



# H1 2007/08 Post Announcement Review

John Hirst - Managing Director  
Graeme Storey - CFO

*Still growing - and more ahead*

# Agenda



- Results overview
- H1 2008 highlights
- Business results
- Outlook

*Operating Profit*      *up*      *60%*

*Dividend*              *up*      *29%*

*Growth Prospects Across the Businesses*

# Results Overview



	H1 07	H1 08	Change
Revenue (\$m)	723	<b>748</b>	+4%
EBITDA (\$m)	49	<b>61</b>	+24%
Net profit after tax tax (\$m)	9	<b>25</b>	+185%
Operating profit (\$m)	15	<b>25</b>	+60%
Wtd. average number of shares	78,746	<b>80,312</b>	+2%
Normalised earnings per share (c)	19.6	<b>30.7</b>	+57%
interim cash dividend (c)	15.5	<b>20.0</b>	+29%
Payout rate (%)	73%	<b>65%</b>	
Number of employees	1,844	<b>1,739</b>	-6%

# H1 2008 highlights

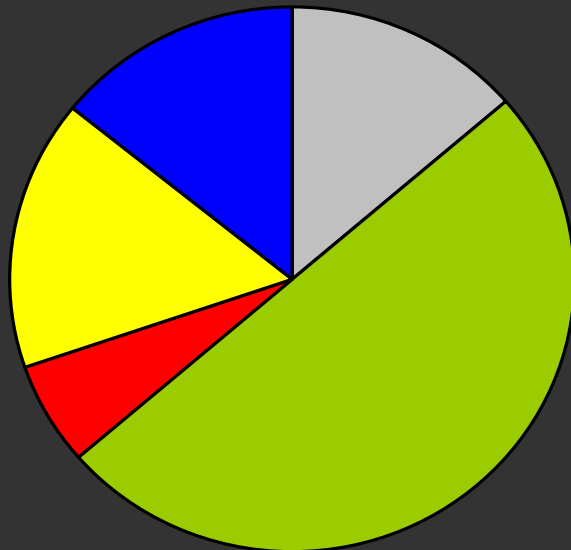


- 29% increase in dividend
  - Confidence in continuing strong cash flow
- Result consistent with guidance
  - Negatively impacted \$2.6 million from currency
- 14% Increased contribution from all regions
  - ANZ + 14%
    - Huntsman acquisition; Specialty Products improvement
  - Other + 40%
    - Dealt with loss making enterprises; growth; efficiencies; margin
- New capacities for environmentally safe products commissioned
  - Powder; water based
- Raw material costs increased further
  - Recovered in pricing
- \$120 million EBITDA guidance looking to be exceeded
  - Solid start to H2 suggests this may be at lower end of range
- Outlook is for continued growth beyond current year
  - Soft USA market will have minimal impact

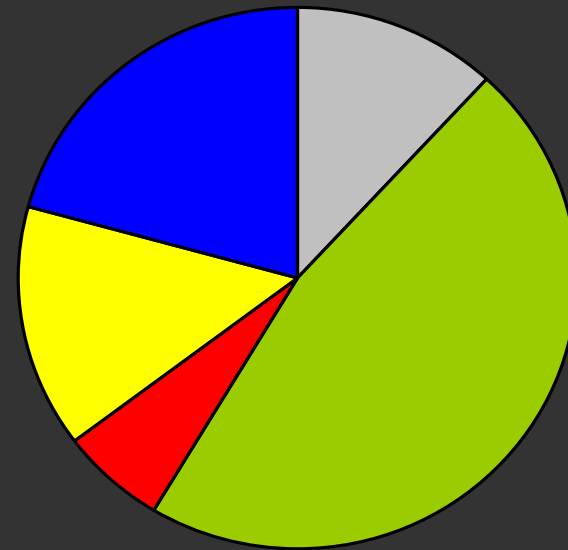
# Geographical EBITDA

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2007



2008

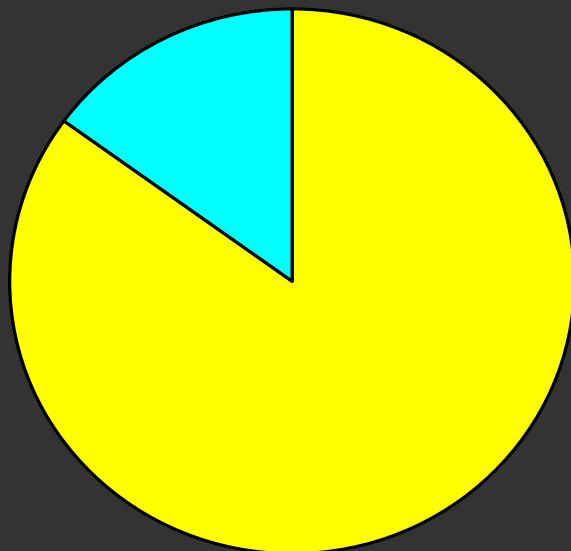


NZ  Australia  Americas  Asia  Europe 

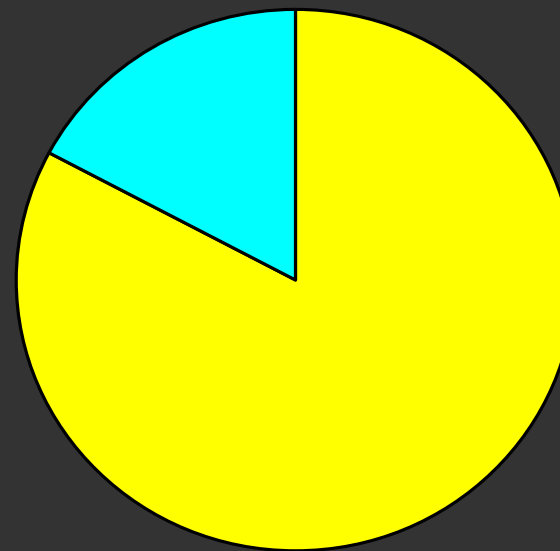
# Business Segment EBITDA



2007



2008

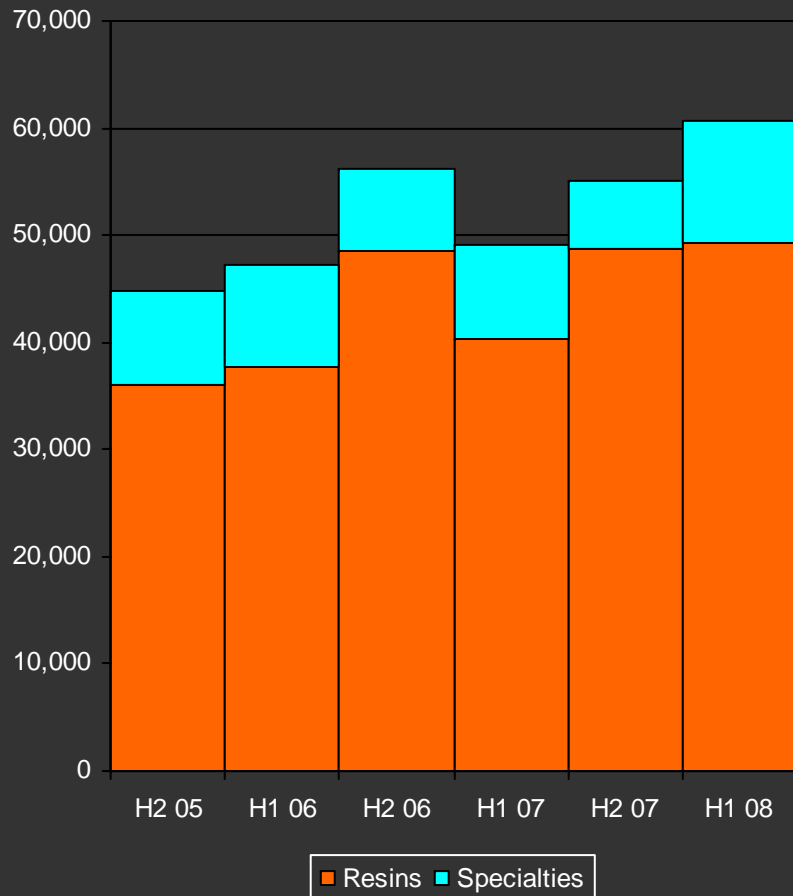


Resins  Specialties 

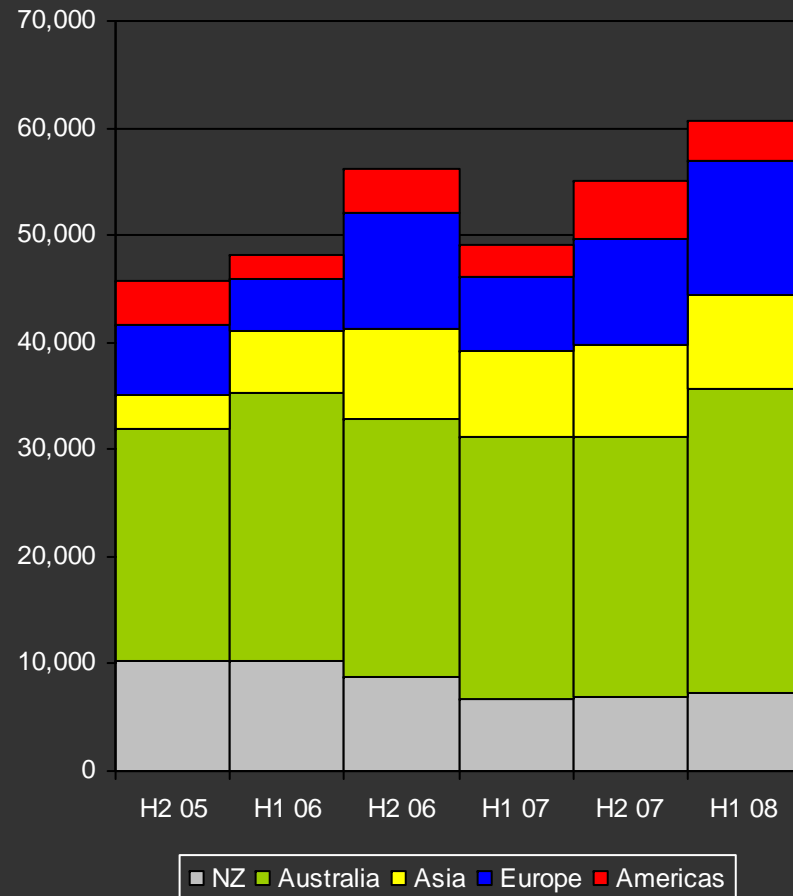
# Growth History



Business



Region



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## Business Results

# Regional profit drivers



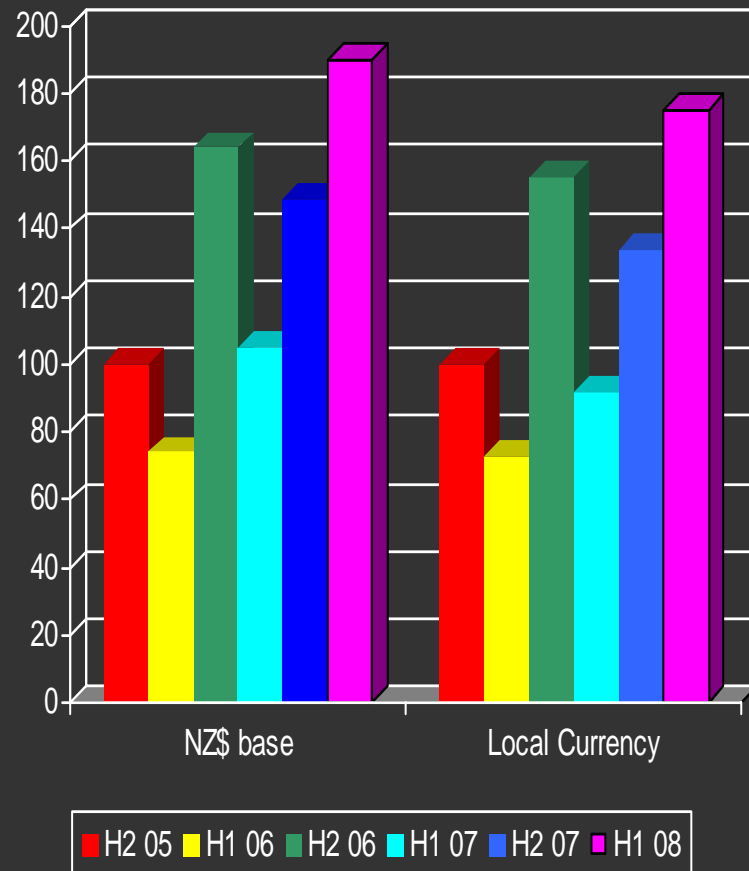
Region	Volume change	Gross margin change
New Zealand		
Australia		
Europe		
UK		
USA		
Malaysia		
Indonesia		
Vietnam		
China		

# Business profit drivers



Business sub segment	Volume/Sales change	Gross margin change
Resins		
Composites		
Paper		
Specialty Products – Life Science		
Specialty Products – Chemicals/Plastics		
Construction Products		
Culamix		

# Europe



H2 2005 base = 100

## • Market

- Demand solid - appears sustained
  - Slowed at period end but has recovered
- Strong export demand for specialties
- Highly competitive general product export
- Major customer consolidation
  - AN/ICI, PPG/SigmaKalon
  - Impact not yet obvious

## • Margin

- Strong Euro helped stabilise RM cost
- Recovered all raw material increases
- EBITDA reduced \$600k by Forex

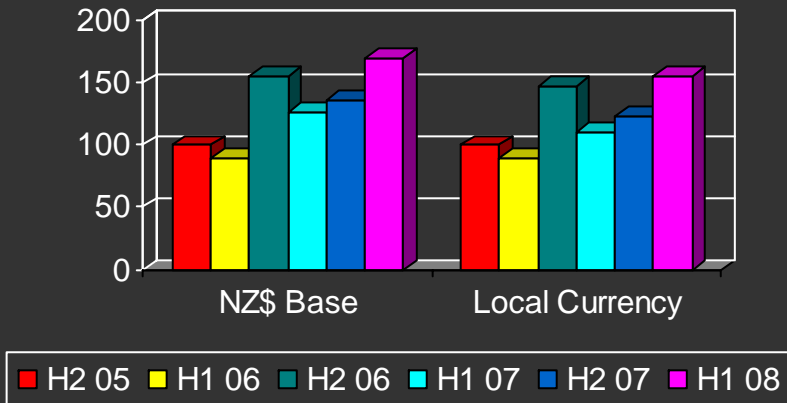
## • Outlook

- Rapid shift to low emission products
- New technology looking good
- Continued growth from new capacity
- Opening new markets

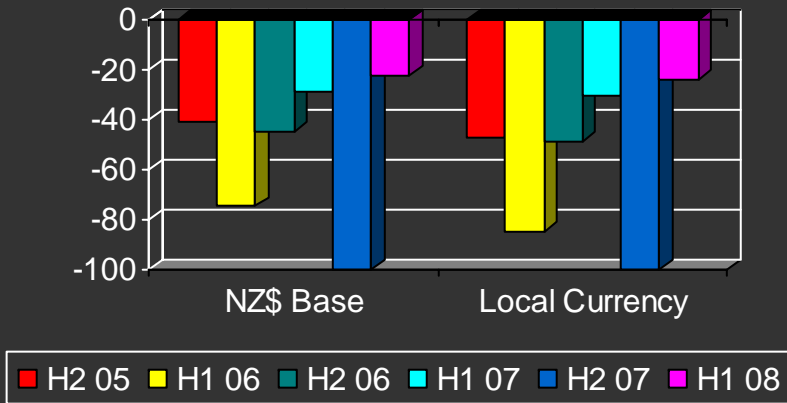
# European businesses



## BoZ



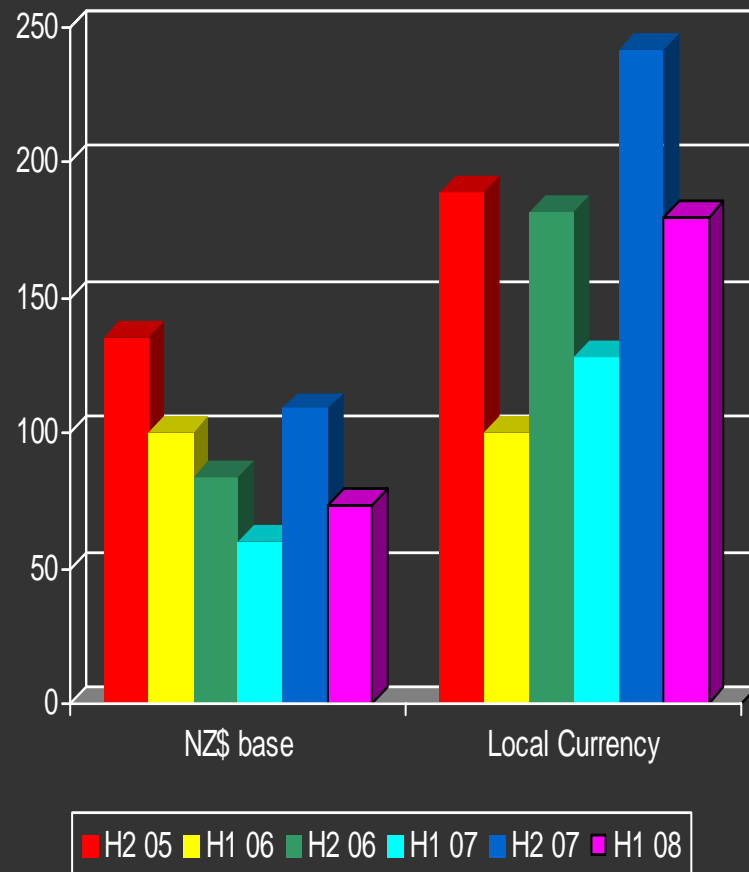
## UK



H2 2005 base = 100

- **BoZ**
  - Capacity closure reduced over supply
  - Margin improved
    - Some bottom slicing
  - Cost reduction programme effective
  - Some expected business delayed
  - New water based capacity in place
  - Light auto market growing
    - 2<sup>nd</sup> tier gaining share
  - EBITDA moving towards target
  
- **UK**
  - Margins improving
    - Further work necessary
  - Restructuring completed
  - New capacity in place
    - Volume development delayed
    - Technology gains in specialties
    - Significant new sales developing
  - **Positive EBITDA at period end**
    - \$600k loss for period

# Americas



H2 2005 base = 100

## Market

- Slowing economy impacting volumes
  - Affecting construction segments
  - Signs of undisciplined pricing

## Margin

- EBITDA reduced \$600k by Forex
- G-Cure business attractive
- Progress in new market sectors
- Brazil turnaround complete
- Weak US\$ a problem for RM cost

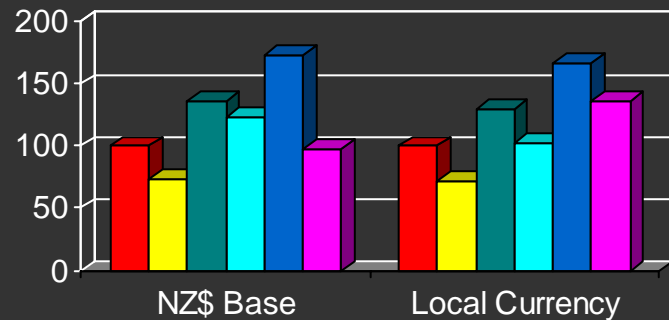
## Outlook

- Slow demand through 2009
- All losses out of Brazil
- Contribution from G-Cure
- Water based expansion momentum
- Considering new capacity investment

# Americas businesses

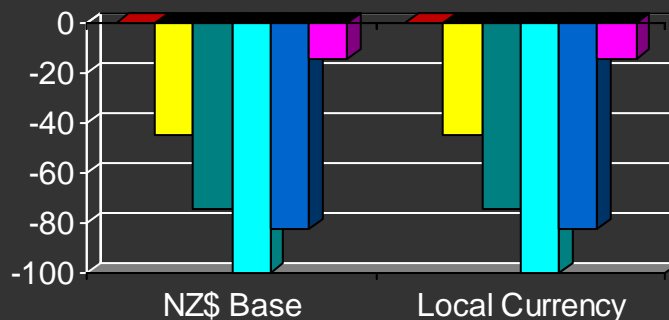


## USA



■ H2 05 ■ H1 06 ■ H2 06 ■ H1 07 ■ H2 07 ■ H1 08

## Brazil



■ H2 05 ■ H1 06 ■ H2 06 ■ H1 07 ■ H2 07 ■ H1 08

H2 2005 base = 100

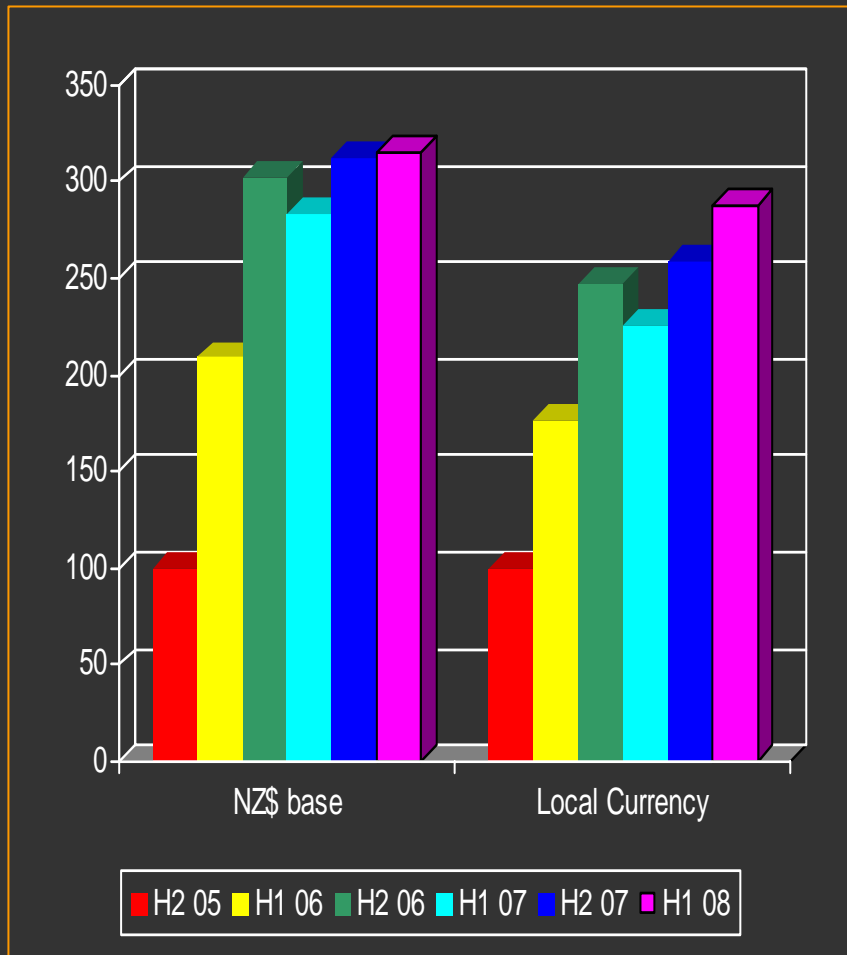
## • USA

- Specialty segment holding up
- General segment very weak
- G-Cure integration proceeding
- Pressure from raw material costs
  - Market resisting price increases
- Water based product gains
  - Some in non traditional segments

## • Brazil

- Plant shutdown complete
- Period loss of \$300k
  - Hangover related to inventory
  - All out of the system
- Improved profit for supply source
  - Europe & USA

# Asia



H2 2005 base = 100

## Market

- Demand remains strong across the region
- A highly competitive region
- Increase Composites activity
- Thailand JV improving performance
  - Particularly powder

## Margin

- EBITDA reduced \$1 million by Forex
  - Region showed double digit growth
- Focus on margin rather than volume
  - Most operations improved margins
- Effect of US\$ increasing RM costs
  - Recovered all raw material increases
  - Price increases required monthly
- Capacity getting tight in some plants
  - Will invest

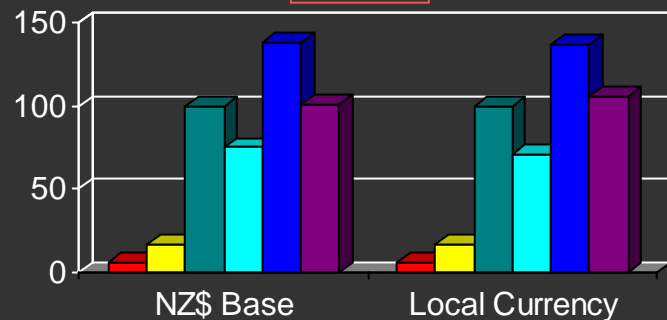
## Outlook

- Continued growth from new capacity

# Asian businesses

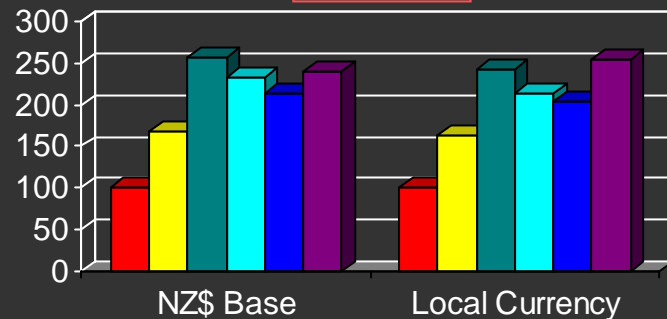


## China



■ H2 05 ■ H1 06 ■ H2 06 ■ H1 07 ■ H2 07 ■ H1 08

## Vietnam



■ H2 05 ■ H1 06 ■ H2 06 ■ H1 07 ■ H2 07 ■ H1 08

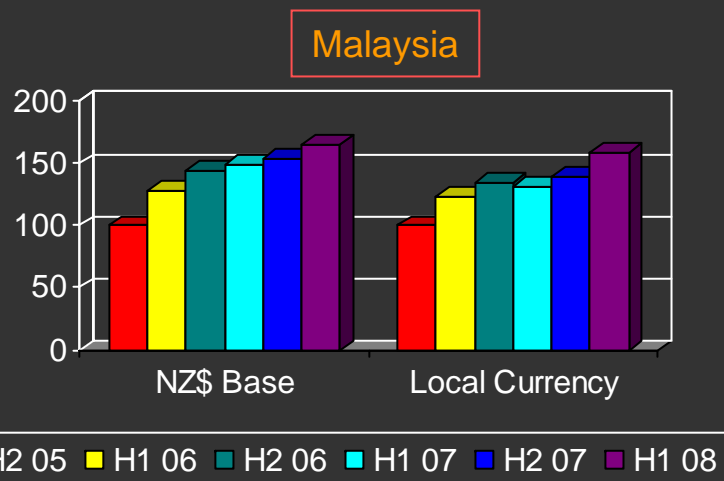
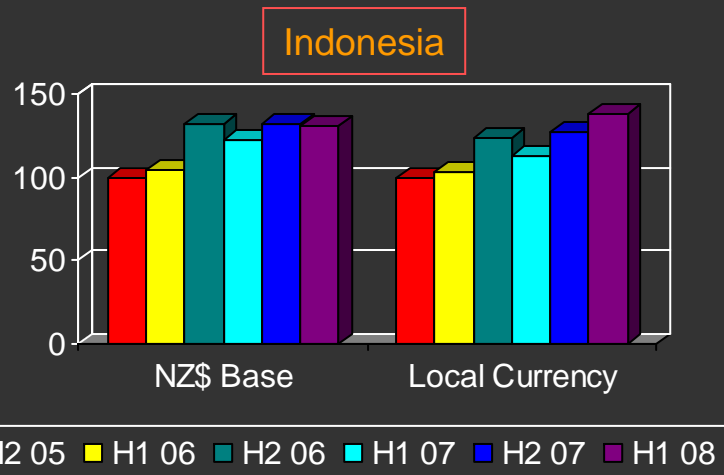
### • China

- Foshan in positive EBITDA for period
  - Lower volumes; improved margins
- VAT legislation reduced exports
- Planning new capacity
- Specialties position grown

### • Vietnam

- Volumes grew significantly
- Margins reduced
  - Increased competition
  - Raw material costs
- Masterbatch business gained
- Planning new capacity

# Asian businesses



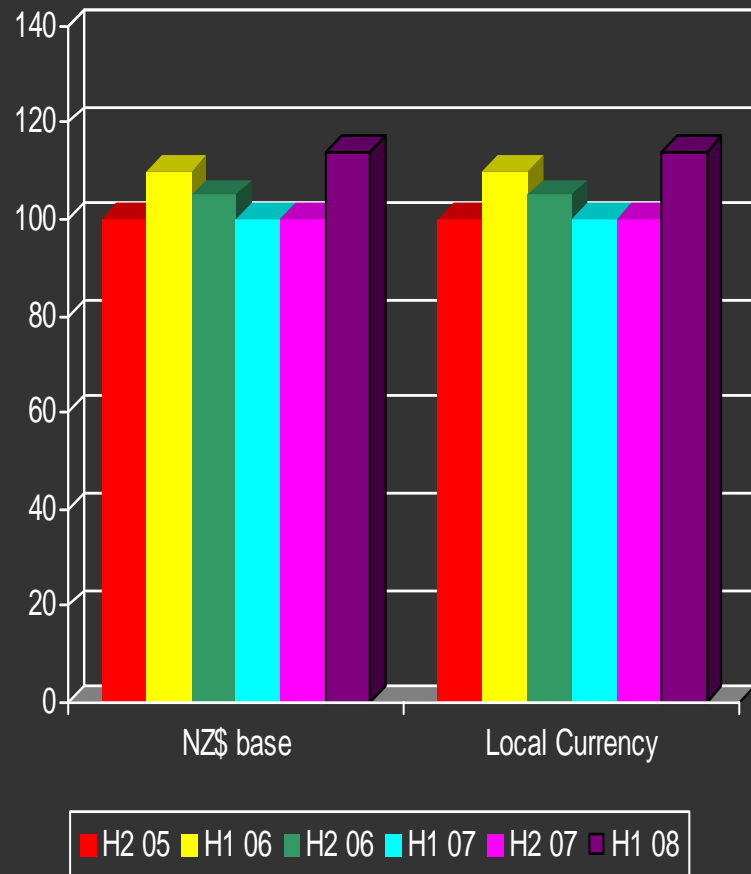
- Indonesia

- Gained export position
  - Some from China
- New capacity planned
  - Broaden product offering

- Malaysia

- Gained export business
  - Some from China
- Increased share of specialty segment
- Investing in efficiency
  - Low cost capacity gain

# Australasia



H2 2005 base = 100

## • Market

- Variable demand
  - NZ soft
  - Australia steady
- Major customer consolidation
- Continuing drift to Asia
- Australian weather conditions
  - Negative to some segments
- Huntsman acquisition on target

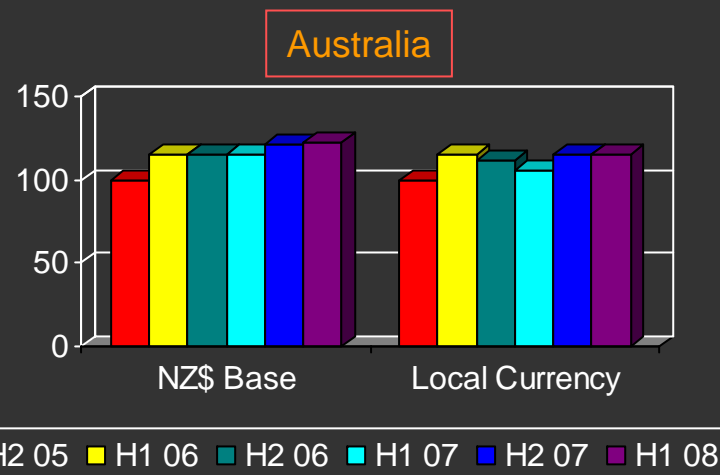
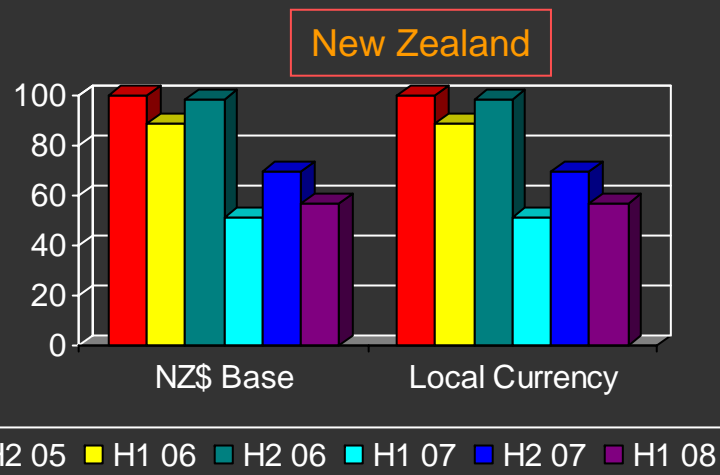
## • Margin

- Slippage from customer consolidation
- Generally recovering RM costs
  - Strong \$ helped to limit increases

## • Outlook

- Steady in Australia
- Continuing softness in NZ

# ANZ resin businesses



## • NZ

- Economy s problem for manufacturers
  - Cpi, NZ\$ & interest rates high
  - Greater import competition
- Business slipping off shore
  - Generally available to the Group

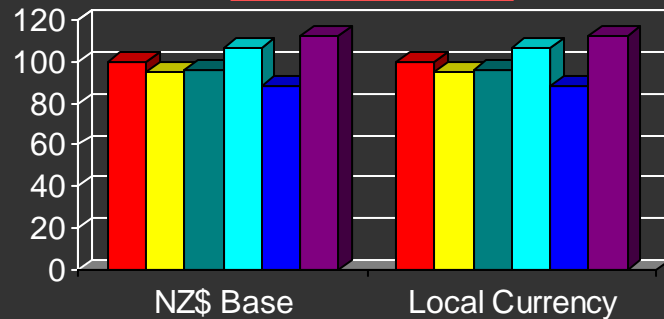
## • Australia

- Market consolidation impacted margin
- Strong \$ impacting exporting customers
  - Also greater import competition
- Signs of further manufacturing closures
- Recovering share lost in prior period

# Specialties businesses

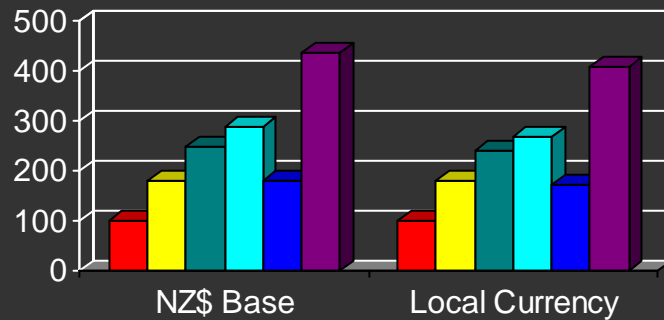


Specialties NZ



■ H2 05 ■ H1 06 ■ H2 06 ■ H1 07 ■ H2 07 ■ H1 08

Specialties Aust



■ H2 05 ■ H1 06 ■ H2 06 ■ H1 07 ■ H2 07 ■ H1 08

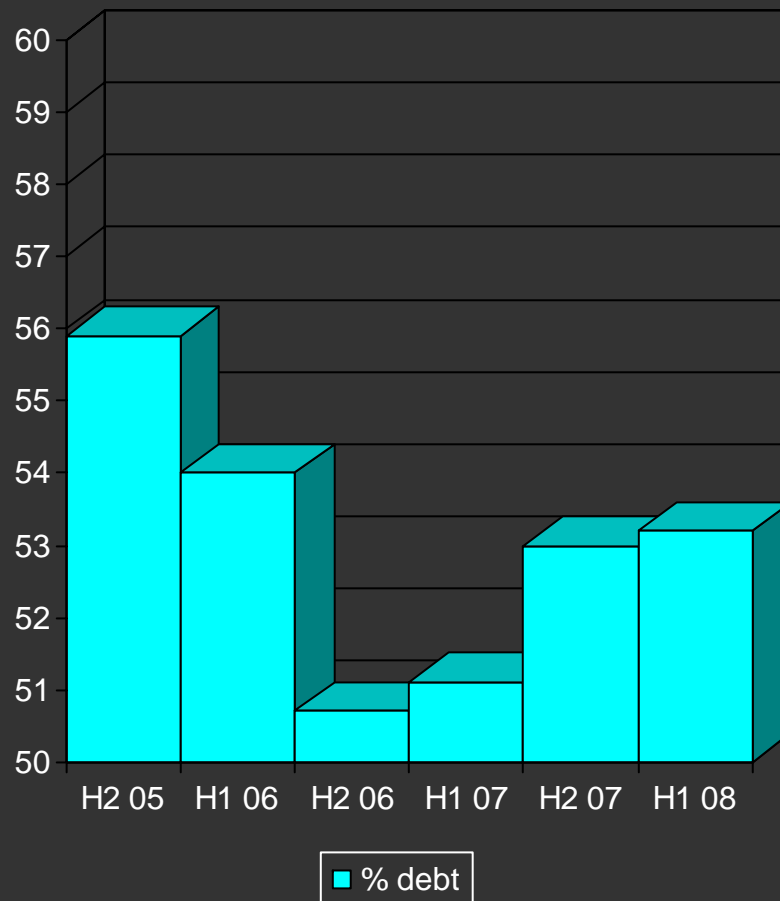
- NZ

- Soft trading conditions
- Strong demand from plastics segment
  - Product shortages limited supply
- Polychem Group running to target

- Australia

- Strong trading conditions
  - Variable by segment
- Seven Hills closure
  - \$600k negative impact
  - More business focus now possible
- Addition of new agencies
- Some material shortages
  - Impact across the businesses

# Capital management



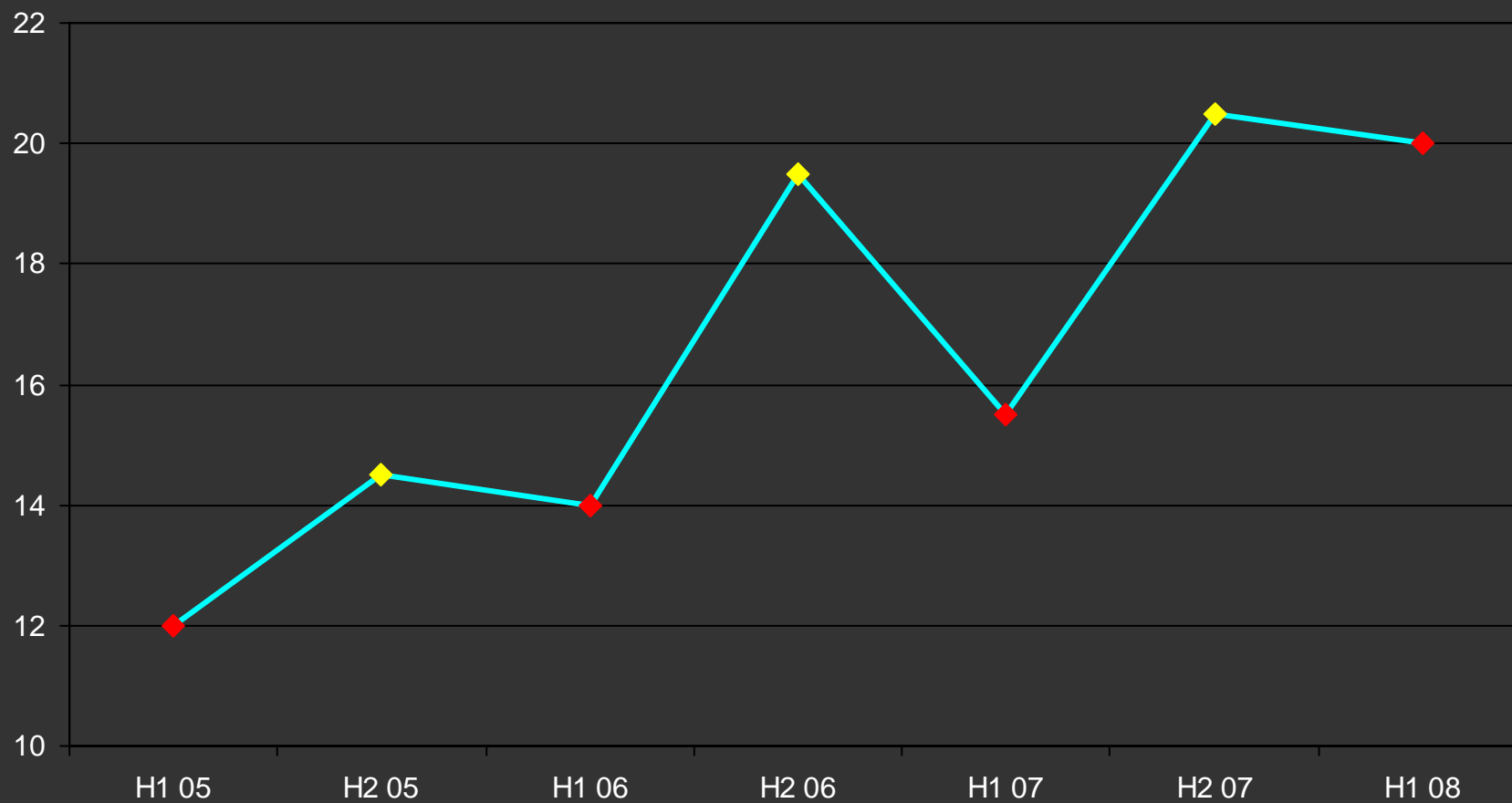
- **Sale of Avondale & Seven Hills**
  - 3<sup>rd</sup> or 4<sup>th</sup> quarter 2008
  - Approximately \$40 million
- **Working Capital**
  - **Receivables down \$14.3 million**
    - Corrects June 07 position
    - Much pressure for extended terms
      - Consolidation leverage
  - **Payables down \$6.4 million**
    - Partially pay out of provisions
  - **Inventory levels similar**
    - Will get increasing focus

# Tax



- Tax rate down from 39% to 34%
  - Reflects the reduction in loss making businesses
- UK tax losses will be brought back in when business is in profit
  - Already there at EBITDA level
- \$680k non deductible interest cost added 1% to tax
  - Comes from discounted loans for Executive Share Scheme

# Dividend



# Looking forward



New Zealand		Steady at best Manufacturing shrinkage will be reflected in results
Australia		Growth from Composites, Specialties Start to build from H2 2009
Asia		Growth from market expansion & Composites Supported by new capacity for full product range <ul style="list-style-type: none"><li>• Malaysia, Indonesia, China</li></ul>
Europe		Growth from new markets, capacity & technology Improved environment for margin growth Efficiencies in manufacturing
Americas		Growth in non traditional business segments G-Cure contribution US economic recovery & South American sales

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THANK YOU