



ASX Announcements Office
By Electronic Lodgement

4 Pages

25 November 2008

Chairman's Address to General Meeting

Please find attached the Chairman's Address to be presented to the Annual General Meeting of Nylex Limited to be held at 9.30 am today at Bayview on the Park, 52 Queens Road, Melbourne Vic 3004.

For and On Behalf of
Nylex Limited

Desmond J Kelly
Company Secretary

NYLEX LIMITED ANNUAL GENERAL MEETING 25 NOVEMBER 2008

EXECUTIVE CHAIRMAN'S ADDRESS TO SHAREHOLDERS

WELCOME TO THE 2008 AGM FOR NYLEX. IN THIS ADDRESS I WILL UPDATE YOU ON THE MANY CHALLENGES FACING YOUR COMPANY AND ALSO ON ONE NYLEX PROGRESS.

WHEN THE 2008 FINANCIAL YEAR BEGAN THERE WERE GOOD PROSPECTS FOR A CONTINUED IMPROVEMENT FROM NYLEX AFTER A RETURN TO PROFITABILITY IN 2007. THIS DID NOT EVENTUATE DUE TO THE REASONS COMMUNICATED TO YOU PREVIOUSLY VIA ASX RELEASES AND AT THE EXTRAORDINARY GENERAL MEETING IN SEPTEMBER OF THIS YEAR.

IN SUMMARY THE DOWNTURN IN THE WATER TANK MARKET WAS TRULY DAMAGING TO YOUR COMPANY AND THIS HAS NOW BEEN COMPOUNDED BY THE GLOBAL FINANCIAL CRISIS, PARTICULARLY AS REGARDS OUR AUTO INDUSTRY COMPONENT BUSINESSES.

THE BOARD INITIALLY RESPONDED WITH A STRATEGIC REVIEW THAT TARGETED A COST STRUCTURE THAT HAD BECOME UNSUSTAINABLE DUE TO THE POOR SALES GROWTH AND DIVESTMENTS OF RECENT YEARS. YOU WILL RECALL THAT THE THEN STRUCTURE WAS THE RESULT OF MAJOR DIVESTMENTS AND COST-REDUCTIONS ACROSS NYLEX THAT I INITIATED WHEN TAKING ON THE EXECUTIVE CHAIRMAN ROLE.

THE EMERGING STRUCTURE RECOGNISES THE NEED TO RUN "ONE NYLEX" OPERATING COMPANY WITH AN APPROPRIATE SALES, MARKETING, OPERATIONAL AND ADMINISTRATION SUPPORT. THIS IS WELL UNDERWAY AND WILL REALISE CONSIDERABLE SAVINGS OVER TIME.

AS WE STAND HERE NOW, WE HAVE A NEED FOR FURTHER RESTRUCTURING OF OUR FINANCES TO WITHSTAND THE HEAVY IMPACTS OF THE CURRENT CRISIS FACING AUSTRALIA AND THE WORLD. OUR PATH TO PROGRESS IN THIS CURRENT FINANCIAL YEAR WILL BE HAMPERED BY A NUMBER OF FACTORS;

-THE SHORT TERM SUCCESS OF WATERTANK MARKET IS UNDER CONSIDERABLE PRESSURE DUE TO CLIMATE, COMPETITIVE AND REGULATORY ISSUES AND A PERCEIVED LACK OF GOVERNMENT SUPPORT. WE CONTINUE TO BELIEVE IN ITS VIABILITY AS A PART OF THE SOLUTION TO THE WATER CRISIS.

-THE EXECUTION OF THE COST CUTTING PROGRAM WHILE WELL UNDERWAY IS CRITICAL TO THE FUTURE OF THE COMPANY AND TAKES PLACE IN A DIFFICULT TRADING ENVIRONMENT

-THERE ARE LARGE PRODUCTION CUTS OCCURRING IN AUSTRALIAN AUTO MANUFACTURING WHICH IMPACT DIRECTLY ON NYLEX AND WHILE THERE MAY BE SOME OPPORTUNITIES LIKELY TO EMERGE IN THIS INDUSTRY, THE IMMEDIATE DIRECTION IS VERY TROUBLING. NYLEX HAS A SUBSTANTIAL FIXED COST BASE BUILT TO SERVICE THIS INDUSTRY .

-THE CRISIS IN CREDIT MARKETS HAS DIRECTLY IMPACTED THE REFINANCING OF NYLEX AS BANKS HAVE HAD TO IMPOSE SEVERE CHANGES IN TERMS. WE AGREED TERMS OF A NEW FACILITY WITH THE BANKS ON 30 SEPTEMBER, HOWEVER, ECONOMIC CHANGES SINCE THEN MEAN WE HAVE HAD TO REQUEST CONSIDERATION OF FURTHER CHANGES BY THE BANKS. THIS IS IN PROGRESS WITH THE BANKS AND THEY ARE REVIEWING OUR STATUS OVER THE NEXT FEW WEEKS.

-IMPORTANT AND DETAILED DISCUSSIONS ARE IN PROGRESS BETWEEN MAJOR SHAREHOLDERS FOR A MUCH NEEDED CASH INJECTION TO NYLEX. THE INTERACTION OF THIS AND THE BANK'S PREPAREDNESS TO COMPLETE REFINANCING WILL DETERMINE THE COMPANY'S FUTURE. WE WILL UPDATE YOU THROUGH THE ASX AS SOON AS THE SITUATION IS CLEAR.

TURNING TO ONE NYLEX. WHAT HAS HAPPENED?

MUCH PROGRESS HAS BEEN ACHIEVED SINCE THE ONE NYLEX INITIATIVE WAS ANNOUNCED.

WE HAVE REALIGNED THE OPERATING GROUP INTO THREE OPERATIONAL GROUPS: AUTOMOTIVE OPERATIONS & LOGISTICS AND SALES AND MARKETING . THESE THREE ARE BEING SUPPORTED THROUGH A BUSINESS SUPPORT GROUP.

THE SALES AND MARKETING TEAM HAS BEEN REORGANISED INTO THREE MAIN CHANNELS: WHOLESALE, B2B AND LARGE CUSTOMERS.

OPERATIONS AND LOGISTICS HAS PERHAPS HAD THE MOST SIGNIFICANT CHANGE AS WE FOCUS MORE ON OUR INVENTORY MANAGEMENT AND WAREHOUSING LOGISTICS EFFICIENCIES. IN THE LAST SEVERAL WEEKS WE HAVE EITHER CLOSED OR ANNOUNCED THE CLOSURE OF SEVERAL NYLEX DISTRIBUTION WAREHOUSES .

OUR AUTOMOTIVE OPERATION BASED IN ADELAIDE AT BEVERLY AND EDINBURGH PARK HAS ALSO BEEN IMPACTED WITH PROGRESSIVE INTEGRATION WITH THE BUSINESS SUPPORT GROUP.

THROUGHOUT THIS PROCESS THERE HAS BEEN A SIGNIFICANT REDUCTION IN STAFFING NUMBERS.

BY THE END OF THE YEAR WE XPECT TO BE OPERATING WITH AROUND 120 PEOPLE LESS THEN ONE YEAR AGO.

WITH THE CURRENT ECONOMIC CONDITIONS IT WILL BE DIFFICULT TO SEE THE FULL BENEFIT OF THIS RESTRUCTURING IMMEDIATELY. HOWEVER, YOUR COMPANY SHOULD BE ABLE TO REAP SOME BENEFITS FROM A FUTURE ECONOMIC UPTURN WITH A LEANER TEAM MEMBER BASE, REDUCED WORKING CAPITAL AND A RENEWED FOCUS ON GROWTH ORIENTED PARTS OF OUR BUSINESS.

MY OWN CONTRACT WITH NYLEX CONCLUDES ON 31 JANUARY 2009. THE BOARD IS WELL ADVANCED IN DISCUSSIONS WITH A NEW CHIEF EXECUTIVE OFFICER WHO IS LIKELY TO JOIN SOON. AT THE NEXT MEETING OF THE BOARD I WILL STEP DOWN AS EXECUTIVE CHAIRMAN WITH JOHN NICHOLLS TO ASSUME THE ROLE OF NON-EXECUTIVE CHAIRMAN. I HAVE AGREED TO CONTINUE AS A DIRECTOR TO PROVIDE SOME CONTINUITY DURING THIS DIFFICULT TIME FOR THE COMPANY.