

CAVALIER CORPORATION

7 Grayson Avenue, Papatoetoe, PO Box 97040, Manukau City, Manukau 2241, New Zealand
Phone 64-9-277 6000 Fax 64-9-279 4756

2017 ANNUAL MEETING

At today's Cavalier Corporation annual meeting of shareholders, the Company provided an analysis for the financial year ended 30 June 2017 (FY17) and a current business update.

Paul Alston, Cavalier's CEO commented: "Cavalier's performance in FY17 was disappointing with Revenues and Earnings well down on the improved FY16 performance. The result reflects an ambitious undertaking to rationalise and consolidate our manufacturing operations and realise production efficiencies going forward. This rationalisation process was necessary to give Cavalier a strong base to work from and while the logistical moving process was achieved on time and on budget, realising the efficiencies and the supply disruption for immediate sales, were underestimated and for that I take full responsibility.

"Bedding in these changes took much longer and we are only now achieving production levels that were planned from the rationalisation. The other significant factor that impacted FY17 and will continue into FY18 was the collapse of the NZ wool market, which affects both our scouring joint venture and our wool buying business.

The rationalisation challenges are now largely behind us and while they will affect the first half performance in FY18, the second half will see the efficiency benefits coming through along with a decrease in the cost of sales for yarn and carpets from lower wool prices"

Paul Alston continued; "Cavalier Bremworth, including Norman Ellison Carpets offer both woollen and synthetic ranges appropriate to their target markets. While we may have initially reacted cautiously to seismic industry changes, we now have the right offering in both fibres and we are building capacity for the potentially market leading high-end felted product range.

"The opportunities we see in Australia in particular are significant and increasing our penetration in that market remains a priority. Our established position in New Zealand will be staunchly defended and our recognised history of product innovation is delivering some excellent new lines and solutions for our customers' flooring needs.

"Finally, we believe the recent change in Government will be positive for Cavalier. We have over 40 years of established history of manufacturing and adding value to the New Zealand wool clip with significant regional operations and employment. We welcome the stated focus to support New Zealand owned and operated businesses, exporters and manufacturers"

Sarah Haydon, Chairman of the Cavalier board said; “The board remains fully supportive of the essential operational changes that we approved. The Company’s strategy remains in place and we now look forward to completing that work, improving results and returning to profitability.

“Notwithstanding the material uncertainty regarding our future forecasts as noted in the accounts, the Company met all our covenants in the period and we retain the support of the BNZ. The accounts have been prepared on a going concern basis and the external auditors have concurred with this approach. A level of uncertainty in our forecast of sales and margin remains until we really start to deliver a track record of the profitable outcomes planned.

Sarah Haydon thanked Steve Bootten who retired at the meeting for his strong contribution to the Company. She also signalled that at the FY18 Shareholders Meeting the board would likely seek to increase the pool of directors’ fees, which were last adjusted to \$350,000 ten years ago in 2007.

She concluded “Finally, we welcome Alan Clarke to the board. Alan will join the board on the 1st November as his appointment was not able to be brought to this meeting for approval due to time conflicts with the FY17 Notice of Meeting. Alan brings extensive governance and strategic operating experience to the board and we look forward to working with him. Alan will stand for election at the FY18 Shareholders Meeting.”

No formal earnings guidance for FY18 was given other than the CEO and Chair both noted that the extensive restructuring programme was now behind them and anticipated volumes are being achieved from the plants and ongoing efficiency improvements will be realised. The impact of the restructuring did extend beyond FY17 and into FY18 along with the collapse in the market price of wool. Benefits were expected to flow into the second half of FY18 and as a consequence the FY18 normalised earnings result is expected to be an improvement over the FY17 result.

Shareholders passed both resolutions at the Annual Meeting, with the details of votes cast set out in the table below:

Resolution	For	Against	Total
Authorise Directors to fix the auditor’s remuneration	29,514,343	32,000	29,546,343
Re-election of Dianne McAteer as a director	29,481,180	73,307	29,554,487

Released on behalf of Cavalier Corporation Limited by Victor Tan, Company Secretary
31 October 2017

For more information regarding this release, please contact Paul Alston, Chief Executive Officer
Tel: +64 9 277 1135 Mob: +64 21 918 033