



NZX/ASX release

5 November 2014

2014 ANNUAL MEETING – CHAIRMAN’S and CEO’S ADDRESSES

CHAIRMAN’S ADDRESS

This is my first address to you as Chairman. It has been an interesting first year with some significant developments for your company:

- the sale of the Australian and New Zealand Specialties and Masterbatch businesses,
- the completion of the construction of our new plant in China,
- a small investment in Russia, and
- further progress on our Health and Safety objectives, but more of that later.

This morning I will highlight some of the key areas of the company’s performance. First, our financial performance.

Our operating earnings before interest, tax, depreciation and amortisation were \$125.7 million in the 2014 financial year. This compares with \$126.4 million in 2013.

The earnings growth achieved in Europe and Asia, and steady earnings in the Americas, were offset by a decline in earnings in Australia and New Zealand. The market conditions in Australia were weaker than had been expected and this meant lower volumes and lower margins.

We reported that net profit available to shareholders for the 2014 financial year was \$52.4 million. This result was negatively impacted by a net \$2.6 million in significant items. This is the aggregate of a number of different items, some positive and some negative. The two largest were:

- an \$8.8 million loss on the sale of the ‘Fibrelogic’ joint venture, and
- a \$7.5 million gain on the sale of Nuplex’s equity investment in the operating joint venture with Quaker Chemical.

So in summary, the net profit attributable to shareholders (when we exclude these one-off significant items) was \$55 million. This was down 3% from an underlying \$56.8 million in 2013.

The final dividend of 11 cents per share brought the total dividend paid for the financial year to 21 cents per share. This is in line with last year’s dividend.

This represents a payout ratio of 80% of net profit attributable to shareholders and so is above our target range of 55 to 65%.

The Board has previously committed to maintaining the level of dividends per share at the previous year’s level if we could do that and still maintain a strong balance sheet. So, the increased payout ratio is consistent with the Board’s confidence in the company’s current and expected performance and cash flow.

Nuplex’s strategy is to grow earnings and improve returns for shareholders through initiatives that strengthen and grow Nuplex. This will include expanding our presence in

emerging markets and using innovative Research and Development. The Board remains committed to this strategy.

Although there was a significant fall in earnings in Australia, Nuplex was still able to maintain earnings, albeit it was at a disappointing level. We were able to maintain this earnings level because of the success of the company's strategy in other parts of the world - in Europe, Asia and the Americas - each of which generated earnings growth and improving returns in the 2014 financial year.

The Nuplex I joined as a Director in 2009 is a very different one from your company today. The company has transitioned from being a New Zealand company with a strong regional position in Australia and New Zealand with some global operations, into a global company, proud of its New Zealand heritage, but with a focus on growth in Asia and in other emerging markets.

If I put it another way: in the 2010 financial year, 41% of earnings were generated in Australia and New Zealand and 59% generated in the rest of the world.

This year, approximately 86% was generated in Asia, Europe and the Americas and just 14% locally.

We will continue our strategy to focus on strengthening the organisation, and on growing leading positions in the resins market.

To achieve this, Nuplex has allocated more than \$170 million in capital to projects to expand capacity in the faster growing Asian economies; and to an acquisition which has generated significant value in Europe.

We announced a few weeks ago that we had reached agreement with Champ Private Equity to sell them our Australian and New Zealand Specialty chemical distribution business and the Masterbatch business for over NZ\$140 million. Your board had decided that these businesses were no longer core businesses given our focus on resins. When we were approached by Champ at a price that added value for our shareholders we took the opportunity to execute this strategy.

Initially, the proceeds of the sale will be used to pay down debt. During our strategic planning process we will consider all the options that this sale now gives us. These will include:

- accelerating organic growth in developing markets,
- increasing our investment in R&D and in bringing new products to market, and
- potential value creating M&A opportunities that meet strict financial and strategic criteria
- considering a return of some of the proceeds to shareholders - if that proves to be in the best interests of you, our shareholders and of the company.

At last year's AGM we told you we were planning an investment in Russia. In April this year we completed the acquisition of a small resins plant in the south west of Russia for €6.5 million.

Our multinational customers have encouraged us to produce higher end resins for them in this market. Clearly the current geopolitical situation in the region is challenging, to say the least. We will consider further investment in Russia once we are fully established and are confident our entry into this market has been successful.

Some shareholders have asked me about the challenges we have in operating in these developing markets. My response has been that we will not compromise on our standards, for safety and integrity for example, regardless of where our operations are located.

Recently some of the board travelled to Vietnam and China to meet customers and to see the results of the plant upgrade in Vietnam; and the newly constructed plant in Changshu. We were very impressed by what has been achieved there and by the support that our customers are giving us.

Looking ahead to the 2015 financial year, the Board expects that the capital we have invested to strengthen the core business, particularly in Australia and New Zealand, will start to improve returns. And then in the 2016 financial year, we expect the investments we have made in the growing emerging markets to begin to increase returns.

Further out than that, we are confident that the actions that have been taken to strengthen and grow the company over the past few years will enable Nuplex to achieve the target Return on Funds Employed of greater than 16% - by 2018 at the latest.

Nuplex is now achieving world class safety performance. This is particularly pleasing as it is the culmination of many years of a constant focus on improving safety procedures and processes.

Over the last few years, our Lost Time Frequency rate, that is the number of lost time accidents per 1 million hours worked, has reduced from 8 to 0.7.

Our overall incident rate has fallen from 25 to 4.4 per million hours. This impressive achievement is a credit to all our employees.

Whilst this world class safety performance is an excellent result, the challenge now is for Nuplex to continue to improve, so we can achieve our vision of Zero Harm.

Integrity is one of the corporate values that unify our 1,900 employees. Operations in developing countries do provide some challenges in terms of languages and local customs. But, acting with integrity is fundamental to the way Nuplex employees conduct themselves, wherever they are based.

We train all our people annually in our Code of Conduct and Ethics. Sometimes this is done online and sometimes in workshops. I observed this myself recently when we were filling in time after a delayed flight from Ho Chi Minh City to Shanghai. Two of the employees travelling with us used the downtime to complete their refresher course in Ethics. This online training is currently being translated into Russian so our Russian employees understand what is expected of them just like our New Zealand and Australian employees. Regardless of the delivery, there is an unwavering commitment throughout the organisation that all employees will behave with integrity.

The majority of our customers in these developing markets are existing customers who are regional and global coating companies. We will sell to them in these new markets just as we do in Europe and in other developed countries.

At last year's Annual Meeting, Rob Aitken stepped down as Chairman of the Board, having held the role since 2008. Rob has now indicated this will be his last term as a Non-Executive Director.

I would like to thank Rob for his five years as Chairman, particularly for guiding the company through the unprecedented challenges of the Global Financial Crisis.



Under his leadership, Nuplex commenced a disciplined strategy to improve returns and grow earnings through operational excellence and to build market leading positions.

You have already been advised that Jerry Maycock recently resigned from the board due to an increase in other commitments. I also thank Jerry for his contribution to the company.

We have begun the search for 2 new Non-Executive Directors. We have spoken to potential directors who have the unique mix of industry and international experience we are looking for, and should be in a position to make an appointment shortly.

Finally, on behalf of the Board I extend our thanks to Nuplex's 1,900 employees worldwide. It is their hard work, commitment, innovation and integrity that keep Nuplex competitive.

We have a diverse group of employees. They are geographically diverse with around 600 people in each of Asia, Europe and Australia/NZ with another 100 in North America; and approximately 25% of our Senior Managers are women.

Our people have built great customer relationships, developed new products, operated our plants efficiently and safely, added to and built new plants and strived to grow returns for us.

I want particularly to acknowledge the contribution of those employees who will leave us as a result of the sale of the Specialties and Masterbatch businesses. I thank you very much for your support and for putting up with the inevitable disruption a change in ownership will bring. I have been impressed with your dedication and your focus.

Nuplex has made good progress as we continue to execute the strategic initiatives we need to deliver returns above 16% by 2018 at the latest.

Looking ahead, we are confident that the allocation of capital:

- to high growth opportunities in Asia,
- to value creating opportunities in Europe, and
- to programmes to deliver operational and asset efficiencies in Australia and New Zealand

will drive the required improvement in returns starting with the current financial year.

I also thank you, our shareholders, for your patience and your support. The 2014 financial year presented a number of unexpected challenges, especially in Australia. However we did achieve a solid result and made good progress with strategies to further strengthen and grow Nuplex.

Thank You.

CEO Emery Severin will now give you a more detailed update on the operations and his outlook for the year.

CEO's ADDRESS

Thank you Peter.

Good Morning ladies and gentlemen. And thank you, once again to our many shareholders who have joined us here in Auckland or via the webcast.

As Peter has just highlighted, we have made a number of significant developments for your company since our last Annual Shareholders Meeting in November 2013. And while we still



have a lot of work to do, over the past 12 months we have moved your Company into a much better position to deliver improved returns to shareholders over the next few years.

Today, I will review the performance of our business and spend some time updating you on the recently announced agreement to sell Nuplex Specialties and Masterbatch business and how it positions Nuplex for the future. I will then conclude with our outlook for the 2015 Financial Year.

Financial performance

As noted by Peter, our operating EBITDA was \$125.7 million and of a similar level to the prior financial year. Overall, strong earnings growth in the global Resins segment was offset by lower earnings from the ANZ focused Specialties segment.

The global Resins segment, which has historically made up approximately 80% of Nuplex's earnings delivered strong earnings growth of 10.5%.

This reflected the continued growth in Asia and the Americas over the year and the strong growth in Europe in the second half as demand picked up across southern and northern Europe, especially in the automotive sector. Overall earnings growth was tempered by the performance of ANZ where earnings were weighed on by one-off costs of restructuring, lower coating resins margins due to local pricing pressure and lower composite margins as a result of import competition.

Earnings also benefited from the successful implementation of NuLEAP II, the global procurement program.

The challenging market conditions in Australia also impacted the primarily ANZ focused Specialties segment - which has historically accounted for 20% of Nuplex's earnings and comprises of the agency & distribution business, Nuplex Specialties, as well as the plastic additives business, Nuplex Masterbatch.

In the 2014 Financial Year, the Specialties segment EBITDA of \$14.2 million was down 44.3% compared to the prior financial year. This was due to lower margins in the agency & distribution business as a result of pricing pressures and the impact of the stronger US dollar on the imported products this business trades. Earnings were also impacted by lower volumes in Nuplex Masterbatch as a result of market declines and a loss of market share.

ANZ restructure

The ANZ restructure will be completed by the end of year following the de-commissioning of Canning Vale in Western Australia and bring to an end the program of work to reduce Nuplex's regional resins manufacturing capacity by 30%.

In addition to reducing capacity, between February and April this year, we reorganised the ANZ business units in order to reduce the region's overhead cost structure as well as simplify the organisation through the removal of a layer of management.

Following the structural decline in the Australian manufacturing industry, the restructure of the region aligns the ANZ operations with the expected market demand. Whilst in the 2014 Financial Year, the benefits of these actions was largely offset by the cost of implementing them, this year, they are expected to deliver incremental benefits of \$6.4 million and start to improve the returns generated from this region.

Sale of Nuplex Specialties and Masterbatch

As announced two weeks ago today and outlined by Peter, Nuplex has agreed to sell its agency & distribution business, Nuplex Specialties, and its plastics additives business,



Nuplex Masterbatch, to Axieo, a newly created company that has been formed with the support from funds advised by CHAMP Private Equity for \$127.5 million.

So, what does that mean for your Company?

The sale of these increasingly non-core businesses enables Nuplex to become a dedicated, global resins business. This allows our resources to be solely focused on this business, on which our long term strategy to grow earnings and improve returns to shareholders has been centered.

It also better balances the geographic spread of Nuplex's operations towards mature economies with strong manufacturing markets and emerging economies with growing manufacturing markets.

Yes, the sale of these businesses will reduce overall group earnings in the 2015 Financial Year, however, looking out beyond the current financial year, the additional earnings from the existing capacity expansion projects in Asia are expected to largely offset the loss of earnings from the sale of the two businesses.

Importantly, the expected growth outlook for the Company is not reduced by the divestment of Nuplex Specialties and Masterbatch and we continue to expect to deliver improved returns and earnings growth in the short to medium term as a result of the strategic initiatives already undertaken over the past few years.

I would like to thank the management and staff of Nuplex Specialties and Masterbatch for their significant contribution to Nuplex's success over the years and I wish them every success in the future.

I truly believe it is a win-win for Nuplex, Axieo, all employees, Principals, customers and suppliers. Axieo is going to inherit a great team, and, Nuplex is going to be in a strong position as a dedicated global resins business with leading positions in regional and local markets, growing through innovative products and an increasing presence in emerging markets, particularly China and SE Asia.

Management changes

In the coming weeks, there will be a number of changes within the Nuplex Executive Team.

The transition of the Australian and New Zealand based businesses is expected to occur before the end of the year, and once completed, Ivan Tottle, who is currently General Manager and VP of the ANZ Specialties segment, will be leaving Nuplex to pursue other opportunities. Ivan has been with the agency & distribution business for over 20 years and has the respect of all those who have worked with him.

Ian Davis, Nuplex's CFO has announced his intention to retire at the end of the year. Since his appointment in early 2009, Ian has been instrumental in strengthening the Balance Sheet through diversifying Nuplex's debt portfolio and significantly reducing its average cost of debt. He has been an important part of the team that set Nuplex on its current strategy to strengthen and grow to improve and increase returns to shareholders.

I want to thank both Ivan and Ian for their dedication and contribution to the Company.

Clive Cuthell has been appointed to the role of Chief Financial Officer. Clive joins Nuplex from Holcim Australia, where he has been Chief Financial Officer for the past 5 years overseeing a wide range of sub-functions. I am pleased to welcome Clive to Nuplex as we embark on the next phase of Nuplex's journey as a dedicated global resins business. His



strong finance background, combined with his depth of experience in driving operational improvement programs particularly in the areas of supply chain and IT will provide additional depth and capability to our management team.

Looking ahead

The sale of Nuplex Specialties and Masterbatch further strengthens our focus and commitment to

- Our ambition to be a leading, trusted, independent resins business globally remains unchanged, and;
- Our strategy to strengthen and grow Nuplex in order to deliver shareholders a return of funds employed of greater than 16% between the 2016 and 2018 Financial Years.

The Company remains on track to achieve our company-wide ROFE target by the end of the 2018 Financial Year.

In ANZ, we are now targeting a ROFE of 10% having adjusted it following the sale of Specialties and Masterbatch and reflecting the expected tough market conditions. Delivering a 10% ROFE target for this region is challenging. However we remain committed to pursuing incremental continuous improvement and focus on generating strong cash flows.

We are able to maintain our company-wide 16% target even with the ANZ region's lower ROFE target, primarily as a result of the performance of Asia and Europe.

The 2015 Financial Year will be an important year in progressing Nuplex towards achieving the ROFE target. In what will be a major milestone for your Company, we will complete the five-year program of work to increase Asia's production capacity by 75% when compared to capacity at the beginning of the 2011 Financial Year, following the commissioning of the new \$45 million site at Changshu in China and new capacity in Indonesia. This program of work is expected to deliver a meaningful increase in the region's profits and returns in the 2016 Financial Year and beyond.

Outlook

In ANZ, market conditions have been steady, except within the Australian Coating Resins business, in which volumes continue to be challenging, due to changing customer demands. We expect the benefits of the restructure will deliver an overall improvement in profitability in the 2015 Financial Year.

Asia is expected to deliver modest growth when compared with the prior financial year. Forecast steady growth in China, Vietnam and Indonesia is expected to be moderated by the impact of the initial fixed costs associated with commissioning the new site at Changshu in China as well as the new capacity in Indonesia.

In Europe, modest growth is expected over the 2015 Financial Year. Operating conditions experienced in the second half of the previous financial year have continued into the first half of the 2015 Financial Year. However, given the macro-economic trends, regional management are cautious that a slow-down may occur in the second half.

Anticipated steady demand in North America underlies our expectation that this region will maintain the strong level of earnings delivered by this region in recent years.

Reflecting the above conditions, operating EBITDA for the 2015 Financial Year is expected to be between \$127 and \$137 million. This is based on 30 September 2014 exchange rates.

The sale of Nuplex Specialties and Masterbatch is expected to be completed by the end of November 2014. Once completed, operating EBITDA for the Group is forecast to be between \$115 and \$125 million which includes an estimate of the 5 month contribution from the Specialties segment.

Conclusion

While we have the right team and expertise to continue to successfully execute our strategy into the future, I am proud of our achievements in doing so to date – particularly in light of economic conditions, experienced over the past few years, particularly in Australia. Because, despite these challenges, we've strengthened your Company through driving our commitment to safety, operational excellence and cost reduction.

We've also grown Nuplex, particularly in the northern hemisphere where we've continued to cement our position as a leader in our local and regional markets whilst at the same time expanded our presence in Asia and other emerging markets including India and Russia. These actions have provided your Company with a strong foundation to deliver growing earnings and improved returns in the next few years.

We will enter 2015 a dedicated resins business. Through our world-wide reach, expert R&D capabilities, comprehensive technology portfolio and long-term track record for consistently delivering high-quality products - we have a competitive advantage that we can continue to build on into the future.

Ladies and gentlemen, thank you for your interest. I would also like to take this opportunity to thank my 1900 colleagues throughout Nuplex for their ongoing efforts. I will now hand back to Peter.

Ends

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