



NZX/ASX release

7 March 2016

Shareholder Letter

Nuplex advises that it is despatching today the attached letter to shareholders by way of update in relation to the indicative, non-binding, conditional proposal to acquire all of the shares in Nuplex which was announced on 15 February 2016.

E James Williams
Company Secretary

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3 March 2016

Dear Nuplex Shareholder,

This letter is to update you on a material development in relation to your Nuplex shares.

On 15 February 2016, Nuplex announced that it had received an indicative, non-binding, conditional proposal to acquire all the shares in Nuplex (the “Proposal”).

The Proposal

The Proposal is to buy all the shares in Nuplex for NZ\$5.55 per share (including the recently announced interim dividend). This equates to a price of NZ\$5.43 per share after payment of the 2016 interim dividend of NZ\$0.12 per share which will be paid to shareholders at the record date of 17 March 2016.

The Proposal has been made by Allnex Belgium SA/NV (“Allnex”), a leading global coating resins producer backed by global private equity firm Advent International Corporation (“Advent”).

If the Proposal is finalised, the conditions are met and approval is gained from regulators, shareholders and the Court, this will result in a change in ownership of Nuplex.

Background to the Proposal

On 30 October 2015, Advent approached Nuplex with a proposal to combine Nuplex with Allnex. This led to confidential discussions between your Board and Advent. It is the Board’s responsibility, as you know, to appropriately consider any credible proposal which might maximise value for shareholders.

The proposed offer price of NZ\$5.55 (including the interim dividend) follows months of confidential negotiations, during which time the Board carefully considered then rejected three separate earlier offers put forward by Advent.

The Board considers that the latest offer price of NZ\$5.55 (including the interim dividend) proposed by Allnex/Advent may be attractive to Nuplex’s shareholders. Accordingly, because we believe you should have the opportunity to consider its merits, Nuplex has entered into advanced discussions and allowed Advent/Allnex access to undertake due diligence with the aim of agreeing a binding scheme implementation agreement. If a binding scheme implementation agreement is entered into, then a shareholder meeting will be held and resolutions will be put to you to vote on.

Information about the companies making the Proposal

Allnex, like Nuplex, is a leading global producer of coating resins used in surface coatings such as household paint, car paint and coatings used on white goods and wooden furniture. Allnex is about 50% bigger than Nuplex, with approximately US\$1.5 billion in annual sales.

Advent is a global private equity firm. Headquartered in Boston, USA, Advent has 12 offices in 11 countries. Advent bought Allnex from Cytec Industries in 2013 for US\$1.15 billion.

Nuplex and Allnex are complementary businesses and it makes strategic sense to bring them together and form a leading, global, independent coating resins producer.

The Board considers Allnex to be a credible trade buyer.

The proposed scheme of arrangement

The proposed transaction is intended to be structured as a scheme of arrangement. In technical terms, a scheme of arrangement is a Court regulated process that, if approved by shareholders and the Court, allows a company to reorganise its capital structure to achieve a desired commercial outcome. It can be used in a takeover situation as a legal mechanism through which ownership of a company can be transferred to the bidder.

In 2014, the provisions in the New Zealand Companies Act relating to schemes and amalgamations were amended to better align them with the Takeovers Code. These changes also had the effect of aligning New Zealand's scheme of arrangement law more closely with the Australian regime. Under the new approach, the Takeovers Panel will typically be asked to provide a no objection statement to signal to the Court that the Panel is satisfied that, among other things, the information to be disclosed to shareholders is of an equivalent standard to the information that would be disclosed if the transaction was a takeover offer under the Takeovers Code.

A scheme requires the target company (Nuplex) to obtain approval from both its shareholders and the Court for the proposal to proceed. It generally takes around three to four months from the date that a scheme implementation agreement is signed to complete the scheme (or potentially longer if necessary to obtain any required regulatory approvals).

On page 4 is a flowchart from the New Zealand Takeovers Panel, which briefly sets out each of the major steps involved in progressing a scheme under New Zealand law. I hope you find it a useful document to give context to the scheme process.

You can see in the attached flowchart that the thresholds for voting are different under a scheme when compared with the acceptance level that would be required under a takeover offer. It is very important that you participate in the voting process.

Next steps

Over the next six to eight weeks, both parties will be working towards agreeing a scheme implementation agreement. For this to occur, the following conditions will need to be satisfied:

- Allnex and Advent need to:
 - satisfactorily complete their due diligence
 - finalise financing for the proposed transaction, and
 - receive final approval from Allnex's Board and Advent's Investment Committee.

Approval of the scheme implementation agreement from the Board of Nuplex is also required.

To allow this all to take place, Nuplex has granted Allnex and Advent a period of exclusivity during which Allnex and Advent will undertake due diligence. During this period of exclusivity Nuplex has agreed that it will not solicit, initiate or encourage any enquiries with a view to obtaining a competing transaction to the Proposal. Directors are still permitted, in accordance with their fiduciary duties, to consider superior proposals from other parties if they arise.

During the due diligence period, documents will be prepared for a shareholders meeting as well as an initial Court application to approve the documents to be sent to shareholders for the shareholders meeting, and an Independent Advisor's report will be commissioned for shareholders.

If both parties can agree a scheme implementation agreement, the process to seek approvals from the Court and shareholders will begin. We expect the scheme of arrangement might be completed by around early July 2016 (subject to the timing of obtaining necessary regulatory approvals).

The Board's response to the proposal

The Board believes shareholders should have the opportunity to consider the merits of this Proposal if an agreement can be reached by the parties.

We are working with Allnex and Advent to satisfy the relevant conditions so that a final Proposal can be put to shareholders as soon as possible.

When the shareholder meeting documents are sent to shareholders (which will include the Independent Advisor's report) the Board will provide its recommendation.

What you need to do in relation to your Nuplex shares

You are not required to take any action at this stage.

We will write again as the Proposal progresses. In the meantime, you can check the Nuplex website www.nuplex.com for any updates.

Looking further ahead

If Nuplex does enter into a scheme implementation agreement, and the Court approves the despatch of the shareholder meeting documents, shareholders will be asked to vote on the scheme.

We will provide you with further information in relation to this process at the relevant time.

How likely is it that shareholders will be asked to vote on the Scheme of Arrangement?

Both parties are currently working to see if the relevant conditions can be met so that a finalised Proposal can be put to shareholders as soon as possible. Due diligence is underway and given the continuous disclosure requirements Nuplex has as a listed entity, the Board does not expect any material issues to arise from this process.

In order to ensure the commitment of both parties, your Board has negotiated reciprocal break-fee arrangements with Advent. This break-fee may be triggered if one of the parties decides not to proceed with the Proposal (subject to some exceptions) and is intended to compensate the other party for costs incurred in pursuing the transaction. The fee payable, if it was triggered, is 1% of Nuplex's implied equity value, which is approximately NZ\$10 million.

The Board expects the process to result in a final Proposal being put to shareholders. Of course, risks such as macro-economic events cannot be ruled out, but from Nuplex's perspective, we are working with the aim of providing shareholders the opportunity to vote on the merits of this Proposal.

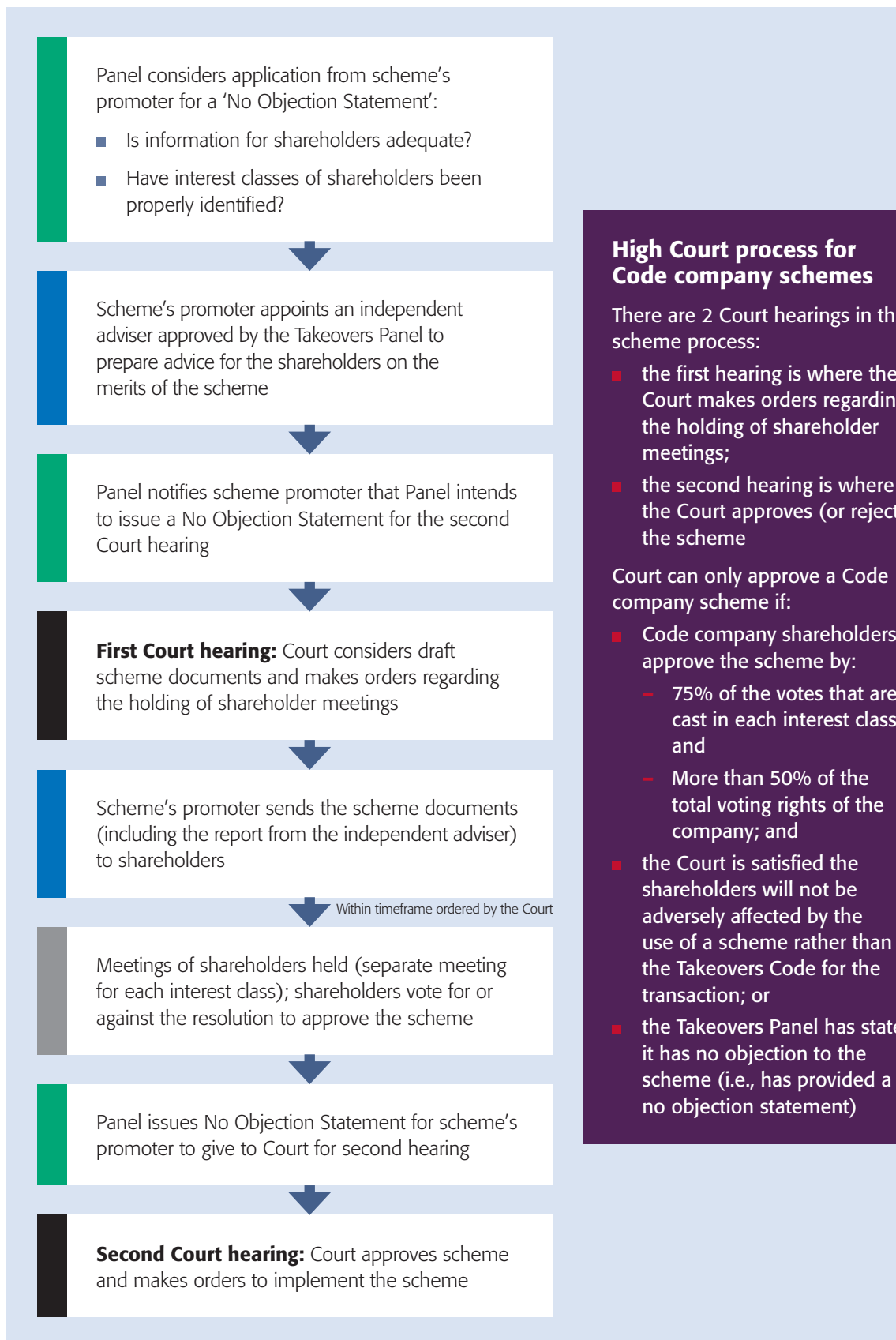
I look forward to updating you in the near future.

Yours sincerely



Peter Springford
Chairman

Simplified Flowchart of a Code Company Scheme (assumes scheme is approved)



High Court process for Code company schemes

There are 2 Court hearings in the scheme process:

- the first hearing is where the Court makes orders regarding the holding of shareholder meetings;
- the second hearing is where the Court approves (or rejects) the scheme

Court can only approve a Code company scheme if:

- Code company shareholders approve the scheme by:
 - 75% of the votes that are cast in each interest class; and
 - More than 50% of the total voting rights of the company; and
- the Court is satisfied the shareholders will not be adversely affected by the use of a scheme rather than the Takeovers Code for the transaction; or
- the Takeovers Panel has stated it has no objection to the scheme (i.e., has provided a no objection statement)



TAKEOVERS PANEL