NZX/ASX release 14 August 2014

MANAGEMENT DISCUSSION & ANALYSIS FOR FINANCIAL RESULTS FOR THE 12 MONTHS ENDED 30 JUNE 2014

Non-GAAP financial measures
Nuplex results are prepared in accordance with NZ GAAP and comply with NZ IFRS. This Management Discussion & Analysis includes non-GAAP financial measures which are not defined in NZ IFRS. The non-GAAP financial measures used in this presentation include, operating EBITDA, operating profit, significant items, ROFE, EBIT, gearing, funds employed, operating and fixed costs, capital expenditure and net debt.

Nuplex believes that these non-GAAP financial measures provide useful information to readers to assist in the understanding of the financial performance, financial position and returns of Nuplex. However, they should be read in conjunction with the NZ IFRS numbers and not considered a substitute for NZ IFRS measures. Non-GAAP financial measures as reported by Nuplex may not be comparable to similarly titled amounts reported by other companies.

FINANCIAL OVERVIEW

Net profit attributable to equity holders of the parent company after tax (NPAT) for the 2014 Financial Year was $52.4 million, up 17.7% from $44.5[1] million when compared with the 2013 Financial Year.

NPAT was impacted by **significant items** of $2.6 million. Significant items for the period included the $7.5 million gain on the sale of Nuplex's equity investment in the Quaker 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.

Nuplex reported **sales revenue** of $1,639.9 million, down 1.5% when compared with the prior financial year of $1,664.9 million. Had the New Zealand dollar remained unchanged over the 12 months, sales revenue would have been up 0.9% to $1,679.6 million.

Operating earnings before interest, tax, depreciation and amortization, (Operating EBITDA) was $125.7 million, down 0.6% when compared with $126.4 million in the prior financial year. Had foreign exchange rates remained unchanged from last year, operating EBITDA for the 2014 Financial Year would have been $126.0 million.

[1] 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, which has been reproduced at the end of this document.

In comparison to the prior financial year, in constant currency terms, operating EBITDA reflected:

- Global Resins segment operating EBITDA up 9.8% as earnings growth in Europe and Asia offset the weaker performance in ANZ.
  - Overall volumes were up 3.5%. Volumes increased by 7.9% in Asia, 7.0% in the Americas and 4.4% in EMEA, offsetting a 4.7% decline in ANZ
  - Constant currency unit margins[2] were down 1.3% compared with the prior corresponding half reflecting:
    - Lower ANZ Resins segment margins arising from pricing pressure due to over-capacity in the coating resins market and import competition in the composites market
    - In the first half the business in EMEA deliberately pursued lower margin volume in spot markets to offset softer market demand
    - The increased proportion of earnings from Asia where percentage EBITDA margins are comparable or better than the global average, but unit margins are lower
- The ANZ focused Specialties segment operating EBITDA down 40.5% due to
  - Margin pressure in the agency & distribution, Nuplex Specialties, as a result of pricing pressure arising from competitive forces within the supply chain and the impact of the strengthening US dollar on imported products
  - Lower volumes in the Masterbatch business arising from a loss of market share and an overall decline in market volumes
- $5.1 million in cost savings from ANZ restructuring activities (approximately $4.5 million from the manufacturing network restructure and approximately $0.9 million from the reorganisation of the business units)
- $12.7 million in incremental benefits from NuLEAP II's global procurement program

Table 1 on the following page is extracted from the financial statements and shows the reconciliation of profit available to equity holders of the parent company to operating EBITDA.

The income **tax rate** applicable to operating profit for the period was 23.1%, down from 25.4% in the prior financial year. The rate reflects the benefit of a settlement with the US Internal Revenue Service, a shift in the geographic mix of earnings towards the lower tax rate jurisdictions of Asia, and the impact of reduced earnings in Australia (with its relatively higher tax rate).

Earnings per share (**EPS**) was 26.4 cents, up 17.7% from 22.5 cents in the prior corresponding year.

Nuplex's **return on funds employed** (ROFE)[3] for the 12 months ended 30 June 2014 was 11.0% compared to 11.1% for the prior corresponding year. Nuplex continues to work towards achieving its return on funds employed target of over 16% within the two year period between the 2016 and 2018 Financial Years and expects ROFE to increase in the coming financial year.

Operating cash flow of $51.1 million was down 54% on the prior financial year. This reflected an increase in working capital.

The **working capital to sales ratio** at the end of the period was 15.3% as at 30 June 2014. The ratio was up from 14.6% as at 31 December 2013. The higher ratio was driven by an increase in the value of inventory in Australia due to the impact of the weaker AUD, a temporary increase in holdings as a result of the reconfiguration of the ANZ manufacturing

[2] Defined as sales revenue minus raw material costs divided by tonnage
[3] Defined as (earnings before interest, tax and significant items) divided by (average funds employed)

network and changes in customer payment patterns around the group which increased the value of debtors outstanding.

Management's target range for this ratio is 15 to 17% on a rolling twelve month basis – over the past 12 months it was 15.0%.

Table 1: Reconciliation of profit available to equity holders of the parent company to Operating EBITDA

(NZ$ thousands)	FY14 Total Group	FY13 Total Group
Profit for the period	**54.7**	**46.9**
Minority interests (non-controlling)	(2.3)	(2.4)
Net profit available to equity holders of the parent company	**52.4**	**44.5**
Income tax credit on non-operating items	(1.2)	(1.6)
Acquisition related costs	0.8	1.2
Provision related to RPC Pipe Systems Pty Ltd	8.8	5.5
Gain on sale of Quaker Chemical (Australasia) P/L	(7.5)	-
Legal costs in defence of product defect claim	1.9	-
US tax audit legal costs	0.1	0.4
Gain on sale of Plaster Systems land and buildings	(0.6)	-
Reversal of US waste water discharge legal costs provision	(0.8)	-
Past service related gain on charge in US medical scheme obligations	-	(2.5)
Loss on sale of Plaster Systems business	-	0.8
Site remediation provision	1.1	0.4
Impairment of property plant & equipment (ANZ restructure)	-	8.1
Operating profit after tax	**55.0**	**56.8**
Tax on operating profits	16.6	19.4
Minority interests (non-controlling)	2.3	2.4
Share of associates	(2.1)	(1.9)
Net financing costs	17.5	16.6
EBIT	**89.3**	**93.3**
Depreciation and amortisation	36.4	33.1
Operating EBITDA	**125.7**	**126.4**

In absolute and per unit terms, **operating and fixed costs** were down year on year as a result of rationalisation activities, the procurement program as part of NuLEAP II and foreign exchange movements.

Stay-in-business capital expenditure (SIB) for the year was $21.1 million, equivalent to 78% of depreciation. SIB expenditure included costs associated with the refurbishment of the Botany offices in Australia for the first time in almost 40 years; the aggregation of all the Auckland based sales teams into a single location; and the completion of the rollout of the ERP system.

SIB capital expenditure is expected to be of a similar level in the 2015 Financial Year. In addition to normal SIB expenditure, in the Netherlands there has been a Government mandate to change the fire protection systems throughout the chemicals industry. The total cost to comply at the Bergen op Zoom site will be €12 million, which is expected to be incurred over the next two to three years. Approximately €3 million will be spent in the 2015 Financial Year.

Capital expenditure for growth was $42.1 million for the 2014 Financial Year. Major items included the costs associated with the new site at Changshu in China ($18.8 million), the site expansion in Suzhou ($2.0 million), the upgrading of the Wacol site in Queensland, Australia ($12.0 million), the fixed assets relating to the Russian investment ($4.9 million) and the initial costs of constructing the new capacity in Indonesia ($1.4 million).

The forecast for capital expenditure for growth in the 2015 Financial Year is expected to be approximately $35 million.

As at 30 June 2014, **net debt** was $231.7 million. Nuplex's average **funding cost** over the year was 5.2%, down from 6.0% in the prior corresponding year due to the renegotiation of Nuplex's banking facilities in December 2013 and an increasing proportion of debt being held in low interest rate jurisdictions. The average drawn debt for the period was $297.2 million compared with $289 million in the prior year.

Gearing[4] was 31.1% up from 28.5% as at 31 December 2013, and up from 26.0% as at 30 June 2013 due to the investment in new capacity in Asia and the $10 million (€6.5 million) acquisition in Russia. Gearing remains within the Board's target gearing range of between 20 to 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.

A **final dividend** of 11 cents per share has been declared by the Board 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 or franking credits for Australian shareholders. The Dividend Reinvestment Plan will not be active.

The total dividend of 21 cents per share represents an 80% payout ratio of net profit available to shareholders. Whilst exceeding Nuplex's target dividend payout ratio range of between 55 and 65% of earnings for the period, the dividend policy allows the Board to determine the dividend in the context of the company's current and expected performance, cash flow and gearing.

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

OPERATIONAL OVERVIEW

Safety

	Lost Time Injuries		Total Reportable Injuries	
	Rate per million hours worked		Rate per million hours worked	
	FY14	FY13	FY14	FY13
Employees	0.7	0.2	4.4	7.3
Contractors	2.5	4.3	2.5	8.7

Four years ago, Nuplex undertook a commitment to achieve a world class safety performance, as measured by a Total Reportable Injury Frequency Rate of less than 5, by the end of the 2015 Financial Year. Following the commitment of management and employees and the investment in resources, procedures and training, Nuplex achieved this level of performance in the 2014 Financial Year, one year ahead of plan.

NuLEAP

Under Nuplex's operational improvement program NuLEAP II, the global procurement initiative delivered total benefits of approximately $18 million, $3 million ahead of the upgraded program target of $15 million. Given the $5.3 million of benefits realised in the second half of the 2013 Financial Year, the incremental contribution to operating EBITDA in the 2014 Financial Year was approximately $12.7 million.

Approximately 90% of the realised benefits related to cost of goods sold of which the majority were derived in the EMEA region. The balance related to manufacturing and logistics cost benefits.

During the year a NuLEAP program was initiated at Nuplex's German operations in Bitterfeld, and a range of operational efficiency initiatives were identified and implemented. These initiatives are expected to realise approximately €3 million in benefits with the majority of these to be recognised in the 2015 Financial Year.

Systems and IT

During the year, the rollout of the global ERP system was completed as the US, Vietnam, China and Indonesia were brought onto the global system. As per previous guidance, completing the rollout cost A$1.9 million in the 2014 Financial Year, and the total project cost was A$18.0 million.

SEGMENT RESULTS

Resins Segment

As Nuplex's largest segment, it includes the global coatings operations referred to as Coating Resins which contribute approximately 85% of Resin Segment sales.

The Coating Resins business is involved in the production and supply of resins, a key ingredient used in the formulation of surface coatings such as household paint, car paint, coatings used on white goods, wooden furniture, flooring, textiles, and paper. Resins bind together the ingredients of the coating, enabling it to adhere to the surface to which it has been applied. Importantly, resins strongly influence the performance and appearance of a coating by providing the required finish, colour-fastness, durability, and protection from sun-light, abrasion and corrosion.

The segment also includes Nuplex Composites, Australia and New Zealand's leading composites resins producer. Additionally, the Resins segment includes Nuplex's Australian and New Zealand based Pulp and Paper and Construction Products businesses.

Resins Segment (% change)	**Volume**		
	1H14 vs 1H13	2H14 vs 2H13	FY14 vs FY13
ANZ	(3.6)%	(5.8)%	(4.7)%
Asia	12.4%	3.5%	7.9%
EMEA	1.2%	7.2%	4.4%
Americas	4.9%	8.9%	7.0%
TOTAL	3.4%	3.6%	3.5%

Resins Segment (NZ$ m)	**Sales Revenue**					**Operating EBITDA**				
	FY14 Actual	FY14 Constant[5] FX	FY13 Actual	Change (%)		FY14 Actual	FY14 Constant FX	FY13 Actual	Change (%)	
				Actual FX	Constant FX				Actual FX	Constant FX
ANZ	297.6	328.0	349.4	(14.8)	(6.1)	3.7	4.4	5.9	(37.3)	(25.4)
Asia	293.3	295.6	279.3	5.0	5.8	31.8	32.1	29.4	8.2	9.2
EMEA	594.9	573.9	567.6	4.8	1.1	55.3	53.3	45.0	22.9	18.4
Americas	164.3	166.2	156.8	4.8	6.0	20.7	20.9	20.6	0.5	1.5
Total	1,350.2	1,363.7	1,353.1	(0.2)	0.8	111.5	110.8	100.9	10.5	9.8

Overall volumes were up 3.5%. Volumes increased by 7.9% in Asia, 7.0% in the Americas and 4.4% in EMEA, offsetting a 4.7% decline in ANZ

On a constant currency basis, **unit margins** were down 1.3%. This was due to pricing pressure in ANZ in the Coating Resins and Composites businesses and lower margin business in EMEA in the first half. The increased proportion of earnings from Asia also impacted unit margins because whilst the percentage EBITDA margins generated in this region are comparable or better than the global average due to lower operating and overhead costs, unit margins are lower.

Resins segment operating EBITDA was $111.5 million, up 10.5% year on year (up 9.8% in constant currency) as earnings growth in Europe and Asia offset the weaker performance in ANZ.

Raw material costs over the six month period were stable in Asia, EMEA and the Americas. In ANZ, raw material costs increased over the period driven by the appreciation of the US dollar against the Australian dollar.

Australia and New Zealand (ANZ)

In ANZ, sales were down 14.8% (down 6.1% in constant currency). Volumes were down 4.7% compared with the prior financial year.

[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.

Operating EBITDA of $3.7 million included $5.3 million of Australia and New Zealand restructure costs. As the restructure costs offset the benefits derived, underlying operating EBITDA was $3.7 million compared with underlying operating EBITDA of $12.2 million in the prior financial year.

Coating Resins

In ANZ, volumes were down year on year. Margins were down year on year as there was pressure on the pricing of resins used in decorative paint from customers leveraging their buying power in a market with excess capacity.

Volume and earnings continued to be impacted by the ongoing decline in the domestic ink, adhesives and textiles industry in Australia. Historically these specialised products have a higher unit margin than those used in the formulation of products for the building and construction markets. Since the end of the 2010 Financial Year, volumes of resins sold for use in packaging adhesives, textiles and inks have decreased by approximately 60% due to a decline in the Australian manufacturing industries as the customers of Nuplex's customers have shifted to importing finished goods.

Composites, Pulp & Paper and Construction Products

Composites operating EBITDA was down year on year. Volumes were steady as growth in the Leisure segment, and in particular the pool and spa market, was offset by steady volumes in the Marine segment and lower volumes in the Transport and General Laminators segments. Volume growth was hampered by import competition which also weighed on margins, particularly in the more commoditised composite resins segments such as construction and transport.

In the Pulp and Paper business, packaging resin volumes were impacted by the closure of Amcor's recycled coated cardboard mill in Petrie, Queensland in September 2013. Volumes relating to products used in newsprint continued to be impacted by the slow but ongoing decline in printed newspapers and fine paper volumes continue to be impacted by import competition.

Earnings in the New Zealand focused Construction Products business were up year on year. Volumes in New Zealand were steady and exports to distributors in Australia grew over the period.

ANZ restructure

Streamlining of manufacturing network:

In September 2012, Nuplex commenced activities to reduce the region's capacity by 30% and increase the network's efficiency through managing production across fewer sites on a regional basis.

The majority of the capacity reduction has occurred following the closure of the sites at Onehunga in New Zealand and Wangaratta in Australia, and the decommissioning of the high-temperature plant at Penrose in New Zealand during the first half of the 2014 Financial Year. The program is expected to be completed by the end of 2014 once the site at Canning Vale in Western Australia is decommissioned.

The activities to increase the efficiency and flexibility of the network have been completed at Penrose in New Zealand and Botany in Australia. Work to bring the site in Wacol, Queensland, up to world class safety and performance standards is progressing. The total investment in increasing the productivity of the region's manufacturing network is approximately A$21 million and will now be completed within the 2015 Financial Year.

In the 2014 Financial Year, the network restructure delivered $4.2 million in incremental benefits and is expected to deliver $1.5 million of incremental benefits next year. Annualised cost savings of approximately $6 million are expected in the 2016 Financial Year.

As forecast, the total cost of restructuring the network continues to be $9.6 million, of which $6.3 million was spent in the prior financial year. In line with previous guidance, costs incurred in the 2014 Financial Year were $2.5 million and the remaining $0.8 million will be incurred in the 2015 Financial Year.

Business unit reorganisation (both ANZ Resins and Specialties):
In February 2014, a reorganisation of all of Nuplex's ANZ businesses was undertaken. Focused on reducing the cost base and creating a flatter management structure across the region, the restructure involved the removal of a layer of senior management and the establishment of two business units;

- Resins: The management of the Coating Resins, Composites, Pulp & Paper and Construction Products businesses have been brought together into a single business unit.
- Specialties: The agency & distribution business, Nuplex Specialties, and the plastic additives business, Nuplex Masterbatch, is being managed as one business unit.

Expected to deliver annualised cost savings of approximately $5.8 million in the 2015 Financial Year, the reorganisation was completed in April 2014. The implementation and redundancy costs of this business unit reorganisation were approximately $3.3 million and in line with expectations. Approximately $0.9 million in cost savings were delivered in the 2014 Financial Year and approximately $4.9 million of incremental benefits are expected in the 2015 Financial Year.

Asia

Coating Resins
Sales were up 5.0% for the period (up 5.8% in constant currency).

Regional volumes were up 7.9%. In China, volume growth was driven by increased sales to the Automotive OEM, Vehicle Refinish and Marine & Protective segments. In Vietnam, volumes in the Decorative and Adhesives segments were up year on year. In Indonesia, against a backdrop of subdued economic conditions as a result of the strength of the US dollar and a slowdown in activity ahead of the Presidential elections, volumes were steady. In Malaysia, volumes were flat year on year

Regional operating EBITDA was $31.8 million, up 8.2% (up 9.2% in constant currency) when compared with the prior financial year. Margins were up year on year as a result of the realisation of benefits flowing from the NuLEAP global procurement program and active price management to compensate for inflationary pressures, which remain high across the region.

Growth projects

The program of work to increase capacity within the region by 75% between the beginning of the 2011 Financial Year and the end of the 2015 Financial Year is almost complete.

In China, in September 2013, construction of the third site at Changshu commenced. The new site will approximately double Nuplex's capacity in China once it is commissioned towards the end of the 2014 calendar year. The total cost estimate of US$35 million remains unchanged. Costs incurred with the year were approximately $18.8 million (US$15.6 million), and the balance is expected to be incurred in the first half of the 2015 Financial Year.

In Thailand, in October 2013, at Nuplex's powder resins joint venture, the new reactor was commissioned on time and on budget. The US$1.5 million investment was funded from cash within the joint venture company and has increased capacity by 40%.

In Indonesia, in September, 2013, work commenced to double capacity at the site through adding a new reactor to the Surabaya site. Still expected to cost US$5.1 million, $1.4 million (US$1.2 million) in costs were incurred in the second half of the 2014 Financial Year. The balance of the investment will be incurred in the coming six month period and the new capacity is expected to be commissioned by the end of the 2014 calendar year. Customers have responded positively to the pre-marketing of the products in the Automotive OEM, Vehicle Refinish and High End Metal segments that Nuplex Indonesia will be able to be produce given the additional technology capabilities that the site will have post commissioning.

Europe Middle East Africa (EMEA)

Coating Resins
Sales were up 4.8% (up 1.1% in constant currency) compared with the prior financial year.

Volumes were up 4.4% due to the improvement in market conditions in Western and Eastern Europe and a modest improvement in conditions in Southern Europe in the second half of the year. During the second half, volumes grew in the Automotive OEM segment as a result of strong export and domestic demand in Germany and an improvement in demand from Southern Europe. Volumes also grew in the Industrial and Vehicle Refinish markets and Nuplex grew market share in the global Marine & Protective market and Flooring & Construction market.

Operating EBITDA was up 22.9% to $55.3 million (up 18.4% in constant currency). Following a challenging first half, when competitive pressures were heightened, the improved demand conditions saw these pressures ease in the second half. Margins were up in the second half as the benefits of the NuLEAP global procurement initiative were realised.

Russia
As previously announced, in May 2014, Nuplex completed the acquisition of the resins factory from Kvil Group, located in Shebekino, near Belgorod. The total investment is expected to be €7.5 million which includes acquiring the assets, upgrading the site and an investment in working capital. In the 2014 Financial Year €6.5 million was invested, with the balance expected to be incurred in the coming financial year.

Feedback from those multi-national and regional customers also growing their presence in Russia has been positive and continues to support Nuplex's plan to build a greenfield site. It is expected that construction will begin within the next one to two years.

Americas

Coating Resins
Sales were up 4.8% (up 6.0% in constant currency) when compared with the prior financial year. Volumes were up 7.0%, due to growth in the Decorative segment as management pursued opportunities to utilise available capacity.

Operating EBITDA was up 0.5% (up 1.5% in constant currency) as volume growth was offset by the loss of a tolling contract which occurred as recent M&A activity had resulted in the customer having the capacity to undertake the production themselves.

Specialties Segment

Nuplex's Specialties segment consists of two businesses, Nuplex Specialties and Nuplex Masterbatch. Nuplex Specialties acts as an agent for the sale and distribution of internationally manufactured products to a wide range of industries including the food and nutrition, pharmaceutical and healthcare, plastics and agricultural sectors. Nuplex's Masterbatch operations produce colour and performance additives for the plastics industry in Australia and New Zealand.

Nuplex Specialties, the Agency and Distribution business contributes approximately 80% of the Specialty segment sales.

SPECIALTIES SEGMENT (NZ$ m)	SALES REVENUE					OPERATING EBITDA				
	FY14 Actual	FY14 Constant FX	FY13 Actual	Change (%) Actual FX	Change (%) Constant FX	FY14 Actual	FY14 Constant FX	FY13 Actual	Change (%) Actual FX	Change (%) Constant FX
TOTAL	289.7	316.0	311.8	(7.1)	1.3	14.2	15.2	25.5	(44.3)	(40.4)

Specialties segment sales were down 7.1% to $289.7 million (up 1.3% in constant currency). Operating EBTIDA was down 44.3% (down 40.4% in constant currency).

Agency & Distribution
Whilst reported sales were down compared with the prior financial year, they were steady in constant currency terms as sales growth was hampered by the loss of two Principals as a result of the change in their parent company ownership. Sales to the Agricultural sector were impacted by the drought in Eastern Australia; and disruptions to the supply chain in the New Zealand dairy industry in the first half of the financial year. In Australia, sales in those segments related to manufacturing were subdued.

Operating EBITDA was down year on year. Margins were pressured due to the challenge of recovering the impact of the strengthening US dollar on the cost of imported products and the pressure from increased competition, particularly from the Food & Nutrition and Personal Healthcare segments where customers were looking to manage their margins in the face of pressure along the supply chain.

Masterbatch
Sales, volumes and operating EBITDA were down year on year. Market share has been lost due to a focus on improving margins and the overall market has declined as a result of the structural change occurring in the Australian manufacturing sector. Over the second half, the new management team have been successful in stabilising and refocusing the business and the business is starting to see an improvement in volumes.

2015 FINANCIAL YEAR OUTLOOK

In ANZ, market conditions are expected to be subdued as the pressures of the structural decline in Australian manufacturing are likely to continue to weigh on any recovery in building and construction activity that may occur. Across the region, the business is focused on completing the restructure which is expected to support an improvement in Nuplex's profits and return on funds employed in the 2015 Financial Year.

In Asia, the region is expected to continue to grow as a whole. Above market volume growth is expected in Vietnam and Indonesia as the new capacity fills. In China, the new site in Changshu will be commissioned by the end of 2014, and, the step up in fixed costs arising from its commissioning and operation will temper the earnings impact of the ongoing growth in the region.

In EMEA, management expects a continuation of the demand levels experienced over the second half of the 2014 Financial Year.

In the Americas, modest growth is expected to continue through a focus on disciplined volume growth.

In regards to the outlook for operating EBITDA in the 2015 Financial Year, management will provide an update at the Annual Meeting to be held on Wednesday 5 November, 2014.

ENDS

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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.

Accounting Policy Note re; NZ IAS 19

The adoption of the revised NZ IAS 19 Employee Benefits resulted in two significant changes to the Group's accounting policy which impact on amounts recognised in the financial statements:

- All past service costs are now recognised immediately in profit or loss. Previously past service costs were recognised on a straight line basis over the relevant vesting period if the changes were conditional on the employees remaining in service for a specified period of time.
- All actuarial gains and losses arising in the calculation of the Group's obligation in respect of defined benefit plans are now recognised directly in other comprehensive income. Previously such actuarial gains or losses were not recognised, unless in respect of a plan the cumulative unrecogised actuarial gain or loss exceeded 10% of the greater of the present value of the defined benefit obligation and the value of the plan assets, in which case the excess portion was recognised in profit and loss over the expected average remaining working lives of the employees participating in the plan.

As the revised standard must be adopted retrospectively, adjustments to the retirement benefit obligations have been recognised at the beginning of the earliest period presented (1 July 2012) and the statement of comprehensive income and statements of financial position were restated for the comparative period.