focused on Capral's business and committed to returning Capral to profitability.

These are tough times for all Capral employees and I would like to thank them for all their efforts. I would also like to thank our customers and GPG, our major shareholder, as well as all our other shareholders for their continued patience, which we hope will be rewarded as a result of the very positive actions now in place.

MANAGING DIRECTOR'S ADDRESS

Accepting the role of Chief Executive Officer and Managing Director of Capral has been an unexpected development for me. When approached for the role, I was a senior executive in a multi-national corporation, leading a portfolio of businesses that, in aggregate, was much larger than Capral. It was my fourteenth year with that corporation and I was not seeking alternative roles.

As a senior executive I have been privileged to lead strong, reliable and highly profitable businesses. I have also managed companies that experienced high rates of growth and businesses that achieved notable turnarounds, in some cases where prior experienced managers were unable to make an impact. It is these turnarounds in my career that have been the most challenging but also the most satisfying and rewarding. In my experience, turnarounds require a clear understanding of the root causes of under-performance, intense effort at all operational levels and accountability for execution and results. Industry structure and dynamics as well as economic conditions often have an impact. Capral represents a significant turnaround challenge and this was a critical element that attracted me to this role.

This is my eighth day in the job and visits to Capral's largest manufacturing and distribution facility at Bremer Park in Queensland as well as the Penrith manufacturing facility have occurred, with plans to spend time in Victoria, South Australia and Western Australia operations and with customers over the next 14 days. A number of one-to-one meetings have already taken place with managers and staff and more are scheduled. I will also be completing a strategic and organisational review in the first 3 months.

A number of additional cost-down initiatives commenced in previous months and good traction has been achieved in many areas. There are a number of new improvement initiatives which are also underway.

My early impression of Capral is that the business has a well established platform of manufacturing facilities, national distribution and logistics capabilities, and close relationships with

long term customers and reliable suppliers. There is a solid core of experienced and committed staff and managers and those that I have met are very dissatisfied with Capral's financial results despite lots of hard work on their part and are motivated to achieve improved results for Capral.

A feature of the aluminium extrusion market in Australia is the rapid growth of imports in recent years to the point that they represent approximately 34% of supply. Australia has free trade agreements with other countries which are expected to benefit Australia and the countries involved. Effective free trade must be based on participants playing "within the rules" otherwise it can become win-lose. In situations where imports come to Australia at prices which are below those sold in the originating country or where the cost base of those imports have been materially impacted by Government subsidies then there are grounds to approach Australian Customs for anti-dumping and subsidy duties to be applied to those imports.

As already indicated by the Chairman in his Address, there is reason to believe that dumping of subsidised aluminium products in Australia is occurring, causing material injury to Capral. This view is reinforced by the recent findings of an investigation and subsequent imposition of anti-dumping and subsidy duties by Canadian authorities.

Historically, it has been difficult to succeed in anti-dumping and subsidy cases in Australia as there is a strong aversion to the perception of "protectionism". Capral does not seek "protectionism". Capral can and must compete against global competitors but it should be on a level playing field. There is also a risk for our customers that dumped and subsidised imports of fabricated products could develop and there are already early examples.

There is clearly a need for Capral to drive hard for improved outcomes in key measures of the business. In today's tough trading environment, the level of urgency and intensity must be lifted.

In closing, I am pleased with the clear mandate and support given by the Board to make necessary changes within Capral. I want to assure you that I will use my experience, skills and energy to contribute to the long sought after turnaround of Capral for the benefit of all stakeholders, including our shareholders.