

28 October 2005



Managing Director's Address to the Annual Meeting

In the Annual Report, I wrote that the acquisition and integration of Akzo Nobel Coating Resins; soaring raw material costs; and some surprisingly soft markets, were the challenges of 2005. I also noted that we were indeed fortunate to have the people within our organisation to meet these challenges.

Introduction to Management

Today, it is my great pleasure to introduce the international general management group to you.

Richard Allan Richard is General Manager, Nuplex New Zealand with particular responsibility for coating and composite resins in New Zealand. With 34 years with Nuplex including service in Australia, Richard has a technical background and is based in Auckland.

Ercilia Barahona Ercilia is currently on well deserved leave in Spain with her husband. She is responsible for our paper resins and chemicals business in Australasia and joined as a result of the acquisition in 1998 of Australian Chemical Holdings. A trained chemist and originally from Chile, she has worked for the group for 31 years. While her home is Sydney she operates the business out of Melbourne.

Stuart Barry Stuart is our Chief Information Officer is based in Sydney and has worked within the ACH and Nuplex groups for the past 21 years Stuart moved from his original sales and management role into the world of IT and has an excellent understanding of the business drivers of the company.

Sam Bastounas Sam is General Manager of our Specialty Products business and joined as a result of our acquisition of APS Chemicals in 2002. He has worked for 15 years within the group and was formally a chemist with Dulux and had a stint in the Philippines as CFO of a Dulux start up company. Sam is based in Melbourne.

Ronny Chew Ronny joined us from Akzo Nobel this year and is Regional Manager Asia with particular responsibility for Coating Resins in that region. He is based in Singapore with operations in Malaysia, Thailand, Indonesia, Vietnam and China. He has been within the business for 4 years and prior to that had Technical and Sales responsibilities within the industry.



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- Tony Cooke Tony joined the group in Auckland in 1994 from Revertex South Africa and is Group General Manager, Operations and a member of my executive team. He is responsible for international manufacturing, distribution, safety, health and environmental protection, and quality. He is now based in Sydney.
- David Evans David is a 31 year Nuplex man. He is based in Auckland and the General Manager of our Construction Products division. His background was finance and he served in our Australian operation in the late 1980s in a commercial role.
- Rob Harmsen Rob had 20 years with Akzo Nobel until our acquisition this year. He has a financial management background and has been in the resin business for 10 years, the past 5 of these in general management roles. I recently appointed him Group General Manager of the coating and adhesive resins segment and he is responsible for International Business in this major segment of the company. He is also a member of my executive group and currently based in Bergen op Zoom in the Netherlands.
- Mike Kelly Mike is Regional Manager Americas with responsibilities for Coating Resins in both North and South America. He is based in Louisville, Kentucky, was with Akzo Nobel for 9 years with a total of 22 years in the Coating and Resin industries. He has a sales background.
- Paul Kieffer Paul is another manager who has joined us after 18 years service with Akzo Nobel, and a background in Operations and Sales. He is Regional Manager Europe, responsible for Coating Resins in the largest market for that business, and is based at Bergen op Zoom.
- Mike Law Mike is a 31 year man with Nuplex and has a strong technical background. Mike joined the group in Auckland and has played a major role in the development of the Australian business, finally transferring there in 1994. He is General Manager of the Australian coating resins business and based in Sydney.
- Charles Northcote Charles is presently on business in the US. He is our Group Financial Controller based in Sydney and joined us in 2003. Formerly from Christchurch he has substantial international experience in financial transactions including within manufacturing and chemical related industries, and has worked in both Europe and the US.
- Tony Roderick Tony is the General Manager of our Environmental Services Group. He joined as a result of the acquisition of the Nuplex Special Waste business in Melbourne 8 years ago, after serving 6 years with the previous owner. He continues to be based in Melbourne and has a civil engineering background.



Paul Schott Paul joined from ACH and has 36 years experience within the group. He is General Manager of the Australian composites business with group responsibilities for this substantial business segment. His background is technical and he is based in Sydney.

Bob Skarvan Bob has recently moved from Louisville Kentucky to Bergen op Zoom in the Netherlands to take up the key role of Group Purchasing Manager. He was with Akzo Nobel for 8 years with a strong commercial background in sales and has 20 years experience in the resins industry.

Graeme Storey Graeme is our Chief Financial Officer and Company Secretary based in Auckland and joined us in 1988. A former South Islander, he remains a proud Canterbury supporter and had extensive experience in Australasian manufacturing business prior to joining the group. He is a member of my executive group.

I hope you take the opportunity to meet these managers at first hand at the conclusion of the Annual Meeting.

Having introduced the senior international management group I would now like to update you on current performance and the major management issues facing us at this time. However, I am firstly pleased to report that collectively year to date, our businesses are operating in the range of expectations.

Environmental Services

Within our Environmental Services segment, capital works at the UEL site in East Tamaki are now complete and the new processing unit has been commissioned. Full efficiency should be achieved by the third quarter. The site will be fully compliant with all license conditions. We are now turning our attention to growth opportunities through the introduction of additional waste streams and technology, made possible by this state of the art facility.

In Melbourne, the construction of a freeway adjoining our land means both the loss of a section of our operating site, and the need to relocate process tanks. This is expected to be largely funded through compensatory payments. Further safety, health and efficiency improvements are planned as we seek profit growth in a stagnant, over-supplied market with our high market share providing the underlying strength.

We have determined that medical waste treatment is not core business and will elect to exit these New Zealand based operations if we can achieve an acceptable sale price.

Year to date the Environmental Services business segment remains much in line with last year and our budget expectations. However, we are forecasting that full year results will exceed last year with the benefit of recent investments.

Construction Products

In our Construction Products segment, it was inevitable after such prolonged growth in the New Zealand market that demand should soften. The recent election may also have had a dampening effect, even if only temporary. A reduction in demand has occurred across the broad spectrum of applications for our products; residential cladding; commercial and industrial refurbishment and new construction. While this was generally anticipated, the magnitude is greater than expected. The relatively smaller Australian business is still yet not of a size to offset such a significant downturn and it is unlikely that there will be sufficient recovery to reach last year's record performance. Good cost control and new technology products remain the focus to optimise profitability and retain market leadership.

Specialty Products

Within Specialty Products, distribution businesses continue to perform to expectations and we remain committed to growing this segment in response to the lack of growth in manufacturing in Australasia. A critical success factor to this is in attracting new, non-competing agencies with a superior service and technical support package. Targeted acquisitions will be a key element in achieving this.

In contrast, our manufactured product segment remains a significant underperformer. It is premature to announce specific corrective actions at this time but we have developed a strategy that addresses the principal issues: operational inefficiencies, and substantial over investment. We are working hard to restructure this business during the current financial year and will keep shareholders apprised of progress from time to time. The end result however, will be a long term sustainable business with the capability to grow and generate imputation credits for New Zealand and Australian shareholders.

Overall, we expect Specialty Products profits will be in line with last year. There will however be some additional extraordinary one-off costs related to restructuring in the current year.

Resins

Resins dominate the Nuplex landscape, represent 77% of total sales, and remain the key to our success. After a slow start to the new financial year in July, our international resins business has gathered momentum and is operating close to expectations. It is forecast to continue on these lines for the balance of the year.

I will now provide you with a brief outline of progress in each segment.

As the Chairman noted, raw material prices softened as new capacities came on stream, particularly in Asia. World markets have not moved as one in this respect with Europe and the US coming off more slowly than Asia. This prospect of lower input pricing lead to an expectation that recovery of both base margins and additional energy and transportation costs would be possible.

Nature unfortunately has dealt a cruel blow to everyone's expectations with two hurricanes, Katrina and Rita hitting the American Gulf Coast in recent times in a region where a significant percentage of the US petrochemical assets are located. Leading directly from this, world markets have again faced raw material shortages and prices have risen 10% overnight. There is however reasonable confidence that these cost increases will be recovered through pricing although continuing soft demand in certain markets threatens this as manufacturers may seek volume recovery at the expense of price.

In the composites resins segment, we are pressing on with our Asian expansion programme, utilising existing manufacturing resources in Vietnam, and soon to be extended to China. Opportunities in other markets continue to be offered and we are developing a strategy to take advantage of these. New Zealand demand remains similar to the previous year but Australia has softened as had been expected but this important market segment is performing well.

The paper resins business continues to find challenges and opportunities in almost equal balance. Fortunately there is growth in the market and we expect to share significantly in this although it remains highly competitive and over supplied. Our high quality people do however give us a winning edge.

The Australian coating resins market that slowed abruptly in late 2004 has recovered somewhat and while not at peak demand has returned to more normal levels. A strong spring and summer decorative painting season is still required to give confidence that the worst is past and the signs are positive so far. New Zealand remains remarkably resilient with order patterns much in line with last year.

In Europe, demand refuses to pick up. Against a background of political uncertainty, labour unrest, and some unseasonably inclement weather, it may take some time before this will happen. Our people have however delivered on some excellent sales programmes, clawing back market share and margins, and now seek to hold these during this current period of high raw material prices in a very competitive market.

In the Americas, US sales have been maintained at a high level mirroring the strength of that economy but the rapid increase in input costs in the past weeks is challenging our people to maintain the excellent performance they have provided the group since the beginning of this year. I have confidence that they will meet this challenge with success. The Brazilian business, based in Sao Paulo has finally become a Nuplex family member after ten months of working through many layers of red tape. Regrettably, performance at this time is below expectations although there are signs that recent initiatives will lead to recovery in the short term and position this strategically important operation well for growth in one of the key future markets for us.



South East Asian operations have maintained their excellent results from the prior year and we are gaining ground in our Vietnam and China businesses as sales plans are executed and deliver new orders. There was unfortunately an incident in our Foshan plant which resulted in three operators suffering injuries from which they are expected to make full recovery. The cause has been determined, the plant and process modified appropriately, and a review of all of our operations internationally undertaken to ensure that lessons learned from this unfortunate affair are used to avoid any chance of a repeat occurrence.

The international coating resins market continues to consolidate with a major merger of Cytec and UCB, and the sale of some Rhodia assets still in progress. We were involved in an acquisition process of a spin off segment from the UCB and Cytec deal but missed the opportunity to acquire a specialty resins business, being unwilling to pay the price. It is expected that further consolidation of merchant resin producers will occur and paint companies will continue to reduce their reliance on in-house resin manufacturing. These will represent opportunities for us to build our international position from what is already a significant base following the acquisition of Coating Resins from Akzo Nobel.

As we approach the ten month mark after this acquisition, it is useful to look back at what has been achieved. Most importantly, I believe the people from the two organisations have got to know each other better. Knowledge transfer is at a high level and the development of new growth strategies is well advanced. No, we have not seen massive restructuring, huge numbers of people being unsettled, historical reporting lines being torn apart. Rather, we have taken the time for the former CR people to feel sufficiently part of the Nuplex team to be able to contribute to what the future shape of the organisation will be. We have fulfilled our promise to utilise the entire intellectual capital of the group to make such an important decision. I do not apologise for any perceived delay – it is part of our standard and proven acquisition integration strategy.



So, where to from here?

Rob Harmsen, who I introduced earlier, has the responsibility of integrating the resources of the former CR and Nuplex coating and adhesive resins group to achieve our corporate growth objectives.

We are determined to be a genuine international coating resin provider, able to supply global customers. Our culture will be a customer focused business that relies heavily on intimate local relationships with superior service delivery and broader product offering, with a centralised approach to technology and core strategy development. We will select those market segments where we intend to be in the top three internationally in technology, and invest resources accordingly. We will also ensure that we have a fast follower capability to provide a viable alternative in a timely fashion in markets where we are a preferred supplier and our resources do not allow us to seek technology leadership.

Nothing in this strategy is new. It has built Nuplex over almost 50 years. I have confidence in the leadership of the business in all regions of the world, and in the many fine men and women within the group, that they will embrace this winning culture, and practise it with passion, urgency and commitment.

I look forward to leading the management team during what promises to be another fascinating year.

John Hirst

Managing Director