



2006 Interim Results

In line with Q1 forecast
Underlying strength in businesses
Higher dividend
Strong cash flow

25 February 2006

Agenda

- H106 highlights
- Raw materials
- Business review
- Technology
- Financials
- Outlook

H1 06 Highlights

- **Merging of Coating Resins**
 - Issues & competencies clearly identified
 - Technology exchange ongoing
- **Raw material prices continued to be a challenge**
 - Uncertainty in oil pricing
 - Impact of Hurricanes Katrina & Rita
- **Market demand soft**
 - Europe's problems continued
 - Some softness in Australasia
- **Portfolio changes**
 - Sale of Environmental Services
 - Acquisition of PML
 - Ongoing portfolio restructuring

Positioned for future growth and profit lift over next 3 years

H1 06 Financial Highlights

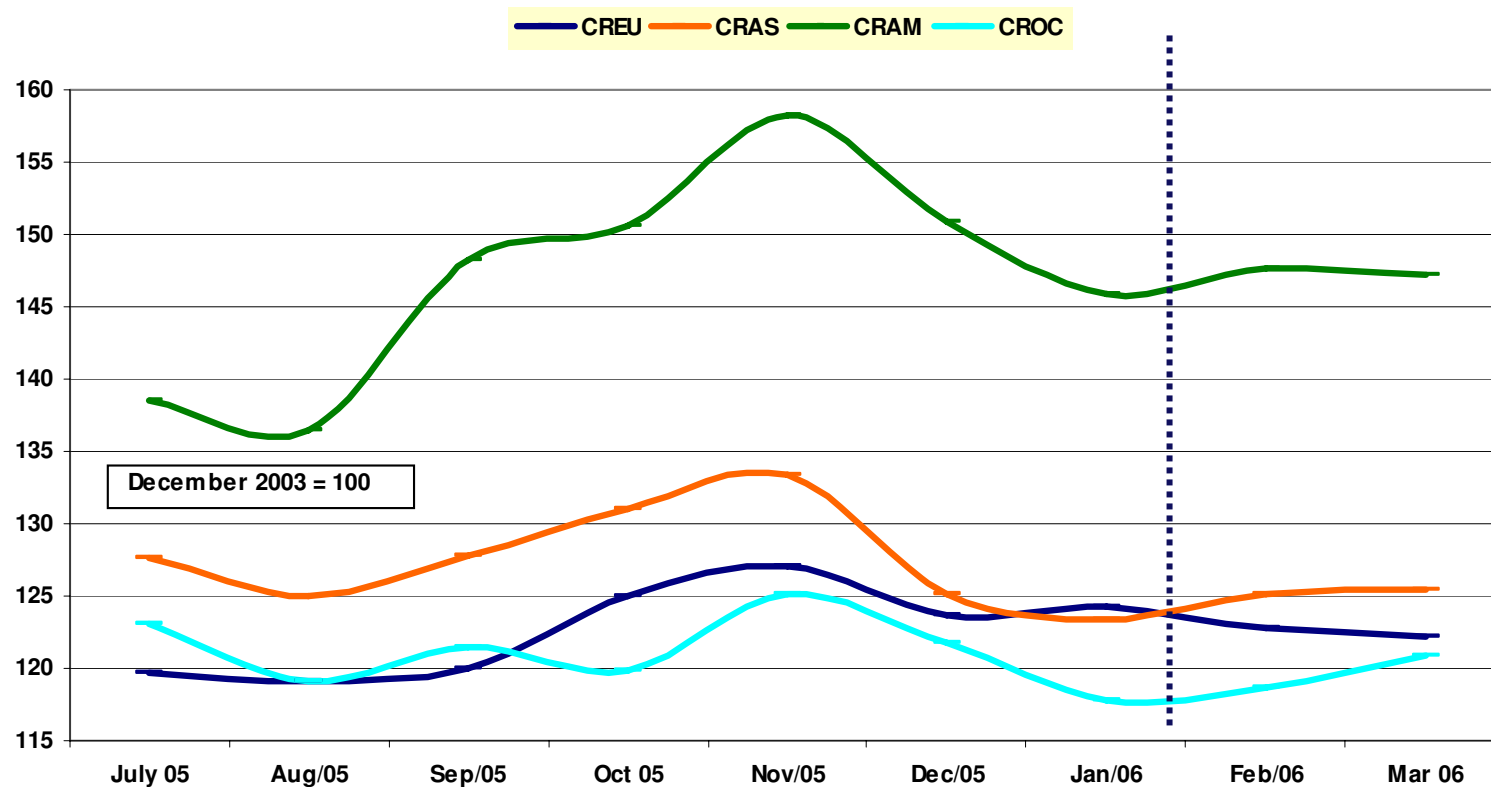
- Revenue Up 75%
- EBITDA Up 28%
- Net surplus after unusual items Down 7%
- Dividend Up 17%
- Net debt to total funds employed Down 5%

Result is in line with market guidance and expectations

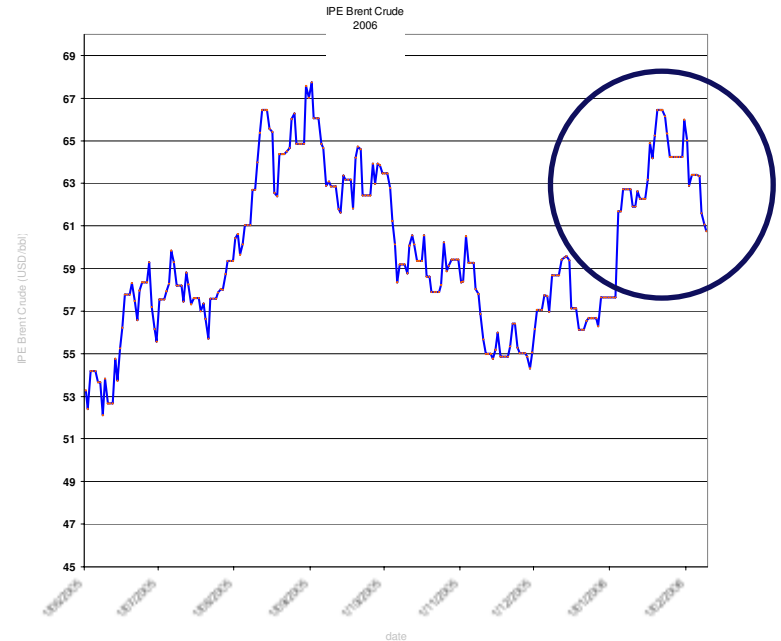
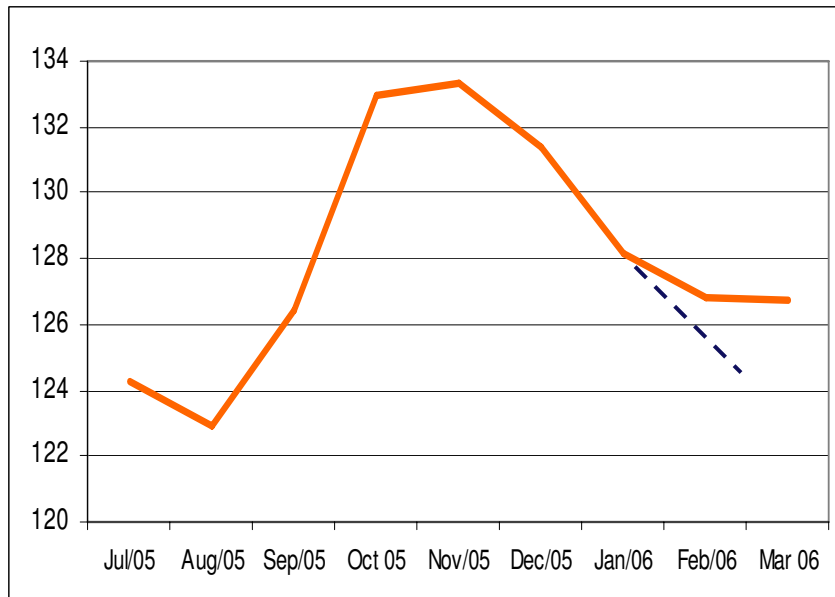
Raw Materials

Looking better after prolonged instability

Raw Material Index Movement



Index 2005 & Six Months Forward



- Expectations to see our index return to pre-Katrina levels in March not realized due to January run up in crude oil pricing
- The impact of crude has been mitigated in all regions by softness in the acrylic monomer markets

Going forward... Oil

Financial Times (Jan 19, 2006)

- 60 economists and oil analysts forecasted that oil will be \$56 a barrel in January of 2007
- The price is expected to drift to \$59 a barrel around April 2006.

Crude dropped to below \$58 at the end of last week

Raw materials looking forward

- Natural oils are relatively stable
 - Some competition from biofuels
 - Natural resin capacity being lost to use as fuel source
 - Significant pricing impact
- Most petrochemical markets are balanced to oversupply
 - Monomer markets are long
- If crude stays close to 60 through the first of March
 - solvents and acids should come down by approximately 5%
 - ~ 40% of purchases
 - Q2 2006 will benefit
 - Europe & Asia's propylene pricing should ease
 - Overall acrylic monomer softness will be perpetuated
 - Lower crude (and hence benzene) will assist Styrene pricing

Business Review

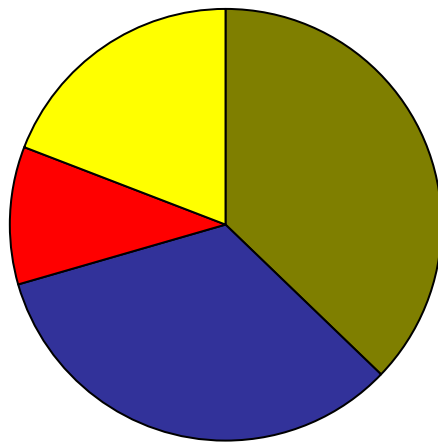
Some portfolio changes

Resins

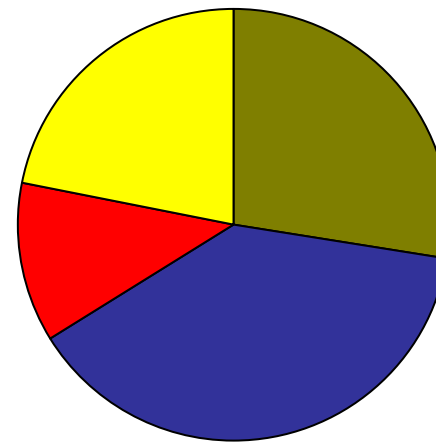
Good growth
Some margin recovery
Industry consolidation

Resins structure by volume

Manufactured product only



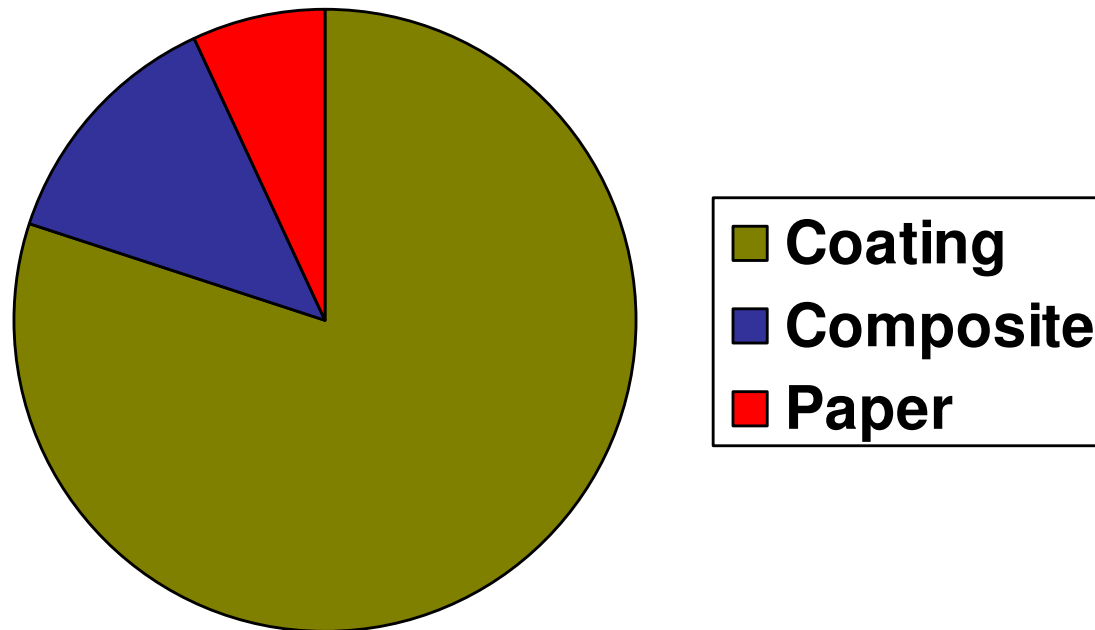
Total resins



Coating resins



Resins structure by volume



Manufactured product only

Resins – comparative performance

<u>Country</u>	<u>Currency</u>	<u>2005/06 EBITDA</u>	<u>2004/05 EBITDA</u>
New Zealand	NZ\$	4.6	4.4
Australia	A\$	18.6	17.4
Vietnam	US\$	1.2	1.3
China – Foshan	CNY	(1.7)	(2.1)

Comparison only available with traditional business units

Resins - sales revenue – NZ\$

	Dec '05	Jun '05	Dec '04
NZ	36	34	36
Australia	160	148	154
Asia	57	46	17
Europe	162	173	-
Americas	58	54	-
	473	455	207

Coating Resins - Oceania

- **New Zealand**
 - Domestic demand slightly soft
 - Mercator Technologies acquisition drove volumes 5% higher
 - Exports down on prior year
 - Mainly Australian impact
 - Contribution margin up 5%
 - Lower raw material costs
 - Partial return to earlier margins
 - Effect of Mercator
 - Import competition will retard further margin development
- **Australia**
 - Domestic demand somewhat softer
 - Volume higher due to Wattyl resin plant fire
 - Margins up 2%
 - Lower raw material costs

Coating Resins - Asia

	<u>Indonesia</u>	<u>Malaysia</u>	<u>Suzhou</u>	<u>Foshan</u>	<u>Vietnam</u>
Sales revenue	↓↓	↑	↑↑↑	↑↑	↑
Gross margin	↓	↓	↑↑↑	↑↑	±
Gross profit	↑	±	↑↑↑	↑↑	↓
Operating EBITDA	↑	↓	↑↑↑	↑	↓

- Foshan set back temporarily following plant incident
 - Lost ability to produce a significant product range until Q3
- Vietnam volumes grew but market very competitive
- China combined operations in positive EBITDA
 - Loss of ~ \$1 m at the net profit level

Coating Resins - Europe

	<u>BoZ</u>	<u>UK</u>
Sales revenue	↓	↑ ↑
Gross margin	↓	↑ ↑
Gross profit	↑	↑ ↑
Operating EBITDA	↑ ↑	↑ ↑

- **Bergen op Zoom**
 - Demand sluggish until late in Q2
 - Good cost control
 - Further cost reduction to come
 - Growth in new products
- **UK**
 - Operations in loss of ~ \$3m
 - Fixed cost mismatch with capacity
 - Profit improvement programme
 - Stage 1 in execution
 - Further investment required

Coating Resins - Americas

	<u>US</u>	<u>Brazil</u>
Sales revenue	↑↑	↓↓
Gross margin	↑	↓↓↓
Gross profit	↑↑↑	↓↓↓
Operating EBITDA	↑↑↑	↓↓↓

- **US**
 - Demand remained strong
 - Automotive the exception
 - Good raw material cost recovery
 - Short term impact from Hurricane
- **Brazil**
 - Operations in loss of ~ \$1m
 - Major customer lost position
 - Loss of market share
 - Late capacity installation
 - Profit improvement programme
 - Stage 1 in execution

Composite Resins

- **New Zealand**
 - Domestic demand down a little
 - Exports similar to prior year
 - Margins up 6%
 - Lower raw material costs
 - Partial return to earlier margins
 - Import competition will retard further margin development
- **Australia**
 - Domestic sales down somewhat
 - Some bottom slicing
 - Margins up 13%
 - Lower raw material costs
- **Asia**
 - Volumes 13% lower
 - Sliced low margin business
 - Margin up 36%

Paper Resins

- New Zealand
 - Sales volume increase in one segment, loss in another
 - Margins up 1%
 - Raw material cost recovery
- Australia
 - Manufactured product segment lower
 - Technology change
 - Margins up
 - Raw material cost recovery
 - Resale sales up substantially
 - Technology advantages
 - Some % margin erosion due to competitive environment
- Total result equal to prior period

Construction Products

- Flooring, waterproofing overall similar to prior year
 - Slow down in industrial projects in New Zealand for resin flooring
 - Resin flooring building a strong reputation in Australia
 - Resilient flooring strong
 - Institutional refurbishment
- Slow down for cladding systems
 - NZ residential permit levels lower
 - Alternative systems gaining favour
 - Holding market share gains
 - Leaky building syndrome remains an issue
 - Relatively low exposure to claims
 - Proving difficult to emulate NZ performance in Australia

Environmental Services

- Businesses sold to Transpacific Industries in November

Specialty Products

- Manufactured products
 - Volume down 30%
 - Loss of Reckitt Benkiser toll manufacturing
 - Reduction in gross margin of 12%
 - Total portfolio at less than break even
 - Turnaround strategy developed
 - In first execution stage
 - Will be completed in calendar year 2006

Specialty Products

- Resale products
 - Sales revenue and gross margin up a little
 - Markets slightly soft
 - Represents new agencies and products
- Acquired PML Holdings
 - Polychem in New Zealand
 - Multichem in Australia
 - Profits will offset loss through exiting Environmental Services

Technology

- New developments maintaining leadership
 - Paper coating offering significant cost efficiency
 - Composite resins to provide better appearance & corrosion resistance
 - Water based resin for automotive refinish base coat
 - Graphics polymers providing superior printability
 - Surfactants for mining explosives meeting high technical standards
 - Environmentally safer flooring systems being introduced
 - And many more
- Current expenditure on Technology is 2.4 % of sales
 - Manufacturing products only
 - 7% paid in royalties to 3rd parties
 - Includes technical service, product development, R & D
- 30 - 40% of sales are from products new within the past 5 years

Financials

Strong

...cash flow

... balance sheet

Loss making businesses

• UK	(3.4)
• Brazil	(0.9)
• China	(1.0)
• Total	(5.3)

Tax Expense

- Tax rate '04 30.6%
- Tax rate '05 38.9%
- Tax rate '05 (excl losses) 32.5%

Abnormal Items

- Profit on sale of Environmental Services

Gross Profit	29,090
Tax*	4,685
	\$24,050
* CGT on Sale of Australian assets	

Operating Cash Flows (\$m)

Net Profit	41
Abnormal	(29)
Non Cash Provisions	28
Working Capital	(11)
Tax	(10)
Dividend Received	1
	20

Cash Flow (\$m)

Operating Cash Flow	20
Sale of Environmental Services	53
Purchase of PML	(47)
Capex	(7)
Dividends	(7)
Loans	(12)

Capital Expenditure

2005/06

2004/05

\$7.1m

\$7.4m

- Low demand for capital from sites in mature markets
- All plants are well maintained and all major SHE issues corrected
- New investment programmes delayed
 - Previous guidance of around \$50m will be spent over 2½ years
 - Majority will be on growth projects
 - Also efficiency programmes
- Annual depreciation going forward around \$22 million

Funding

	2005/06	2004/05
• Gearing Ratio		
– Net Debt / Total Tangible Assets	39%	49%
– Net Debt / Total Funds Employed	51%	56%
– Significant headroom for future acquisitions		

Dividend

	2005/06	2004/05
– Dividend (NZ cps)	14	12

- Dividend reinvestment plan

- Maintained
 - ~ \$0.10 per share discount

- Imputation

- Last fully imputed dividend for NZ based shareholders
- Australian franking credits available for the foreseeable future

Outlook

- Demand

- Variable by geographic segment
 - Oceania to continue be slightly soft
 - East Asia to continue recent growth rates
 - Americas – steady
 - Europe – higher demand in West Europe and strong growth in East & Central
- Interest rates to remain low

- Raw Materials

- Softer based on recent capacity build with petrochemicals
- Solvents to be volatile due to lack of refining capacity
- Oil price to settle around high 50's to low 60's
- Market will show reasonable discipline
 - Demand must return to achieve this
 - Significant consolidation of coating resins segment is positive

Guidance for 2005/06 remains at close to \$100 million EBITDA

