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Ansell Limited at today's AGM reconfirmed its EPS guidance of US\$0.56 to US\$0.60 for the current year ending June 2008 and indicated the first quarter's results were strong. What were the drivers of the strong first quarter?

**CEO Doug Tough**

The current year has certainly carried on the strong second half of the 2007 financial year. We've had good sales growth in all three regions and this can also be said about our three businesses in Occupational, Professional and Consumer. The weaker US dollar has also helped our top line.

Occupational commenced the year on a buoyant note, though there are some concerns about the outlook for US economic growth later in the year as the US economy appears to be slowing. Europe and some of our emerging markets are however continuing to perform strongly.

Consumer is seeing organic growth as well as positive impacts from our recent acquisitions. Most condom markets except the US have seen gains on last year.

We've seen some margin improvement in Professional but not to the extent we'd hoped for, especially as latex costs have been, on average, lower than last year. Meanwhile, our new surgical glove offerings are selling well and our new surgical glove production line in Colombo and the two lines we converted in Melaka have been recently commissioned and are running well.

Overall, we've made good progress in the first quarter on many fronts and our EBIT has improved nicely on last year.

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There's been some investor concern that the weaker US dollar versus the Australian dollar would have a negative impact on Ansell's current-year earnings. Is the top line contribution from the weaker US dollar flowing through to earnings?

**CFO Rustom Jilla**

There is certainly the negative impact of translating our US dollar EPS into Australian dollars at current exchange rates. For example, using the 2007 financial year's average exchange rate of around US\$0.79, a 2008 EPS of US\$0.60 would translate to about A\$0.76. At an average exchange rate of around US\$0.85 that EPS would be only A\$0.71. However, this is not the entire picture.

We manufacture and market in many countries and hedge our foreign currency portfolio into US dollars such that forex movements will not pose a downside risk to our forecast US dollar EPS. We use hedging structures that guarantee a minimum and provide upside for our "revenue" currencies (like the Euro), while we mostly take out basic forward cover for our "cost" currencies (such as the Thai baht). So, as the US dollar has broadly weakened, we have been mostly protected on our cost currencies and have seen some EBIT benefit on our revenue currencies.

If the US dollar strengthens, in general we'd still be protected versus our US dollar EPS guidance and if it stays at current levels, we'd expect to see an additional US dollar EBIT benefit.

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Ansell had an effective tax rate of 8.1 percent in 2007, reflecting tax losses being brought back onto the balance sheet via the P&L. What tax rate was assumed in your current-year EPS guidance?

**CFO Rustom Jilla**

Our US\$0.56 to US\$0.60 guidance was based on our expectations of underlying book taxes arising from operations and did not include any further adjustments for tax losses. That hasn't changed.

Under current accounting standards, we're obliged to recognise un-booked tax losses when it is probable that taxable profits will be available against which these losses can be utilised. As required by the standards, we regularly review our position and recognise deferred tax assets as appropriate. We will do this at the end of the first half and then again at the year end.

In any case, cash tax paid should run at around 17 to 19 percent of taxable profit this financial year, depending mainly on the mix of our earnings by country.

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Since the beginning of the financial year Ansell has bought back 5.7 million shares for about A\$71 million, suggesting debt and interest cost in 2008 will be up compared with 2007. Ansell had average net debt of US\$299 million in 2007 and

interest cost was US\$13.2 million. What level of interest cost is assumed in your EPS guidance for 2008?

**CFO Rustom Jilla**

Our guidance did not include the additional interest expense caused by the buy-back but neither did it include the positive impact on EPS of having fewer shares! From July 1 to October 19, when we went into our blackout period, we had bought back 5.7 million shares. Overall, the buy-back has been EPS accretive.

It's also worth mentioning that the recent increase in market interest rates hasn't hurt us as we mostly have three to five year term debt at fixed rates.

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Your EPS guidance for 2008 implies growth of 11 to 18 percent compared with last year, when EPS was US\$0.505 excluding deferred tax benefits and plant restructuring costs. Given the strength of the first quarter, do you see upside to the earnings outlook?

**CEO Doug Tough**

The first quarter has been operationally strong and as we've indicated, the combined effect of forex and the buy-back is positive in US dollar terms, and this is likely to continue. However, in the last few months latex prices have been running higher than we would have liked, though still in line with our expectations. It will also take us the remainder of the first half to assess the impact of our profit recovery actions in Professional exam gloves.

Furthermore, the global marketplace is volatile at present and while we're confident now, we must bear in mind that we're only four months into the fiscal year.

Net, we wouldn't want to raise our guidance at this stage but I can confirm that we remain comfortable with the existing range.

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Thank you Doug and Rustom.

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