Media/NZX/ASX release 19 February 2015

INTERIM RESULTS FOR 2015 FINANCIAL YEAR

Growth in net profit and EBITDA
Reiterated FY2015 EBITDA guidance range
Announced share buy-back of up to 5% of issued capital

NZ$ millions	1H 2015	1H 2014	Change Actual FX	Change Constant[1] FX
Sales revenue from continuing operations[2]	685.8	668.8	2.5%	4.1%
Operating EBITDA[3] from continuing operations	54.5	49.5	10.1%	12.6%
Net profit from continuing operations[4]	25.6	6.3	306.3%	307.9%
Net profit [5]	37.3	11.4	227.2%	228.1%
Earnings per share (cents)	18.8	5.8	224.1%	225.9%
Dividend per share (cents)	10.0	10.0	-	-
ROFE[6] from continuing operations	11.8%	11.0%	7.3%	

Nuplex Industries (NZX/ASX: NPX) today reported its interim financial results for the six month period ended 31 December 2014.

Net profit was $37.3 million, compared to $11.4 million in the prior corresponding half. The result includes significant items related to discontinued operations, the profit after tax on sale of Nuplex Specialties and Masterbatch of $13.8 million and a remediation provision expense of $3.4 million. The provision was recorded in relation to remediation of the Cheltenham site, where operations have been discontinued as a result of the sale of Nuplex Specialties. The prior corresponding half included a $14.6 million expense from significant items.

Net profit from continuing operations was $25.6 million and includes significant item expenses of $0.9 million. This compares with net profit from continuing operations of $6.3 million for the prior corresponding half, which included a $14.6 million expense from significant items.

Earnings per share (EPS) was 18.8 cents, compared with 5.8 cents in the prior corresponding half. EPS from continuing operations was 12.2 cents.

---

[1] 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

[2] Excludes revenue from Nuplex Specialties and Masterbatch

[3] Earnings from continuing operations before interest, tax, depreciation, amortisation, significant items, associates and minority interests

[4] Profit for the period from continuing operations as reported in the financial statements

[5] Profit attributable to equity holders of the parent as reported in the financial statements

[6] Return on Funds Employed : (Earnings before interest, tax and significant items) for the preceding 12 months divided by average opening and closing funds employed over the same twelve month period. Average funds employed exclude capital works under construction.

Reported operating EBITDA[7] from continuing operations of $54.5 million was up 10.1% on the prior corresponding half of $49.5 million. Had the New Zealand dollar remained unchanged over the period, operating EBITDA from continuing operations would have been $55.8 million, up 12.6% on the prior corresponding half.

Return on Funds Employed (ROFE) from continuing operations as at 31 December 2014 was 11.8%, up from 11.0% as at 31 December 2013.

An interim dividend of 10 cents per share will be paid on 2 April 2015, to all shareholders on the register on 17 March 2015.

The Board has resolved to undertake a share buy-back of up to 5% of issued capital. A further announcement will be made in the coming weeks once the Board has completed the necessary consultation with the NZX and the Australian Securities Exchange.

Results commentary

Nuplex CEO Emery Severin said it was an encouraging result reflecting a number of operational and strategic positives.

“Europe, America and Asia delivered strong results, and, whilst ANZ is still in turnaround mode, it was good to see the recent restructuring initiatives moving the financial performance of the region in the right direction,” said Mr Severin.

“Solid EBITDA growth from continuing operations of 10.1% was driven by 6.2% volume growth, the realisation of benefits from the recent global procurement program and the ANZ restructure. Pleasingly, the EBITDA to sales margin increased to 7.9% from 7.4%.

Commenting on the performance of Nuplex’s regions, Mr Severin said;

“Nuplex’s largest region, EMEA (Europe, Middle East & Africa), was the standout performer, as local currency EBITDA was up 38.5%. Despite the more moderate market conditions experienced when compared to the second half of the prior financial year, volume growth was strong when compared to the prior corresponding half, due to the continued improvement in the automotive industry in Europe. We are also seeing the benefit of market share gains from product and market development initiatives, particularly in Flooring resins.

“In Asia, local currency EBITDA growth of 5.0% reflected steady growth in South East Asia tempered by lower growth in China. We achieved 5.2% volume growth, due to higher volumes in Vietnam as the capacity commissioned in 2012 continues to be filled.

“America again delivered a solid performance. EBITDA in the Americas was up 12.8% in local currency terms as the region’s major market segments of Automotive OEM, Vehicle refinish, Metal and Marine & Protective all experienced steady growth.

“In ANZ, the performance of Australia continued to weigh on the Group. In comparison to the prior corresponding half, earnings were down 67.5%. This was mainly as a result of lower margins in the Australian coating resins business. Margins were impacted by the continuation of the intense pressure that had become evident in the second half of the prior financial year due to excess industry capacity and intense competition.

[7] Earnings before interest, tax, depreciation, amortisation, significant items, associates and minority interests.

“Positively for ANZ, both volumes and earnings were up when compared with the second half of the prior financial year. Also, towards the end of the period we began to see an improvement in margins, as a result of our work to target improved pricing outcomes.

“Across the globe, we started to see lower raw material costs as a result of the falling oil price towards the very end of 2014. The decline in raw material costs is varying by region and raw material, with the benefits to Nuplex being tempered by countervailing currency movements as well as price and contractual negotiations in the supply chain.”

“Cash flows from operations were strong over the period and in each region there was an improvement in working capital,” said Mr Severin.

Strategy update

Mr Severin said Nuplex had made good progress in executing its strategy to strengthen and grow the Company and in doing so, increase earnings and improve returns to shareholders.

“We continue to work towards positioning Nuplex to deliver shareholders a Return on Funds Employed of greater than 16% by the end of the 2018 Financial Year. Pleasingly all regions achieved this goal during the period, with the exception of ANZ. It is encouraging to see Group ROFE improve to 11.8%, up from 11.0% 12 months ago.

Safety
“Nuplex’s commitment to safety remains a highest priority. During the period there were two lost time injuries, while the total reportable injury frequency rate remained steady at 4.6 per million hours worked.

Sale of Nuplex Specialties and Masterbatch
“Consistent with our commitment to maximising shareholder returns, we took the strategic decision to divest the agency and distribution business, Nuplex Specialties, and the plastic additives business, Nuplex Masterbatch for A$127.5 million.

The transaction was completed on 28 November 2014 and the net profit after tax on sale was $13.8 million after the inclusion of a provision for costs incurred separating the divested businesses and a further $3.4 million after tax provision for remediating the Cheltenham site in Melbourne, Australia was made. Sale proceeds were used to pay down debt, resulting in period end gearing of 18.7%, down from 31.1% as at 30 June 2014.

“With Nuplex’s growth strategy focused on the global resins business, these two ANZ focused businesses had become increasingly non-core. Selling Specialties and Masterbatch has realised value for shareholders and allows Nuplex to be a dedicated supplier of specialty resins.

“In light of the increased financial flexibility arising from the divestment of these businesses, as previously announced the Board is progressing with its strategy review. Whilst the fundamental strategy remains unchanged, a range of additional initiatives to maximise value for shareholders is being assessed. These include further growth initiatives in emerging markets, increasing the investment in R&D and product development, identifying other value creating investment opportunities that meet our strict investment criteria, and capital management.

“As part of this strategy review, the Board has now resolved to undertake a share buy-back of up to 5% of issued capital as a result of the strong Balance Sheet.

"We still expect to update shareholders on the complete findings of the strategy review in the June 2015 quarter," said Mr Severin.

ANZ restructure
Mr Severin noted that the initiatives taken to position ANZ to deliver improved cash flows and returns are gaining traction.

"ANZ now has a lower overhead cost base and the streamlining of the ANZ manufacturing operations into a consolidated, regional network is delivering lower unit manufacturing costs. However, whilst margins started to improve towards the end of the half, the restructure benefits realised during the period were offset by the significant reduction in margins which occurred in the second half of the 2014 Financial Year."

Emerging market growth
"Over the past four years we have been building a platform for growth through a $47 million capital works program to expand our capacity in Asia by 75%.

"The largest project in the program is the building of our third site in China. As planned, we completed the construction phase of the Changshu site by the end of 2014, and in line with its US$35 million budget. We are currently obtaining final regulatory approval so we can commence production in the coming months.

"Commissioning the new reactor at the site in Indonesia will complete the capacity expansion program. The US$5.1 million project is being completed in line with budget and will increase the sites capacity by 40%. Commissioning is expected in March 2015.

"In Russia, work is ongoing to upgrade the facilities to enable a safer working environment and the production of resins at a similar standard to those produced in Europe. In light of the weak economic outlook, we expect local demand to be subdued. Our focus remains on cost-effectively supplying the multi-national producers who currently import their coating resin needs."

R&D
"At the 2015 European coatings show in April this year, Nuplex will be showcasing its innovative fast-cure, isocyanate-free technology. Testing and trials to date confirm that this new chemistry enables a level of control and speed of curing unseen in the market. Combined with its occupational health and safety advantages, Nuplex sees the potential for this technology to be breakthrough technology for our customers and the industry.

Outlook and 2015 Financial Year Guidance

Mr Severin concluded; "Over the past four years we have been increasing Nuplex's presence in those geographies where our end markets continue to grow. In particular, we have invested in significantly increasing our capacity in Asia where there is an attractive medium term demand outlook for our products. We remain confident that the investments in additional capacity and the development of new technologies and products, will allow Nuplex to capitalise on this opportunities.

"The growth initiatives pursued in recent years have been undertaken in the core, global resins business. Importantly, when looking beyond the current financial year, this means that the growth in future earnings is not expected to be significantly impacted by the divestment of Nuplex Specialties and Masterbatch.

"We are committed to delivering to our shareholders a Return of Funds Employed of greater than 16% by the end of the 2018 Financial Year. Our growth platform in Asia, the development of our R&D pipeline and our ongoing focus on driving operational efficiency and disciplined margin management sees Nuplex well placed to continue to progress towards this target.

Nuplex continues to expect that 2015 Financial Year operating EBITDA, including a 5 month contribution from Nuplex Specialties and Masterbatch will be between $115 and $125 million.

The 2015 Financial Year statutory results will report the performance of Nuplex's continuing operations - the global resins business. Nuplex expects EBITDA from continuing operations[8] for the 12 month period ending 30 June 2015 to be between $109 and $119 million.[9]

Nuplex expects growth rates will remain mixed by region. In Europe it is expected that markets will remain steady. Asia and North America are expected to continue to grow at rates consistent with the first half of the current financial year. In ANZ, market demand is expected to be relatively flat, with improvements coming from margin management.

The above guidance is based on foreign exchange rates as at 31 December 2014.

For further information, please contact:
Josie Ashton, Investor Relations ☎ +612 8036 0906 ✉ josie.ashton@nuplex.com

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

- **Operating EBITDA** – Earnings before interest, tax, depreciation, amortisation, significant items, associates and minority interest.
- **EBIT** – Earnings before interest, tax, significant items, associates and minority interest.
- **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.
- **Net profit** - Profit attributable to equity holders of the parent company as reported in the Statement of Comprehensive Income.
- **ROFE** – (Earnings before interest, tax and significant items) for the preceding 12 months divided by average opening and closing funds employed over the same twelve month period. Average funds employed excludes capital works under construction.
- **Funds employed** – Total equity plus current and non-current borrowings, as reported in the Consolidated Statements of Financial Position.
- **Gearing** – Net debt divided by net debt plus equity.
- **Net debt** – Borrowings minus cash and cash equivalents.
- **Operating costs** – Cost of sales as reported in the Statement of Comprehensive Income less raw material costs, plus distribution costs.
- **Fixed costs** – Marketing expenses plus Administration expenses, as reported in the Statement of Comprehensive Income.
- **Capital expenditure** – Payments for property, plant and equipment and intangibles as reported in the Statement of Cash Flows.
- **Constant currency** – Information is presented in constant currency because group results are derived in many different currencies and Nuplex believes it is helpful to the reader to understand the results excluding the impact of changes in exchange rates. 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.

[8] Excluding Nuplex Specialties and Masterbatch
[9] In 2014 Financial Year, EBITDA from continuing operations for the 12 months ended 30 June 2014 was $110.2m