

Consolidation



Interim Report 1999

The Successful Australasian Merger

Interim Report

for the six months ended 31 December 1999



the benefits arising from the
successful amalgamation of
Nuplex and ACH are beginning to
be appreciated by customers...

The Group's unaudited tax paid profit for the six months ending 31 December 1999 of \$9.089 million is 65% above the \$5.514 million earned during the same period last year. This profit is after providing \$5.778 million for tax (\$3.706 million last year), \$1.452 million for goodwill amortisation (\$1.005 million), \$4.534 million net interest expense (\$3.894 million) and \$6.047 million for depreciation (\$4.866 million). This depreciation includes \$672,000 of accelerated depreciation in preparation for the disposal of waste processing assets as we move to alternative technology later in the year.

Earnings per share at 16.4 cents compares with 10.1 cents last year. Group Sales of \$191.6 million were 21% ahead of the \$158.7 million recorded last year. Approximately half of the sales increase is attributable to three acquisitions made during this six month period with the balance made up by increased market demand in Australia, New Zealand and Asia plus market share increases in traditional businesses. Sales to markets outside Australia and New Zealand are also growing in proportion to the total business and represent 6% of group sales in the period.

At 31 December 1999 the debt represents 53% of total debt plus equity compared to the 49% reported at 30 June 1999 as the acquisitions were funded by borrowings. This is expected to reduce to our target of 50% by the end of the current financial year.

The major contribution to growth in both sales and profit was generated by the Australian operation, which was the main beneficiary of the recent acquisitions. The Australian operation also made

productivity gains as progress continues to be made towards maximising the economies of scale arising from the acquisitions over the past 2 years. The 5% depreciation of the NZ dollar against the Australian dollar over the period also contributed to the increased returns from across the Tasman when translated into the New Zealand company accounts.

The Australian business now represents 63% of earnings before interest, tax and amortisation (EBITA) compared to the 48% recorded last year.

Resins

This business segment which supplies key raw materials to the paint, adhesive, printing ink, paper textile and fibre reinforced plastics industries enjoyed a 24% increase in sales over the same period last year to reach \$165 million for the six months.

The client industries in Australia and New Zealand enjoyed good growth during the period as markets recovered from the impact of the Asian crisis and enjoyed added impetus from preparation for the Olympics and the America's Cup.

Market share gains were made as the benefits arising from the successful amalgamation of Nuplex and ACH are beginning to be appreciated by customers. The acquisition of the polyester and gelcoat business from Orica in August and the polymer business from National Starch in October also made a significant contribution to market share growth.

Margins were under pressure throughout the period with the major petrochemical raw material prices being driven up by the dramatic rise in crude oil prices, by local currencies weakening against the US dollar and by recovering Asian demand. Nuplex was generally successful in recovering these higher costs through price increases because the same cost pressures were being experienced by the resin industry world wide.

Cost reductions were achieved through economies of scale arising from our growing volume coupled with investment in plant upgrades to achieve operational efficiencies. This is reflected in the increase in EBITA as a percentage of sales to 10.3% compared to 7.8% recorded for the same period last year.

Interim Report continued...



Polymer production from our Vietnamese plant continued to grow. The general economy in Vietnam is growing slowly but our growth is being achieved through market share as customers increase their confidence in our local manufacture to replace imports. The increased volume enabled Nuplex to achieve an operating profit compared to a loss for the same period last year.

In looking forward to the second half we expect to gain the benefit from a full six months trading by the two new acquisitions compared to only partial contribution in the first half and to gain further operational efficiencies as work progresses on the plant upgrade which will combine to cushion the threat from on going escalation of petrochemical raw material costs.

Construction Products

This business which supplies flooring and cladding systems to the industrial, commercial and domestic construction industry is predominantly a New Zealand based business.

Despite a slowdown in activity, market share gains in cladding of commercial and domestic properties in New Zealand combined with a contribution from the Australian acquisition made in June 1999 to achieve sales of \$16.2 million which is 6% ahead of the same period last year. This resulted in an EBITA of \$2.38 million, which represents a 46% increase.

The outlook for the second half includes improved demand from the industrial and commercial flooring market in New Zealand plus steady growth by the base established in Australia.

Special Waste Treatment

Revenue of \$10.9 million is only 3% ahead of the same period last year as the New Zealand business adjusts to a lower level of industrial activity and the Australian company competes in a competitive and over-serviced market in Victoria. The medical and quarantine segment is sustaining steady growth.

The EBITA was reduced by a \$672,000 write down of the Auckland incinerator which is being replaced by a lower cost Rotoclave treatment system in April 2000. The balance of the write down will be taken in the full year accounts.

It is expected that profit will improve in the second half as our major competitor in Victoria has withdrawn from the market and the benefits from lower cost processing in New Zealand begin to take effect.

Prospects

There is every indication that the demand experienced during the first half will hold steady during the second half.

Group profit will depend on our ability to recover the raw material cost increases which are in the pipeline for the fourth quarter. The increases will be affecting our competitors equally so that competitive pressure is expected to be blunted.

There are also opportunities in all of our businesses to grow volume and reduce operating costs which will tend to cushion the effect of any pressure on gross margins. Although the second half profit may be slightly softer than the first half, no major swing is considered likely.

Dividend

The directors have declared an interim dividend of 8.0 cents per share (cps), which is a 45% increase over the 5.5 cps for last year's interim dividend. This is in line with our policy of distributing 50% of tax paid profit. The dividend will carry 100% imputation credits for New Zealand resident shareholders. A supplementary dividend of 1.41176 cps will be paid to non resident shareholders under the terms of the Income Tax Amendment Act (No 3) 1993.

The Dividend Reinvestment Plan will apply to this interim dividend. Payment is scheduled for Friday, 24th March 2000 on shares registered at 5 pm on 10th March 2000.



Fred Holland

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Statements of Financial Performance

for the six months ended 31 December 1999

	Dec 1999 \$(000)	Dec 1998 \$(000)
Group Sales	191,641	158,693
Operating Surplus	26,843	18,911
Depreciation and Amortisation	6,047	4,866
Interest Received	(297)	(268)
Interest Expense	4,828	4,162
Goodwill Amortisation	1,452	1,005
Equity Earnings	(54)	(74)
Surplus before Tax	14,867	9,220
Tax	5,778	3,706
Surplus after Tax	\$9,089	\$5,514

Statements of Movement in Equity

for the six months ended 31 December 1999

	\$(000)	
Total Equity as at 1 July 1999	100,819	
Surplus after Tax for 6 months ended 31 December 1999	9,089	
Movement in Foreign Currency Translation Reserve	163	
Shares Issued per Dividend Reinvestment Plan	714	
	110,785	
Deduct: Provision for Dividend	(4,453)	
Total Equity as at 31 December 1999	\$106,332	

Statements of Financial Position

As at 31 December 1999

	Dec 1999 \$(000)	Dec 1998 \$(000)
Total Equity	\$106,332	\$96,213
Cash	12,111	12,182
Receivables	68,789	52,288
Inventories	58,241	44,507
Other	3,506	5,096
Current Assets	142,647	114,073
Investments	325	385
Property, plant and equipment	112,004	103,591
Goodwill	39,547	24,939
Other	1,792	2,521
Non-current Assets	153,668	131,436
Total Assets	\$296,315	\$245,509
Payables	43,289	25,404
Borrowings	–	378
Provisions	11,581	10,222
Current Liabilities	54,870	36,004
Term Loans	132,024	110,678
Provisions	2,763	2,080
Other	326	534
Non-current Liabilities	135,113	113,292
Total Liabilities	\$189,983	\$149,296
Total Net Assets	\$106,332	\$96,213

Statements of Cash Flows

For the six months ended 31 December 1999

	Dec 1999 \$(000)	Dec 1998 \$(000)
Receipts from Customers	175,499	163,263
Interest Received	297	268
Payments to Suppliers and Employees	(156,803)	(144,187)
Interest Paid	(4,828)	(4,162)
Income Taxes Paid	(2,178)	(1,352)
Net Operating Cash Flows	11,987	13,830
Proceeds from Sale of Assets	115	4,623
Purchase of Fixed Assets	(5,648)	(2,418)
Purchase of Business Assets	(26,165)	-
Purchase of Investment	-	(196)
Net Investing Cash Flows	(31,698)	2,009
Borrowings	24,973	1,896
Repayment of Borrowings	(4,913)	(11,212)
Dividends Paid	(2,111)	(1,765)
Net Financing Cash Flows	17,949	(11,081)
Increase/(Decrease) in Cash	(1,762)	4,758
Cash at 1 July 1999	13,882	7,201
Exchange Rate Adjustment	(9)	(155)
Cash at 31 December 1999	\$12,111	\$11,804

Notes

1. The Interim Financial Statements and Segment Analyses have been prepared adopting accounting policies consistent with those adopted in the Annual Report for year ended 30 June 1999.
2. The Interim Financial Statements and Segment Analyses should be read in conjunction with the Annual Report for year ended 30 June 1999.
3. The above statements have not been audited.

Industry Segment Analysis

For the six months ended 31 December 1999

	RESINS		CONSTRUCTION		SPECIAL WASTE		TOTAL GROUP	
	1999 \$000s	1998 \$000s	1999 \$000s	1998 \$000s	1999 \$000s	1998 \$000s	1999 \$000s	1998 \$000s
Total Segment Sales	165,230	133,725	16,195	15,227	11,057	10,762	-	-
Inter-Segment Sales	679	824	-	-	162	197	-	-
Group Sales	164,551	132,901	16,195	15,227	10,895	10,565	191,641	158,693
Earnings before Interest, Tax, Goodwill and Abnormals	16,948	10,420	2,382	1,627	1,466	1,998	20,796	14,045
Goodwill Amortisation	874	427	114	114	464	464	1,452	1,005
Interest (Net)	-	-	-	-	-	-	4,531	3,894
Tax	-	-	-	-	-	-	5,778	3,706
Equity Earnings	-	-	-	-	-	-	9,035	5,440
Net Surplus	-	-	-	-	54	74	54	74
Total Assets	244,933	194,698	18,551	18,480	32,831	32,331	296,315	245,509

Industry Segment Analysis (continued)

For the six months ended 31 December 1999

Inter segment pricing is based on market price less a selling and distribution margin.

The major products/services from which the above segments derive revenue are:

RESINS

Manufacture of synthetic resins in New Zealand, Australia and Vietnam for those markets as well as Asia and Pacific Islands and the sale and distribution of complimentary performance chemicals.

CONSTRUCTION

Manufacture of resin based flooring and building products. Distribution of related agency products in New Zealand. Manufacture of light-weight plasters in New Zealand.

SPECIAL WASTE

Collection, processing and disposal of liquid, hazardous and other special wastes in New Zealand and Australia. Collection and incineration of medical and quarantine waste throughout New Zealand.

Geographic Segment Analysis

For the six months ended 31 December 1999

	NEW ZEALAND		AUSTRALIA		VIETNAM		TOTAL GROUP	
	1999 \$000s	1998 \$000s	1999 \$000s	1998 \$000s	1999 \$000s	1998 \$000s	1999 \$000s	1998 \$000s
Total Segment Sales	58,647	54,300	137,191	107,159	2,939	2,643	-	-
Inter-Segment Sales	4,525	4,457	2,611	952	-	-	-	-
Group Sales	54,122	49,843	134,580	106,207	2,939	2,643	191,641	158,693
Earnings before Interest, Tax, Goodwill and Abnormals	7,543	7,373	13,107	6,700	146	(28)	20,796	14,045
Goodwill Amortisation	578	578	874	427	-	-	1,452	1,005
Interest (Net)	51	341	4,144	3,048	336	505	4,531	3,894
Tax	2,533	2,354	3,245	1,352	-	-	5,778	3,706
Equity Earnings	4,381	4,100	4,844	1,873	(190)	(533)	9,035	5,440
Net Surplus	54	74	-	-	-	-	54	74
Total Assets	4,435	4,174	4,844	1,873	(190)	(533)	9,089	5,514
	100,948	90,094	184,005	144,181	11,362	11,234	296,315	245,509



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