NZX/ASX release 14 August 2014

FINANCIAL RESULTS FOR THE 12 MONTHS ENDED 30 JUNE 2014

Key points:

- Reported NPAT[1] up 17.7% to $52.4m
- Operating EBITDA $125.7m in line with last year's $126.4m
- Maintained full year dividend at 21 cents per share
- Strategic initiatives on track
  - ANZ manufacturing network restructure to be completed by the end of 2014
  - ANZ reorganisation of business units completed
  - Asian capacity will be increased by 75% by the end of 2014 vs end FY2011
  - Global procurement program delivered $12.7 million incremental benefits in FY2014

NZ$ millions	**FY2014**	**FY2013**	**Change (%) Actual FX**	**Constant FX[5]**
Sales revenue	1,639.9	1,664.9	(1.5)	0.9
Operating EBITDA[2] – reported	125.7	126.4	(0.6)	(0.3)
– underlying	131.5	132.7	(0.9)	(0.2)
NPAT attributable to shareholders – reported[3]	52.4	44.5	17.7	14.1
– underlying	55.0	56.8	(3.1)	(5.3)
Earnings per share (cents) – reported[3]	26.4	22.5	17.7	14.1
– underlying	27.8	28.7	(3.1)	(5.3)
Dividend per share (cents)	21.0	21.0	-	-
Return on funds employed[4] (ROFE)	11.0	11.1	(0.9)	

Nuplex Industries today reported net profit available to equity holders of the parent company after tax (NPAT) for the 2014 Financial Year of $52.4 million, up 17.7% from $44.5 million[3] when compared with the 2013 Financial Year.

NPAT was impacted by $2.6 million in significant items for the period which included a gain on sale of $7.5 million associated with the sale of Nuplex's equity investment in the Quaker

[1] Net profit available to equity holders of the parent company after tax
[2] Earnings before interest, tax, depreciation, amortisation, significant items, associates and minority interests
[3] 2013 Financial Year NPAT has been restated from $42.9 million. This change has been made following a change in the accounting standard, NZ IAS 19. For more information, please refer to the Accounting Policy Note in the Financial Statements.
[4] Return on Funds employed: (earnings before interest, tax and significant items) divided by average funds employed
[5] Constant currency results are calculated by translating reported period results into New Zealand dollars at the average foreign exchange rates applicable in the prior corresponding period

Chemical (Australasia) Pty Ltd joint venture, and an $8.8 million loss on disposal related to Nuplex's investment in the RPC Pipe Systems ('Fibrelogic') joint venture. At the interim result, a provision of $14.6 million was taken against the 'Fibrelogic' joint venture, however the provision was reduced by $5.8 million following Nuplex's sale of its shares and exit from the joint venture.

NPAT before significant items for the 2014 Financial Year was $55.0 million, down 3.1% year on year compared to NPAT before significant items in the prior financial year of $56.8 million.

Operating earnings before interest, tax, depreciation and amortisation (Operating EBITDA) was $125.7 million and compared with $126.4 million in the 2013 Financial Year.

A final dividend of 11 cents per share will be paid, bringing the total dividend paid for the 2014 Financial Year to 21 cents per share and consistent with the total dividend paid per annum over the past three years. The final dividend will be paid on 13 October 2014 to all shareholders on the register on 29 September 2014 and it will carry no imputation credits for New Zealand shareholders nor franking credits for Australian shareholders.

Results Commentary

Emery Severin, Nuplex's CEO said it was disappointing that 2014 Financial Year EBITDA was of a similar level to the prior year, especially as it was expected that EBITDA would grow year on year.

'Whilst earnings and returns are not at the level we would like them to be, the ability for Nuplex to deliver flat earnings over the past few years, despite the significant decline in Australia and strong New Zealand dollar, has been due to the successful execution of Nuplex's strategy in Europe and Asia.

'Over the past four years, Nuplex has transitioned from an Australian and New Zealand centric company with global operations, into a global business with Australian and New Zealand operations. Today, Europe and Asia account for around 70% of Group's earnings whilst ANZ now accounts for approximately 15% of earnings. Four years ago, ANZ contributed over 40% of the Group's earnings.

'The performance of Europe and Asia over the past 12 months was pleasing and exceeded management expectations. However, the performance in Australia was much weaker than expected, due to increased pressure on margins in both the Resins and Specialties segments, particularly in the second half.

'In early 2014, in Australia, we started to see these weaker than expected conditions becoming evident, and in February, we announced the reorganisation of the ANZ businesses to reduce overhead costs. The net costs of this business unit reorganisation of $2.4 million combined with the deterioration in the underlying business performance of Australia weighed on the Group's result and offset the growth delivered in Europe and Asia and the steady performance in the Americas.

'Importantly, the ANZ restructure is now largely complete. The program of work to reduce the regions manufacturing capacity by 30% commenced during the 2013 Financial Year will be finished by the end of 2014. In the past six months the ANZ business units have been restructured and now have a lower cost base and new, flatter management structures.

Progressing these restructure initiatives over the year incurred $5.8 million of costs and generated approximately $5.1 million of incremental benefits. Next year these initiatives will deliver net benefits of approximately $5.6 million.

'In EMEA earnings grew strongly as second half volume growth and the flow through of benefits arising from our NuLEAP programs lifted profits.

'In Asia, earnings continued to grow. Volumes were up in China and Vietnam, and steady in Indonesia and Malaysia. Margins improved across the region due to the realisation of benefits flowing from the NuLEAP global procurement program and active price management which more than compensated for inflationary pressures.

'As expected, 2014 Financial Year was the peak in Nuplex's capital expenditure program and as result, this saw an increase in Nuplex's gearing to 31.1%, up from 28.5% as at the end of 30 December 2013. We remain committed to taking a conservative approach to gearing and maintaining a strong Balance Sheet, and hence remain committed to managing gearing within the Board's target gearing range of 20 to 35%' said Mr Severin.

Financial Result Overview

Sales revenue of $1,639.9 million was down 1.5% when compared to the prior year financial result of $1,664.9 million. In constant currency terms, sales revenue was $1,679.6 million, up 0.9%.

Operating EBITDA was $125.7 million and compared with $126.4 million in the 2013 Financial Year. Had foreign exchange rates remained unchanged over the 12 month period, constant currency operating EBITDA for the 2014 Financial Year would have been $126.0 million.

During the year, the Australia & New Zealand (ANZ) restructure incurred costs of $5.8 million compared with $6.3 million in the prior financial year. Constant currency operating EBITDA, excluding restructure costs was $132.4 million, 0.2% lower than the $132.7 million in the prior financial year.

The global Resins segment Operating EBITDA was up 10.5% to $111.5 million from $100.9 million. Globally, volumes in the Resins segment grew by 3.5% and unit margins were down 1.3% - largely as a result of the impact of lower margins in Australia. Across the regions and compared to the prior financial year;

- In ANZ operating EBITDA of $3.7 million declined 37.3% from $5.9 million due to weaker markets in Australia and additional restructuring costs. Within ANZ, volumes were down 4.7% primarily as a result of lower volumes in the region's largest business unit coating resins, which also experienced significant pricing pressure from customers leveraging their buying power in a market with excess capacity. Import competition also put pressure on composite margins.
- In EMEA, operating EBITDA of $55.3 million was up 22.9% due to 4.4% volume growth and an improvement in margins as demand picked up across southern and northern Europe in the second half of the year, especially in the automotive sector.
- In Asia, operating EBITDA of $31.8 million grew 8.2% driven by 7.9% volume growth in China and Vietnam and improved margins in Indonesia and Malaysia.

- In the Americas, operating EBITDA of $20.7 million, was up 0.5%. Initiatives drove 7% volume growth, however this was offset by the loss of a tolling contract.

Operating EBITDA in the ANZ focused Specialties segment of $14.2 million was down 44.3% compared to the prior financial year. The agency and distribution business, which accounts for around 80% of the Specialties segment sales, saw its earnings impacted in Australia by lower margins due to pricing pressure arising from competitive forces within the supply chain and the impact of the stronger US dollar on imported products. The second business within this segment, Nuplex Masterbatch, experienced lower volumes as a result of market declines and a loss of market share.

Cash flow from operations was $51.1 million, down 54%. The move in cash flow reflected the increase in the working capital to sales ratio which was 15.3% as at year end, up from 14.6% as at 30 December 2013. Over the 12 month period, the average working capital to sales ratio was 15.0% and at the bottom of management's target range of 15 to 17%.

Gearing[5] was 31.1% as at 30 June 2014 and up from 28.5% as at 31 December 2013 due to the investment in new capacity in Asia (US$16.8 million) and the acquisition in Russia (€6.5 million). The gearing ratio remains within the Board's target gearing range of between 20 and 35%.

Total net assets on the Balance Sheet have declined $56.2 million due to the difference between the closing exchange rates as at 30 June 2013 and 30 June 2014.

Strategy & Outlook

Mr Severin commented on the progress of Nuplex's strategic initiatives made over the past 12 months: 'For the first time in the company's history, Nuplex achieved a world class safety performance. This is a particularly pleasing result as it is the culmination of four years of continued focus on improving our safety, culture, procedures and processes, and we achieved this level of performance a year earlier than the target timeframe set by the Board. Our challenge now is to continue to improve on our performance so that our vision of Zero Harm is a reality, not just a statement.

'We continue to execute our initiatives focused on strengthening Nuplex, particularly in ANZ where we are taking action to restore returns through the completion of the restructure and initiatives to recover margins. In the coming financial year, the restructuring activities are expected to realise approximately $5.6 million in net benefits and will drive an improvement in Nuplex's return on funds employed.

'In EMEA, work continued to strengthen operational performance and following a review of the cost structure of the site in Germany, €3 million in cost savings are expected to be realised over the next 12 months. In terms of growing the business, we grew our share of the Automotive OEM and Vehicle Refinish market. We are gaining share in the Flooring & Construction resins market through our expanded product range from the Viverso acquisition.

'As part of Nuplex's strategy to grow in emerging markets, EMEA completed the acquisition of the site in Russia in May. Our investment in Russia will total €7.5 million as in addition to

[5] As measured by net debt to net debt plus equity

buying the assets, there will be an investment in upgrading the site to Nuplex's safety and quality standards.

‘The Americas has been delivering strong EBITDA margins for a number of years now, largely driven through a focus on growing higher margin performance coatings and cost reduction initiatives. As part of their strategy to grow earnings, this region will look to increase future earnings through disciplined volume growth.

‘A key plank in our strategy to grow Nuplex has been the program of work to increase Nuplex’s capacity in Asia by 75% when compared with the region’s capacity at the beginning of the 2012 Financial Year. We are entering the final stages of this construction program and we remain on track to commission the third site in China and the additional capacity in Indonesia by the end of the 2014 calendar year.

‘Positively, despite the increase in fixed costs that will initially be incurred through operating this new capacity, the Asian region’s return on funds employed is expected to remain above 16% in the 2015 Financial Year. Then, in the 2016 Financial Year, we expect to see the benefits of this five year investment program support a meaningful increase in profits and returns.

‘Our innovation activities continue to gain momentum and we are better aligning R&D projects with global market opportunities. As previously mentioned, we will be launching a new isocyanate free, fast curing resins technology at the European Coatings Show next April. Having been trialled with a number of customers, feedback indicates that this is a potential breakthrough technology in the coatings industry.

‘We extended our global R&D network following the opening of the new regional R&D Centre at the Suzhou site in China. We are now able to offer faster turnaround times on a range of development projects and technical support activities, as previously these were undertaken by the R&D Centre in The Netherlands, allowing us to better service customers across the region.’

Mr Severin concluded, ‘We know that the 2015 Financial Year is a critical year for the business.

‘In ANZ, we are not counting on market conditions improving in the near term. Restructuring the business should help turn around the earnings performance and drive an improvement in returns. However, further work is still required to achieve acceptable returns in this region.

‘In Asia, the region as a whole continues to experience steady growth. Commissioning the new capacity in China and Indonesia will relieve the capacity constraints faced in these markets as well as introduce the capability to produce more technically advanced products within the region. We expect the ongoing growth across the region will offset the step up in fixed costs arising from the commissioning and operation of the new capacity coming on line at the end of 2014.

‘For EMEA, it was pleasing to see a lift in demand in the second half of the 2014 Financial Year. We expect these demand levels to continue into the months ahead and our focus for the year ahead will continue to be growing our market positions through the introduction of new products and growing the sales of those products acquired through the Viverso acquisition.

'In the Americas, we expect modest growth to continue.

'Longer term, the progress we expect to make in the 2015 Financial Year will enable Nuplex to continue working towards achieving the Company's return on funds employed target of over 16% within the 2016 and 2018 Financial Years.'

ENDS

Results Briefing
A results briefing will be hosted by Chief Executive Officer, Emery Severin, and Chief Financial Officer, Ian Davis, at 11.30am (NZST) today.

This briefing will be live via webcast on the Nuplex Industries website (www.nuplex.com/Corporate/corporate/investor-centre), where it will also be archived.

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Non-GAAP Financial Measures
The non-GAAP financial measures used in this presentation include:

1. **Operating EBITDA** – Earnings before interest, tax, depreciation, significant items, associates and minority interest. This is a measure of the performance of the business that is under the control of operational management.
2. **EBIT** – Earnings before interest, tax, significant items, associates and minority interest. This is a measure of financial performance excluding tax, financing and significant items. It removes the impact of differential tax rates across the regions in which Nuplex operates, financing costs as these are controlled centrally and significant items. Share of associates and minority interest are removed as for EBITDA.
3. **Operating profit** – Net profit available to equity holders of the parent excluding the impact of significant items.
4. **Significant items** – Items that by a combination of their size, timing or irregular nature warrant separate disclosure to allow readers to better assess the recurring income generating capacity of the business.
5. **Profit** - Profit available to equity holders of the parent company
6. **ROFE** – Return on funds employed, as defined by EBIT divided by average funds employed. This widely used measure of capital efficiency allows comparisons to be made between returns generated in different regions and segments.
7. **Funds employed** – Total equity plus current and non-current borrowings, as per the Consolidated Statements of Financial Position.
8. **Gearing** – Net debt divided by net debt plus equity. Gearing is calculated on this basis as all cash is available to reduce debt at any time. Nuplex does not have debt facilities in all countries in which it operates but can and does repatriate cash to reduce debt and pay dividends on a regular basis.
9. **Net debt** – Borrowings minus cash and cash equivalents.
10. **Operating costs** – This is the cost of manufacturing and distribution. It is the cost of sales per the Statement of Comprehensive Income less raw material costs, plus distribution costs.
11. **Fixed costs** – Marketing expenses plus Administration expenses per the Statement of Comprehensive Income.
12. **Capital expenditure** – Payments for property, plant and equipment and intangibles per the Statement of Cash Flows.