

I n t  
e r i  
m 2 0  
0 7

***nuplex***<sup>®</sup>

2007 interim report

## Contents

02	Chairman's Report
04	Managing Director's Report
06	Financial Statements
19	Directory

A 37% LIFT IN PROFITS ACROSS EUROPE, US, AND ASIA  
OFFSET SOFTNESS IN TRADITIONAL NEW ZEALAND AND  
AUSTRALIAN MARKETS, AND RAISED RESINS PROFITS BY 10%

## CHAIRMAN'S STATEMENT



**Fred Holland, Chairman**

The directors of Nuplex Industries Limited advise that operating profit for the half year ended 31 December 2006 was \$16.8 million, unchanged from the first half year of last financial year.

Unusual costs were \$6.8 million compared with unusual items of \$24.4 million profit last year from the sale of the Environmental Services group. Amortisation of intangibles was \$1.4 million (\$1.1 million). As a result, net profit attributable to shareholders reduced to \$8.6 million (\$40.1 million last year).

The unusual costs of \$6.8 million after tax arose primarily from restructuring activities that will contribute substantially to future profits. The principal items are:

1. Write-down of buildings and plant at the UK facility plus provision for redundancy totalling \$6.3 million, following a decision to concentrate solely on powder resin manufacture on that site. Simplifying operations will achieve significant future efficiency benefits. This required the closure of an operating unit additional to that closed in the prior period. Production of all products other than powder resins will transfer to The Netherlands plant. The UK operation results will improve from the start of the 2007/08 financial year with the benefit of these efficiencies, and move into profit late in the second half.
2. Provision of \$2.5 million for full write-down of all business assets in Brazil in response to continuing losses. These losses will be eliminated in the current financial year.
3. Profit of \$1.1 million realised on the sale of Specialty Chemicals businesses and product lines.
4. Write-back of \$0.9 million of unused redundancy provisions in The Netherlands business.

Sales increased by 20% to \$723 million (\$603 million), reflecting higher pricing and the business portfolio switch from Environmental Services to PML specialty chemicals. EBITDA increased by 4% to \$49 million (\$47 million), in line with prior guidance to full year performance. Unusual factors affecting this result were:

1. The requirement under IFRS to bring foreign exchange hedging contracts to market rates at year end; this reduced EBITDA by \$2 million and affected the New Zealand result in particular.
2. The impact of loss-making operations of \$5.2 million EBITDA which will be eliminated in future years.

The effective tax rate of 55% resulted from an inability to utilise losses from the Brazil and UK operations. With current turnaround plans well advanced, it is anticipated that a tax benefit from accumulated losses of \$ 6.8 million should be available in future years.

**Sales increased by 20% to \$725 million (\$603 million)**

## Financial position

The financial position of the Group is at a level acceptable to the Board. Net debt as a percentage of total tangible assets has increased slightly from 39% in June 2006 to 41% as at 31 December 2006, but as a percentage of total funds employed is unchanged at 51%.

## Cash flow

Operating cash flows of \$11.8 million (\$19.9 million) were down from a strong period last year due to higher tax payments.

Working capital increased by \$14 million (\$10.8 million) with a reduction in creditors, while capital expenditure of \$6.7 million (\$7.1 million) was similar to last year.

## Dividend

An interim dividend of 15.5 cents per share (14 cps) will be paid on Thursday, 5 April 2007 to shareholders on the register at the close of trading on Friday, 23 March 2007. This represents a distribution of 73% of the half year operating profit.

The dividend will carry a New Zealand imputation credit of 4 cents per share and will be fully franked for Australian shareholders. Overseas resident shareholders will receive a supplementary dividend of 1.433 cents per share.

Shareholders are offered the opportunity to participate in the Dividend Reinvestment Plan (DRP). The strike price will be calculated as the weighted average sale price of all shares traded on the NZX during the first five of the last eight days prior to 23 March 2007 less a discount of \$0.25 per share.

## Business conditions

With continuing high crude oil prices and strong demand for petrochemicals, raw material cost and supply continued to be dominating features of performance, with prices increasing some 10% over the prior period. Most operations successfully recovered this through pricing, but some lag inevitably impacted margins.

The sale of the Environmental Services business, a downturn in the demand for some products in the Construction Products segment, and the impact of foreign exchange adjustments, all combined to reduce New Zealand operations contribution to group profit significantly. Australian demand was generally soft, but improved results from Specialty Products and an advantageous exchange rate offset the effect of this. A 37% lift in aggregate performance in the Americas, Europe and Asia, in spite of continuing losses in some operations, was as a result of business and efficiency gains, underpinning the company's strategy of international expansion.

The PML speciality chemicals group suffered a bad debt with the failure of the Feltex Group, but before this write-down the contribution fully offset the loss of EBITDA resulting from the sale of the Environmental Services business. This was in line with expectations.

## Prospects

The full year forecast remains in line with previous advice. Business conditions are expected to be similar in most regions to the first half, although there are signs of strengthening in the European market. Raw material costs are expected to peak and retreat during the period with reasonable prospects of some margin recovery over the course of the next few months.

Restructuring of the UK and The Netherlands will be well advanced with significant savings in this period. Plans to eliminate the losses from the Brazilian business will also be expedited during this period and all operations are expected to cease on the Seven Hills site, readying it for subsequent sale.

The acquisition of Huntsman Composites was completed in January. Demand for product is strong and the business is performing to expectations.

EBITDA expectations for the full year remain on the range \$103 – 110 million.



**Fred Holland**  
Chairman

## MANAGING DIRECTOR'S REPORT

### Resins

A 37% lift in profits across Europe, US, and Asia offset softness in traditional New Zealand and Australian markets, and raised Resins profits by 10% over the prior corresponding period. Resins now represent 82% of Group EBITDA.

The coating resin segment delivered all of this growth, reinforcing the strategy to become a global player and demonstrating the company's ability to integrate and manage major international acquisitions.

Demand for composite resins was steady overall while the paper segment suffered from soft conditions within that industry sector.

High raw material costs continued to impinge upon the business's ability to fully recover margins, and service higher levels of working capital resulting from consistently increasing input costs, totalling 65%, over the past three years. The result was satisfactory given a difficult cost environment.

High crude and gas prices maintained input cost pressure on the petrochemical sector. Tightness in supply due to a lack of refining capacity, coupled with high demand, particularly from Asia and the growing Eastern European economies, ensured raw material prices were some 10% above the corresponding period of the prior year. A number of outages were experienced which disrupted manufacture. However, good support from suppliers generally enabled the business to maintain supply and meet obligations to customers.

There are encouraging signs that average petrochemical raw materials prices are peaking and starting to show signs of retreating with the supply position looking much better ahead. Basic refinery capacity has been increased substantially, as is also the case with a number of our key raw materials. A more stable crude oil price is expected. Fewer plant turnarounds are also forecast for 2007, indicating that there should be few disruptions to supply, and some reasonable prospect that prices will ease. While it is unlikely that this will materially affect margins in the current financial year, prospects for the future are improving.

In general, demand showed a similar pattern to recent years. New Zealand and Australia continued to be quite flat and margins suffered from late recovery of higher costs. These markets are mature for our business and little future growth in historical segments is expected.

Demand shifted in Europe towards more environmentally acceptable products leading to overcapacity in traditional solvent based segments. As a result, there has been substantial old and inefficient capacity closed out of the market. This has brought supply more into balance with demand with the prospect of correcting some of the margin erosion of recent years.

Although the technology switch impacted only on a minority of our European business, it was significant in overall terms. Increased demand from other segments, and some further gains, fully recovered volume lost to the technology change. There continued to be a lag in cost recovery, however a better product mix proved beneficial to average margin.

Restructuring in the Netherlands and UK, designed to ready the business for the technology change and geographical market drift, continued. It is expected that this will be largely completed within the current financial year.

Substantial investment in "green" technology is under way, with significant capacity increases well advanced to service both water-based and powder resin markets in Europe.

Loss making operations, principally Brazil and the UK, cost the Group \$5.2 million in the period. The Brazilian operation continues its poor performance, in spite of significant volume growth, as low margins indicate few realistic prospects for improvement. As a result, the business model will be changed in the near term to ensure losses do not continue beyond this year. With the restructuring and capacity build for the UK on target, there is confidence that this operation will start to deliver profits from late in the next financial year.

Volume in the US increased, in spite of the overall market being flat, indicating some share gain, particularly in specialty segments, which was beneficial to average margin.

Raw material cost recovery proved difficult in Asia; however demand grew by 10% in the south eastern region and substantially more than that in China. Profitability as a result grew significantly.

We continue to increase our focus on the Asian market and have built further resources in the region to broaden both the product offering and service capabilities. Through this we anticipate short and mid-term benefits will flow for both the coating and composite resin segments of the business in the region.

New Zealand and Australian composites markets were generally flat, but varied significantly across the various applications. There remains a drift of composite manufacturing to Asia, and while this is negative to demand, growth in some key sectors areas offset this. Sales from the Vietnam operation continued to improve.

Negotiations to acquire Huntsman Composites Australian operations were concluded at the end of the period. This acquisition provides critical mass to ensure future efficient manufacturing capability and the ability to competitively service the domestic market. It has performed well in the few weeks under Nuplex ownership.

Paper manufacturing has experienced high levels of import competition which has resulted in capacity at some mills being idled for all or part of the period. Demand has clearly been impacted in the short term.

## Specialties

This business segment has a very different look to it from the prior year as a consequence of the sale of Environmental Services and the acquisition of the PML Group. Further significant changes will follow a total restructure of all manufacturing sectors.

A lack of critical mass and a poorly constructed manufacturing business model has seen this former APS segment struggling to be profitable. A strategic review strongly indicated that achieving a satisfactory economic return was unlikely, leaving an orderly exit and relocation of selected operations to other Nuplex sites, the preferred option.

The majority of business units and product lines manufactured on the site have been sold and transfer of operations to new ownership will be completed prior to the end of the financial year. Remaining operating units will largely share existing Nuplex assets and will fit our future business model.

This restructuring will have negligible impact on EBITDA. However it is expected to release close to \$40 million in cash from business asset sales, recovered working capital, and sale of the site, after allowing for remediation and retrenchment costs.

In spite of the ongoing poor performance from manufacturing assets, Specialty Products businesses performed to expectations in this period. It was particularly pleasing that after 12 months within Nuplex, the PML Group continue to meet acquisition targets.

Steady demand was experienced from New Zealand and Australian markets across most segments although carpets and plastics demonstrated some softness.

Life Sciences – serving the food, nutrition, healthcare and personal care segments – performed well. The post restructuring business model for food is contributing strongly, while the addition of a key agency, and high interest in new recently introduced products, have been positive to the operation.

APS Chemicals performance also improved as management focused on refining its product portfolio and reshaping the business. As a result, profitability is returning to acceptable levels and service standards to Principals and customers have improved.

PML produced an encouraging result, essentially in line with acquisition projections. It enjoyed strong support from its Principals, many of who are leaders in their segments, and added a new agency that is expected to contribute in the near term. Some market share gains partially offset softness in the plastics market.

Sales of both resin and resilient flooring continued at previous levels but Construction Products profitability continued to be impacted by further slippage in demand for lightweight cladding from the residential sector. Overall, performance of this reporting segment slipped, but better things are anticipated ahead.

## Outlook

There have been some encouraging signs of a pick up in European demand, but there are some fears about the robustness of the Australian market. Steady conditions are expected from other regions.

The second half of this financial year will see loss-making operations substantially turned around, or losses entirely eliminated. It will also see the start of benefits from the Huntsman Chemicals acquisition. Further cost reduction from ongoing European restructure and finalisation of the Specialty Products operational changes complete the major portfolio realignment and performance improvement programmes that have been underway for some time.

While little material benefit will be gained in the second half of the current financial year, there is confidence that future financial years will see significant profit improvement.



**John Hirst, Managing Director**



# INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2006

The Directors are pleased to present the Unaudited Financial Statements of the Nuplex Group for the half year ended 31 December 2006.



**Fred Holland**  
Chairman  
22 February 2007



**Bryan Kensington**  
Director  
22 February 2007

08	Auditors' Review Report
09	Consolidated Income
10	Statements of Changes in Equity
11	Consolidated Balance Sheet
12	Consolidated Cash Flow Statements
13	Notes to the Financial Statements
19	Directory

# AUDITORS' REVIEW REPORT



## **To the shareholders of Nuplex Industries Limited**

We have completed a review on the attached financial statements in accordance with the Review Engagement Standards issued by the Institute of Chartered Accountants of New Zealand. The financial statements provide information about the past financial performance of Nuplex Industries Limited and its financial position as at 31 December 2006.

## **Directors' responsibilities**

The Directors of Nuplex Industries Limited are responsible for the preparation of financial statements which give a true and fair view of the financial position of the company as at 31 December 2006 and the results of its operations and cash flows for the six-month period ended on that date.

## **Reviewers' responsibilities**

It is our responsibility to express an independent opinion on the financial statements presented by the Directors and report our opinion to you.

## **Basis of opinion**

A review is limited primarily to enquiries of company personnel and analytical review procedures applied to the financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

## **Review opinion**

Based on our review, nothing has come to our attention that causes us to believe that the attached financial statements do not give a true and fair view of the financial position of the company as at 31 December 2006 and the results of its operations and cash flows for the six-month period ended on that date.

Our review was completed on 22 February 2007 and our opinion is expressed as at that date.

A handwritten signature of the KPMG firm, written in a cursive, stylized font.

Auckland

# CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2006 (UNAUDITED)

(NZ DOLLARS IN THOUSANDS)	6 Months December 2006			6 Months December 2005			
	NOTES	DISCONTINUED OPERATIONS	CONTINUING OPERATIONS	TOTAL	DISCONTINUED OPERATIONS	CONTINUING OPERATIONS	TOTAL
Sales revenue			722,747	722,747	13,164	590,280	603,444
Cost of sales			(583,472)	(583,472)	(9,753)	(462,916)	(472,669)
<b>Gross profit</b>		-	139,275	139,275	3,411	127,364	130,775
Other operating income			2,920	2,920	484	547	1,031
Distribution expenses			(35,160)	(35,160)		(32,133)	(32,133)
Marketing expenses			(37,565)	(37,565)	(706)	(35,713)	(36,419)
Administrative expenses			(27,284)	(27,284)	(858)	(24,768)	(25,626)
Other operating expenses			(10,218)	(10,218)	(50)	(3,080)	(3,130)
<b>Operating profit before financing costs</b>		-	31,968	31,968	2,281	32,217	34,498
Financial income			890	890	157	1,902	2,059
Financial expenses			(12,029)	(12,029)	(224)	(10,020)	(10,244)
<b>Net financing costs</b>		-	(11,139)	(11,139)	(67)	(8,118)	(8,185)
Share of profits of associates			541	541	54	620	674
<b>Profit before tax</b>		-	21,370	21,370	2,268	24,719	26,987
Income tax expense			(11,792)	(11,792)	(717)	(9,788)	(10,505)
<b>Profit after tax but before gain on discontinued operations</b>		-	9,578	9,578	1,551	14,931	16,482
Gain on sale of environmental services businesses, net of tax	5		-	-	24,405	-	24,405
<b>Profit for the period</b>		-	9,578	9,578	25,956	14,931	40,887
Attributable to:							
Equity holders of the parent			8,646	8,646	25,956	14,105	40,061
Minority interests			932	932	-	826	826
			-	9,578	25,956	14,931	40,887
<b>Basic earnings per share</b>	7			0.110			0.520
<b>Diluted earnings per share</b>	7			0.110			0.520

# STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 DECEMBER 2006 (UNAUDITED)

## Attributable to equity holders of the parent

(NZ DOLLARS IN THOUSANDS)

	SHARE CAPITAL	TRANSLATION RESERVE	RETAINED EARNINGS	TOTAL	MINORITY INTEREST	TOTAL EQUITY
Balance at 1 July 2006	161,783	30,210	134,022	326,015	8,732	334,747
Changes in equity for the six months ended 31 December 2006						
Exchange translation difference	-	(31,440)	-	(31,440)	(1,111)	(32,551)
Changes in fair value of cash-flow hedges	-	-	620	620	-	620
Net income recognised directly in equity	-	(31,440)	620	(30,820)	(1,111)	(31,931)
Profit for the period	-	-	8,646	8,646	932	9,578
Total recognised income and expense for the period	-	-	8,646	8,646	932	9,578
Dividend Reinvestment Plan	5,162	-	-	5,162	-	5,162
Dividends paid	-	-	(15,293)	(15,293)	(1,004)	(16,297)
Balance as at 31 December 2006	166,945	(1,230)	127,995	293,710	7,549	301,259

FOR THE SIX MONTHS ENDED 31 DECEMBER 2005 (UNAUDITED)

## Attributable to equity holders of the parent

(NZ DOLLARS IN THOUSANDS)

	SHARE CAPITAL	TRANSLATION RESERVE	RETAINED EARNINGS	TOTAL	MINORITY INTEREST	TOTAL EQUITY
Balance at 1 July 2005	153,582	442	93,995	248,019	6,996	255,015
Fair value of cash-flow hedges at 1 July 2005	-	-	(777)	(777)	-	(777)
Opening equity as adjusted for adoption of IAS32/39	153,582	442	93,218	247,242	6,996	254,238
Changes in equity for the six months ended 31 December 2005						
Exchange translation difference	-	(2,237)	-	(2,237)	206	(2,031)
Changes in fair value of cash-flow hedges	-	-	686	686	-	686
Net income recognised directly in equity	-	(2,237)	686	(1,551)	206	(1,345)
Profit for the period	-	-	40,061	40,061	826	40,887
Total recognised income and expense for the period	-	-	40,061	40,061	826	40,887
Dividend reinvestment plan	4,061	-	-	4,061	-	4,061
Dividends paid	-	-	(11,119)	(11,119)	-	(11,119)
Balance as at 31 December 2005	157,643	(1,795)	122,846	278,694	8,028	286,722

# CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2006 (UNAUDITED)

(NZ DOLLARS IN THOUSANDS)	AS AT 31 DEC 2006	AS AT 30 JUNE 2006	AS AT 31 DEC 2005
Equity attributable to members of the parent company	293,710	326,015	278,694
Minority interests	7,549	8,732	8,028
<b>Total Equity</b>	<b>301,259</b>	<b>334,747</b>	<b>286,722</b>
Property, plant and equipment	278,293	318,139	288,402
Intangible assets	116,732	127,344	116,440
Investments in associates	2,006	2,551	2,574
Deferred tax asset	7,840	9,567	2,674
<b>Non-current Assets</b>	<b>404,871</b>	<b>457,601</b>	<b>410,090</b>
Inventories	196,309	216,360	179,846
Trade and other receivables	254,695	296,961	232,288
Income tax receivable	3,308	3,388	1,492
Cash and cash equivalents	30,178	36,742	58,579
<b>Current Assets</b>	<b>484,490</b>	<b>553,451</b>	<b>472,205</b>
<b>Total Assets</b>	<b>889,361</b>	<b>1,011,052</b>	<b>882,295</b>
Borrowings	318,062	344,587	333,202
Employee benefits	25,462	27,271	55,348
Provisions	4,832	3,554	-
Deferred tax liability	23,512	23,446	14,528
<b>Non-current Liabilities</b>	<b>371,868</b>	<b>398,858</b>	<b>403,078</b>
Borrowings	663	835	1,002
Trade and other payables	174,702	220,769	168,438
Employee benefits	23,156	32,141	14,276
Provisions	11,705	10,746	2,255
Income tax payable	6,008	12,956	6,524
<b>Current Liabilities</b>	<b>216,234</b>	<b>277,447</b>	<b>192,495</b>
<b>Total Liabilities</b>	<b>588,102</b>	<b>676,305</b>	<b>595,573</b>
<b>Total Net Assets</b>	<b>301,259</b>	<b>334,747</b>	<b>286,722</b>

# CONSOLIDATED CASH FLOW STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2006 (UNAUDITED)

(NZ DOLLARS IN THOUSANDS)

	NOTES	6 MONTHS DEC 2006	6 MONTHS DEC 2005
Receipts from customers		738,721	620,844
Interest received		890	795
Payments to suppliers and employees		(701,813)	(583,494)
Interest paid		(11,404)	(9,968)
Dividends received		852	1,353
Income taxes paid		(15,467)	(9,623)
<b>Net cash from operating activities</b>	3	11,779	19,907
Disposal of fixed assets		159	80
Acquisition of fixed assets		(6,738)	(7,060)
Purchases of businesses, net of cash acquired	4	-	(46,798)
Disposal of businesses, net of cash disposed of	5	846	53,462
<b>Net cash from investing activities</b>		(5,733)	(316)
Proceeds from issue of shares		-	-
Proceeds from borrowings		22,122	102,617
Repayment of borrowings		(19,226)	(115,050)
Dividends paid to shareholders		(10,131)	(7,058)
Dividends paid to minority interests		(1,020)	-
<b>Net cash from financing activities</b>		(8,255)	(19,491)
<b>Increase/(decrease) in cash</b>		(2,209)	100
Cash at 1 July		36,742	58,771
Exchange rate adjustment		(4,356)	(292)
<b>Cash at 31 December</b>		30,177	58,579
Comprising:			
Cash balances		26,818	39,702
Cash on call deposit		3,359	18,877

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2006 (UNAUDITED)

## 1. Statement of significant accounting policies

Nuplex Industries Limited is a company domiciled in New Zealand. The consolidated interim financial statements of the Company comprise the Company and its subsidiaries (the 'Group') and the Group's interest in associated entities. The Group is a profit-orientated entity.

### (a) Statement of compliance

The financial statements have been prepared in accordance with New Zealand International Financial Reporting Standard NZ IFRS 34 Interim Financial Reporting. The interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2006.

### (b) Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 30 June 2006.

The Group has elected to comply with the Amendment to International Accounting Standard No. 19 Employee Benefits, prior to its mandatory implementation date. This has not changed the measurement of the Group's results. In addition, the International Accounting Standards Board has issued a number of other standards, amendments and interpretations which are not yet effective. The Group has not yet applied these in preparing these financial statements although the application of these standards, amendments and interpretations would require further disclosures but is not expected to have a material impact on the Group's results.

### (c) Restatement of December 2005 comparatives

Certain comparatives in the December 2005 balance sheet have been restated to be consistent with the June 2006 treatment of increases in liabilities and reductions in fixed asset balances of acquired businesses, due to NZIFRS transition, as adjustments to goodwill rather than equity.

The impact on the December 2005 balance sheet was as follows:

Balance sheet at 31 December 2005

(NZD in thousands)

Property, plant and equipment	(621)
Intangible assets	25,312
Employee provisions	(236)
Deferred tax liability	<u>(6,251)</u>
Increase in equity	<u>18,204</u>

## 2. Segment analyses

Segment information is presented in respect of the consolidated entity's business and geographical segments. The primary format, business segments, is based on the consolidated entity's management and internal reporting structure.

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2006 (UNAUDITED)

## Business segments

The consolidated entity comprises the following main business segments:

<b>Resins</b>	Global manufacture of synthetic resins for regional markets. Distribution of complementary functional materials.
<b>Specialties</b>	Manufacture and distribution of a range of functional materials for regional markets. Manufacture of resin based flooring and building products. Distribution of related agency products and resilient flooring in New Zealand. Manufacture of light-weight plasters in Australasia.
<b>Environmental Services (discontinued)</b>	Collection and treatment of liquid, hazardous, medical and quarantine wastes in Australasia. Distribution and servicing of re-usable medical sharps disposal systems.

## Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

<b>BUSINESS SEGMENTS 2006</b>	RESINS	SPECIALTIES	ELIMINATIONS	TOTAL GROUP		
<b>Sales to outside customers</b>	<b>558,145</b>	<b>164,602</b>	-	<b>722,747</b>		
Inter-segment sales	3,053	716	(3,769)	-		
Segment sales	561,198	165,319	(3,769)	722,747		
<b>EBITDA</b>	<b>40,387</b>	<b>8,677</b>	-	<b>49,064</b>		
Depreciation	(8,888)	(932)	-	(9,820)		
Segment result	31,499	7,745	-	39,244		
Net financing costs				(11,139)		
Share of profits of associates				541		
Minority interest				(932)		
Tax on operating profits				(10,956)		
<b>Operating profit after tax</b>				<b>16,758</b>		
Unusual items				(6,757)		
Amortisation of intangibles				(1,355)		
Net profit attributable to equity holders of the parent				8,646		
<b>Assets</b>	<b>681,396</b>	<b>169,947</b>	-	<b>851,343</b>		
Unallocated assets				38,018		
				889,361		
<b>Liabilities</b>	191,459	48,398	-	239,857		
Unallocated liabilities				348,245		
				588,102		
<b>Other segment information</b>						
Equity accounted investments included in segment assets	293	1,713	-	2,006		
<b>GEOGRAPHIC SEGMENTS 2006</b>	NEW ZEALAND	AUSTRALIA	ASIA	EUROPE	AMERICAS	TOTAL GROUP
<b>Sales by destination</b>	88,771	288,965	92,217	174,112	78,682	722,747
<b>Assets</b>	108,257	333,290	107,387	253,370	49,039	851,343

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2006 (UNAUDITED)

## 2. Segment analyses (continued)

<b>BUSINESS SEGMENTS 2005</b>	RESINS	SPECIALTIES	ENVIRONMENTAL SERVICES (DISCONTINUED)	ELIMINATIONS	TOTAL GROUP	LESS ENVIRONMENTAL SERVICES (DISCONTINUED)	TOTAL GROUP (CONTINUING OPERATIONS)
<b>Sales to outside customers</b>	<b>473,678</b>	<b>116,602</b>	<b>13,164</b>	-	<b>603,444</b>	<b>(13,164)</b>	<b>590,280</b>
Inter-segment sales	1,161	3,273	543	(4,977)	-	(543)	(543)
Segment sales	474,839	119,875	13,707	(4,977)	603,444	(13,707)	589,737
<b>EBITDA</b>	<b>37,687</b>	<b>6,493</b>	<b>2,996</b>	-	<b>47,176</b>	<b>(2,996)</b>	<b>44,180</b>
Depreciation	(9,816)	(1,041)	(716)	-	(11,573)	716	(10,857)
Segment result	27,871	5,452	2,280	-	35,603	(2,280)	33,323
Net financing costs					(8,185)	(29)	(8,214)
Share of profits of associates					674	(54)	620
Minority interest					(826)	-	(826)
Tax on operating profits					(10,505)	717	(9,788)
<b>Operating profit after tax</b>					<b>16,761</b>	<b>(1,646)</b>	<b>15,115</b>
Unusual items					24,405	(24,405)	-
Amortisation of intangibles					(1,105)	-	(1,105)
Net profit attributable to equity holders of the parent					40,061	(26,051)	14,010
<b>Assets</b>	634,764	186,278	-	-	821,042		
Unallocated assets					61,253		
					882,295		
<b>Liabilities</b>	192,601	47,716	-	-	240,317		
Unallocated liabilities					355,256		
					595,573		
<b>Other segment information</b>							
Equity accounted investments included in segment assets	386	2,188	-	-	2,574		
<b>GEOGRAPHIC SEGMENTS 2005</b>		NEW ZEALAND	AUSTRALIA	ASIA	EUROPE	AMERICAS	TOTAL GROUP
<b>Sales by destination</b>		74,245	237,927	81,468	148,812	60,992	603,444
<b>Assets</b>		83,460	309,799	78,989	292,839	55,955	821,042

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2006 (UNAUDITED)

## 3. Reconciliation of the net surplus with the net cash flows from operating activities:

(NZ DOLLARS IN THOUSANDS)	6 MONTHS DEC 2006	6 MONTHS DEC 2005
Profit for the period	9,578	40,887
Non-cash items:		
Depreciation	9,821	11,573
Tax	11,792	15,190
Amortisation	1,296	434
Non-current provisions	1,938	1,732
Doubtful debts provisions	898	568
Stock obsolescence provisions	(184)	(700)
Equity earnings of associate	(541)	(674)
Amortisation of capital notes expenses	161	276
Impairment write-down of UK assets	4,539	-
Impairment write-down of Brazilian assets	2,491	-
	32,211	28,399
Classified as investing/financing:		
Loss/(profit) on sale of fixed assets	(45)	-
Surplus on disposal	(1,938)	(29,090)
Foreign exchange (gain)/loss on loan balances	626	(1,264)
(Increase)/Decrease in working capital:		
Receivables	15,037	16,361
Inventories	2,659	8,902
Creditors and current provisions	(31,734)	(36,018)
	(14,038)	(10,755)
Income tax paid	(15,467)	(9,623)
Dividend received from associate	852	1,353
Cash Flow from Operating Activities	11,779	19,907

## 4. Acquisition of subsidiaries and business assets

	6 MONTHS DEC 2006	12 MONTHS JUN 2006	6 MONTHS DEC 2005
The assets and liabilities acquired are as follows:			
Fixed assets	-	1,391	1,425
Future income tax benefit	-	(1,190)	(1,246)
Inventories	-	11,161	10,931
Current receivables	-	16,613	16,491
Non-current provisions	-	-	3,117
Current payables	-	(19,812)	(20,157)
Current provisions	-	3,180	-
Provision for tax	-	(900)	(492)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2006 (UNAUDITED)

### 4. Acquisition of subsidiaries and business assets (continued)

	6 MONTHS DEC 2006	12 MONTHS JUN 2006	6 MONTHS DEC 2005
Net identifiable assets and liabilities	-	10,443	10,069
Acquisition costs	-	678	553
Cash consideration paid in cash, net of cash acquired	-	46,246	46,245
Cash consideration payable	-	-	-
Deferred consideration	-	3,596	-
Goodwill arising on acquisition	-	40,077	36,729

In accordance with the deferred closing provisions of the agreement to acquire the Coating Resins group from Akzo Nobel, the Brazilian operations of the above Coating Resins group were acquired for cash of \$6.3m in November 2005.

On 30 November 2005, the Group acquired 100% of the voting equity of PML Holdings Limited, a group of chemical raw material suppliers operating in Australia and New Zealand. The Group operates in New Zealand as Polychem Marketing and in Australia as Multichem. Nuplex paid NZD\$44million for the shares with an additional amount, maximum \$4million, payable upon achieving earnings and growth targets over the next two and a half years.

The additional amount has been provided in full due to the likelihood of achieving targets.

### 5. Disposal of subsidiaries and business assets

On 1 November 2006, Nuplex Industries Limited subsidiary Nuplex Industries (Aust) Pty Ltd sold its Finechem business for consideration of AUD975,000.

On 17 November 2006, Nuplex Industries Limited subsidiary Nuplex Industries (Aust) Pty Ltd sold its Protectolene business for consideration of AUD500,000.

On 4 August 2006, Nuplex Industries Limited sold its Metallex business for consideration of NZD458,000.

On 1 December 2005 the Group sold its Environmental Services group, including Nuplex Medismart Limited, Nuplex Healthcare Waste Limited, United Environmental Limited and Nuplex Special Waste Pty Limited. These companies were sold for cash to Transpacific Industries, an Australian based public company.

The results of the entities disposed of and the gain on disposal and tax thereon have been disclosed as discontinued on the face of the consolidated income statement.

The assets and liabilities disposed of are as follows:

	6 MONTHS DEC 2006	6 MONTHS DEC 2005
Fixed assets	-	18,031
Intangibles	-	6,167
Investments	-	714
Future income tax benefit	-	888
Inventories	-	196
Current receivables	-	5,071
Cash	-	1,109
Non-current payables	-	(208)
Current payables	-	(4,515)
Borrowings	-	(303)
Current provisions	-	(210)

The assets and liabilities disposed of are as follows:

	6 MONTHS DEC 2006	6 MONTHS DEC 2005
Net assets and liabilities	-	26,940
Disposal costs	(176)	(615)
Cash consideration paid/payable	2,109	56,645
Profit on disposal before tax	1,933	29,090
Income tax on profit	(443)	(4,685)
Profit on disposal after tax	1,490	24,405

#### 6. Dividend declared

On 22 February 2007, the Directors declared an interim dividend of 15.5 cents per share. The dividend is partially imputed for New Zealand tax residents and fully imputed for Australian tax residents and is payable on 5 April 2007.

#### 7. Earnings per share

The calculation of basic earnings per share is based on:	6 MONTHS DEC 2006	6 MONTHS DEC 2005
Net surplus attributable to ordinary shareholders	8,646	40,061
Weighted average number of ordinary shares:		
Ordinary shares on issue at 1 July	78,425	76,683
DRP shares issued 15 October 2005	-	411
DRP shares issued 20 October 2006	321	-
	78,746	77,094

#### 8. Estimates

Except for the items noted below, significant judgements made by management in applying the Group's accounting policies and the key sources of estimation of uncertainty were the same as those that applied to the consolidated financial statements for the year ended 30 June 2006.

During the six months ended 31 December 2006, management reassessed its estimates as follows:

The recoverable amount of property, plant and equipment, receivables and goodwill associated with the Group's operations in Brazil. This resulted in the following write-downs being made:

Property, plant and equipment	1,208
Receivables	753
Goodwill	530
Total Brazil write-down	<u>2,491</u>

The recoverable amount of property, plant and equipment associated with the Group's operations in the UK has also been reassessed, resulting in the following write-down:

Property, plant and equipment	<u>4,539</u>
-------------------------------	--------------

#### 9. Contingent liabilities and other contingent commitments

There have been no significant changes in contingent liabilities in the six months to 31 December 2006.

#### 10. Acquisition of Huntsman Chemical Composites business

Nuplex Industries Limited subsidiary Nuplex Industries (Aust) Pty Ltd ("NIAL") acquired all the Composites business assets of Huntsman Chemical Company Australia Pty Ltd ("HCCA") on 2 January 2007. NIAL paid AUD20.3m in cash for the assets, including inventory. An additional amount is payable conditional upon achieving certain earnings targets over the next three years.

## DIRECTORY

### Corporate

John Hirst, Managing Director  
 Graeme Storey, Chief Financial Office/Company Secretary  
 Tony Cooke, Group General Manager, Operations  
 Charles Northcote, General Manager – Strategy, Planning  
 and Business Improvement  
 Stuart Barry, Chief Information Officer  
 Judy Gulikers, Group Financial Controller

### General Management

Rob Harmsen, Nuplex Resins Group  
 Paul Kieffer, Nuplex Resins Europe  
 Mike Law, Nuplex Resins Australia  
 Mike Kelly, Nuplex Resins Americas  
 Ronny Chew, Nuplex Resins Asia  
 Richard Allan, Resins New Zealand  
 Ercilia Barahona, Paper Resins  
 Paul Schott, Composite Resins  
 Bob Skarvan, Group Purchasing  
 Sam Bastounas, Specialty Products  
 Dave Tommas, Polychem/Multichem  
 David Evans, Construction Products

### Directors

Fred Holland (Chairman)  
 John Hirst (Managing Director)  
 Bryan Kensington  
 David Newton  
 Michael Wynter  
 Rob Aitken  
 David Jackson

### Auditors

KPMG

### Solicitors

DLA Phillips Fox

### Insurance Brokers

Marsh Limited

### Share Registrars

Computershare Registry Services Limited  
 Private Bag 92119  
 Auckland

### Bankers

Westpac Banking Corporation  
 Commonwealth Bank of Australia  
 Hong Kong Shanghai Banking Corporation  
 Citibank N.A.

### Registered Office

12 Industry Road, Penrose  
 Auckland, New Zealand  
 P O Box 12-841, Penrose, Auckland 6  
 Phone +64 9 579 2029  
 Fax +64 9 571 0542  
 Email: [nuplex@nuplex.co.nz](mailto:nuplex@nuplex.co.nz)  
 Website: [www.nuplex.co.nz](http://www.nuplex.co.nz)