



NUPLEX
INDUSTRIES LIMITED

perpetual momentum

Interim Report 2000

Chairman's Statement



The company's unaudited tax paid profit for the six months ending 31 December 2000 of \$8.7 million is 5% below the record \$9.1 million earned during the same period last year. In spite of the difficult trading environment, Earnings before Interest, Tax and Amortisation

(EBITA) was only 3% below the same period last year.

Earnings per share at 15.3 cents compares with 16.4 cents last year.

Sales revenue of \$206.2 million is 8% ahead of the \$191.6 million recorded last year. Most of the increase in sales was a result of higher prices in the Resins business due to partial recovery of raw material cost increases. This outweighed the effect of a volume downturn for this product range in both Australia and New Zealand.

Unusual cyclical demand in Australia for resins was the feature of this period. High demand during the first quarter saw strong sales produce good profits in spite of overtime-inflated labour costs. In the second quarter, demand was substantially lower than expectations with profit suffering through inadequate volume to spread fixed costs. It should be noted that the second quarter is usually the period of highest seasonal demand. This very significant change in the demand pattern is seen in part as a correction to the higher than expected performance over the previous two quarters when substantial residential housing overbuild occurred as builders tried to beat the GST deadline.

Resins

This business segment that supplies key raw materials to the paint, adhesive, printing ink, paper, textile and fibre reinforced plastics industries increased sales by 7% over the same period last year to reach \$176 million.

This segment was adversely effected by a sudden slow down in the Australian construction industry in the December quarter that had an immediate effect on the paint and construction

adhesives customer base. The December quarter is traditionally the period of peak seasonal demand so this very significant change in the demand pattern is seen as part of a correction to the higher than expected performance over the previous two quarters when substantial residential overbuild occurred as builders tried to beat the GST deadline.

The downturn in New Zealand was less dramatic. Nevertheless the demand for resin has been patchy with the general trend being below last year as rising costs stifled demand.

Vietnam showed good growth that increased in rate over the period. The primary contribution was from the introduction of new products for a wider range of applications and an increase in duty on imported resins enabling locally produced products to be more competitive. Vietnam is also experiencing steady growth in overall consumption and is now beginning to justify our confidence in this investment.

As a result of these combined negative pressures the earnings before interest, tax and amortisation (EBITA) contributed by the resin business at 76% of the total group was down from the 81% for the same period last year. The pressure on the margins is reflected in the EBITA as a percentage of sales falling to 8.7% compared to the 10.3% recorded last year.

Throughout the period the underlying strength of our resin business continued to improve. The savings associated with last year's acquisitions have been fully implemented and there is steady improvement in our relative market position.

The immediate future is for stable raw material costs although this is likely to be challenged if local currencies do not fare better against the US dollar. Further forward, the view is for an easing of some key raw material costs which will lead to a recovery of EBIT as a percentage of sales. With softening demand in northern hemisphere markets this could be seen towards the end of the second half which will put this business in a strong position to recover earnings as the Australian construction industry returns to a more normal demand pattern.

Chairman's Statement *continued...*

Special Waste Treatment

This business processes special waste streams generated by industry and commerce, and from border infection control, healthcare and agricultural activities. The primary function is to convert them into products that can either be recycled or safely disposed of through normal municipal systems without posing a risk to the environment or human health. The business operates in both Australia and New Zealand.

The steady improvement reported in the Annual Report continued through the December half year to record a 22% increase in sales and an 86% lift in EBITA. The earnings improvement is a result of the economies of scale arising from increased volume throughput and from reduced operating costs. Investment in more efficient technology was the principal driver of change. This process is on going.

In January 2001 the company acquired one of the largest processors of medical and quarantine waste in Australia, Daniels Medismart, to add to the existing industrial waste processing business. The business operates in the eastern states and Western Australia with processing facilities in Victoria and New South Wales. Plans are in progress to expand into the other states of Australia.

The acquisition included a 50% holding in Daniels Sharpsmart, an Australian business operating a world leading recycled container system for the safe handling of medical "sharps" such as syringes and scalpels. This system is not only safer than traditional containers but significantly reduces the volume of waste generated. The system is also being introduced into the New Zealand operation.

This development is in line with the company's growth strategy to develop core businesses in Australasia to form a strong base for growth into Asia.

Construction Products

This business which supplies flooring and cladding systems to the industrial, commercial and domestic housing construction industry is still predominantly a New Zealand based business although we are now making progress introducing key products to the Australian market.

A steady performance was achieved compared to last year despite a very soft construction industry. This represents growing market share on the back of major product innovations that are expected to position this business well for the future. A buoyant dairy industry maintained good demand for the company's hygiene surface treatments.

Prospects

It is not expected that the underperformance of the second quarter will be recovered during the second half, but it is forecast that there will be a gradual return to normal demand over the period and that the final result will be close to last year's record profit. For the longer term, the company's improved relative market position places it in a strong position to benefit from a demand recovery in the Australian market, while we continue to seek further opportunities for growth in the Asia Pacific region.

Dividend

The strong cash flow and confidence in the future enable the directors to declare a dividend of 8.0 cents per share (cps), which is the same as last year. 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, to be paid on 4 April 2001 on shares registered at 5 pm on 23 March 2001.



Fred Holland
CHAIRMAN

Statements of Financial Performance

For the six months ended 31 December 2000

	6 months Dec 2000 \$000s	6 months Dec 1999 \$000s	12 months June 2000 \$000s
Group Sales	206,246	191,641	382,668
Operating Surplus	25,999	26,843	52,968
Depreciation and Amortisation	5,781	6,047	10,910
Interest Received	(172)	(297)	(616)
Interest Expense	4,794	4,828	9,594
Goodwill Amortisation	1,628	1,452	3,087
Abnormal Items	-	-	1,532
Equity Earnings	(67)	(54)	(26)
Surplus before Tax	14,035	14,867	28,487
Tax	5,360	5,778	11,805
Surplus after Tax	\$8,675	\$9,089	\$16,682

Statements of Movement in Equity

for the six months ended 31 December 2000

	6 months Dec 2000 \$000s	6 months Dec 1999 \$000s	12 months June 2000 \$000s
Total Equity as at 1 July 2000	122,750	100,819	100,819
Net Surplus	8,675	9,089	16,682
Net Increase in value of Land & Buildings			9,934
Difference arising on translation of financial statements of foreign subsidiaries	(1,024)	163	1,270
Shares Issued	1,959	714	2,438
	132,360	110,785	131,143
Deduct: Distribution to Shareholders	0	(4,453)	(8,393)
Total Equity as at 31 December 2000	\$132,360	\$106,332	\$122,750

Statements of Financial Position

As at 31 December 2000

	as at 31 Dec 2000 \$000s	as at 31 Dec 1999 \$000s	as at 30 June 2000 \$000s
Total Equity	\$132,360	\$106,332	\$96,213
Cash	9,990	12,111	9,469
Receivables	69,850	68,789	64,710
Inventories	64,570	58,241	60,422
Other	6,926	3,506	6,329
Current Assets	151,336	142,647	140,930
Investments	364	325	297
Property, plant and equipment	121,368	112,004	123,456
Goodwill	36,909	39,547	38,729
Other	1,133	1,792	949
Non-current Assets	159,774	153,668	163,431
Total Assets	\$311,110	\$296,315	\$304,361
Payables	48,309	43,289	38,003
Provisions	6,835	11,581	13,130
Current Liabilities	55,144	54,870	51,133
Term Loans	119,849	132,024	126,453
Provisions	3,069	2,763	3,325
Other	688	326	700
Non-current Liabilities	123,606	135,113	130,478
Total Liabilities	\$178,750	\$189,983	\$181,611
Total Net Assets	\$132,360	\$106,332	\$122,750

Statements of Cash Flows

For the six months ended 31 December 2000

	6 months Dec 2000 \$000s	6 months Dec 1999 \$000s	12 months June 2000 \$000s
Receipts from Customers	202,086	175,499	367,111
Interest Received	172	297	616
Payments to Suppliers and Employees	(174,600)	(156,803)	(326,106)
Interest Paid	(4,794)	(4,828)	(9,594)
Dividends Received	-	-	50
Income Taxes Paid	(7,421)	(2,178)	(5,876)
Net Operating Cash Flows	15,443	11,987	26,201
Proceeds from Sale of Assets	195	115	1,622
Purchase of Fixed Assets	(4,634)	(5,648)	(11,593)
Purchase of Business Assets	(3,131)	(26,165)	(26,063)
Net Investing Cash Flows	(7,570)	(31,698)	(36,034)
Borrowings	-	24,973	24,994
Repayment of Borrowings	(5,258)	(4,913)	(14,894)
Dividends Paid	(1,981)	(2,111)	(4,860)
Net Financing Cash Flows	(7,239)	17,949	5,240
Increase/(Decrease in Cash)	634	(1,762)	(4,593)
Cash at 1 July 2000	9,469	13,882	13,882
Exchange Rate Adjustment	(113)	(9)	180
Cash at 31 December 2000	\$9,990	\$12,111	\$9,469

Financial Notes

1. The Interim Financial Statements have been prepared under FRS-24 and should be read in conjunction with the Annual Report for year ended 30 June 2000.
2. 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 2000 except as follows:

The Company has adopted FRS-5 and has not made a provision in the Statement of Financial Position for the dividend of 8 cents per share payable on 4th April 2001.

3. The above statements have not been audited.
4. Events subsequent to reporting date:

Settlement of the acquisition of a Medical Waste business in Australia for A\$20.95 million on 5 January 2001. The consideration was settled in cash (A\$18.7 million) and the issue of 935,158 Nuplex ordinary shares. The Group's Term Loan Facilities were increased by A\$20 million.

5. Reconciliation of the Net Surplus with the Net Cash Flows from Operating Activities:

	6 months Dec 2000 \$000s	6 months Dec 1999 \$000s	12 months June 2000 \$000s
Surplus after tax	8,675	9,089	16,682
Non-cash items:			
Depreciation	5,781	6,047	10,910
Tax	5,360	5,778	11,805
Amortisation of goodwill	1,628	1,452	3,087
Non-current provisions	(200)	206	754
Doubtful debts provision	260	598	332
Equity earnings of associate	(67)	(54)	(26)
Provision for plant write-down	-	-	1,532
	12,762	14,027	28,394
Classified as investing/financing:			
Loss/(profit) on sale of fixed assets	(158)	(15)	(120)
(Increase)/Decrease in working capital:			
Receivables	(4,160)	(16,745)	(15,133)
Inventories	(5,000)	(2,807)	(5,377)
Creditors and current provisions	10,481	10,648	5,776
Exchange rate adjustment	264	(32)	1,855
	1,585	(8,936)	(12,879)
Income tax paid	(7,421)	(2,178)	(5,876)
Cash Flow from Operating Activities	15,443	11,987	26,201

Segment Analysis

For Half Year ended 31 December 2000

	RESINS	
	2000	1999
	\$000s	\$000s
Total Segment Sales	177,475	165,230
Inter Segment Sales	1,425	679
Group Sales	176,050	164,551
Earnings before Interest, Tax, Goodwill & Abnormals	15,298	16,948
Goodwill Amortisation	995	874
Interest (Net)	-	-
Tax	-	-
	-	-
Equity Earnings	-	-
Net Surplus	-	-
Total Assets	257,263	244,933

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.

	NEW ZEALAND	
	2000	1999
	\$000s	\$000s
Total Segment Sales	62,568	58,647
Inter Segment Sales	5,449	4,525
Group Sales	57,119	54,122
Earnings before Interest, Tax, Goodwill & Abnormals	7,901	7,543
Goodwill Amortisation	607	578
Interest (Net)	(143)	51
Tax	2,693	2,533
	4,744	4,381
Equity Earnings	67	54
Net Surplus	4,811	4,435
Total Assets	92,886	86,102

CONSTRUCTION		SPECIAL WASTE		TOTAL GROUP	
2000 \$000s	1999 \$000s	2000 \$000s	1999 \$000s	2000 \$000s	1999 \$000s
16,931	16,195	13,446	11,057	-	-
		181	162	-	-
16,931	16,195	13,265	10,895	206,246	191,641
2,198	2,382	2,722	1,466	20,218	20,796
145	114	488	464	1,628	1,452
-	-	-	-	4,622	4,531
-	-	-	-	5,360	5,778
-	-	-	-	8,608	9,035
-	-	67	54	67	54
-	-	-	-	8,675	9,089
20,604	18,551	33,243	32,831	311,110	296,315

Construction: Manufacture of resin based flooring and building products. Distribution of related agency products in New Zealand. Manufacture of lite-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 processing of medical and quarantine waste throughout New Zealand.

AUSTRALIA		VIETNAM		TOTAL GROUP	
2000 \$000s	1999 \$000s	2000 \$000s	1999 \$000s	2000 \$000s	1999 \$000s
145,124	137,190	5,018	2,939	-	-
865	2,611	150	-	-	-
144,259	134,580	4,868	2,939	206,246	191,641
11,983	13,107	334	146	20,218	20,796
1,021	874	0	0	1,628	1,452
4,373	4,144	392	336	4,622	4,531
2,667	3,245	0	0	5,360	5,778
3,923	4,844	(59)	(190)	8,608	9,035
-	-	-	-	67	54
3,923	4,844	(59)	(190)	8,675	9,089
204,452	198,851	13,772	11,362	311,110	296,315



**Nuplex Industries Limited,
12 Industry Road, Penrose,
Auckland, New Zealand
Phone +64-9-579 2029
Facsimile +64-9-571 0542
Email: nuplex@nuplex.co.nz
Website: www.nuplex.co.nz**