1 November 2012

Nuplex's Annual Meeting: Chairman's and CEO's speeches

ROB AITKEN, CHAIRMAN

Agenda

In 2012, Nuplex celebrated 60 years of being in business. Whilst it would be a few years before Nuplex became a public company, Nuplex first opened its doors as a flooring and tile company, in 1952. Since then, Nuplex has transformed into the global business it is today, and I am pleased to report that in the 2012 financial year we continued to strengthen and grow.

Today, after providing you with an overview of the Group's 2012 financial year performance, I will go on to discuss how, through our current strategy, Nuplex is continuing its journey to strengthen and grow.

Nuplex's Chief Executive Officer, Emery Severin will then provide an update on the execution of the strategic initiatives, a trading update and earnings guidance for the 2013 financial year.

We will then take questions from the floor and I will outline the procedure for that part of the meeting when we reach it.

Overview of 2012 financial year results

Nuplex released its financial results for the 2012 financial year in August and as you have had the opportunity to read the commentary in the Annual Report, I don't propose to go over the results in detail. However, I would like to highlight that Nuplex delivered a pleasing performance, particularly when taking into consideration the softer market conditions experienced in Asia and Europe and the particularly tough trading conditions in Australia and New Zealand.

Group earnings were $131 million. Improved unit margins in the global Resins business, benefits realised from our operational improvement program NuLEAP, and the six month contribution from the recently acquired German based Viverso operations, offset lower volumes and sales in Nuplex's existing operations, enabled earnings to be maintained in line with the prior year. Earnings were also impacted, yet again, by the strengthening of the New Zealand dollar - which had it remained unchanged, earnings would have been 5% higher.

Net profit after tax attributable to shareholders was $62.5 million, down 6% compared to the prior year and resulted in earnings per share being down 7% at 31.8 cents.

To deliver this solid performance against the backdrop of the challenging market conditions and uncertainty faced across Nuplex's operations is testament to the hard work and unrelenting commitment of our 1,900 employees located across the globe. Whenever I visit Nuplex operations, I am always impressed with their dedication and commitment and I want to thank them for their contribution over the past year.

Dividend

The full year dividend was 21 cents per share. To be able to maintain this dividend in line with the prior year, underscores Nuplex's strong cash generation and resilient earnings.

The payout ratio was 66%, slightly outside of Nuplex's target dividend payout range of 55-65% of after tax profits attributable to shareholders. When the Board determines the dividend, in addition to the target payout range, it also takes into account Nuplex's cash generation, retained earnings, future earnings projections, forecast capital expenditure and recent dividend history.

Imputation credits

As you are no doubt aware, Nuplex is a relatively high dividend yielding stock. Regrettably there were no imputation credits attached to the 2012 financial year dividend for NZ shareholders and no franking credits for Australian shareholders. I would like to discuss the context as to why this is the case, as over the past 12 months, I have received a number of questions on this matter.

With the majority of Nuplex's operations located outside of New Zealand, Nuplex generated 95% of its 2012 financial year pre-tax earnings offshore. In recent years, after deducting stewardship costs associated with our domicile here in NZ, there has been no tax payable in NZ and hence no imputation credits to distribute. Positively though, as most jurisdictions outside of New Zealand currently have a lower effective company tax rate, this results in Nuplex being able to pay a higher dividend than if those profits were earned and taxed in New Zealand.

Notwithstanding this, the Board recognises the importance of dividends and imputation credits to many of its shareholders. Consequently, and consistent with the Board's focus on maximising shareholder returns, as part of Nuplex's continual efforts to optimize its tax position, we are always looking for ways to pay a partially imputed dividend. During FY12, a revision to corporate allocations together with some debt restructuring resulted in Nuplex NZ reporting a small taxable profit.

Looking ahead, we anticipate that Nuplex should be able to partially impute its dividends. This is a result of the expected increase in profits to be generated in New Zealand following the change in our capital structure due to the redemption of the Capital Notes and the reduction in Nuplex's overall funding costs. Additionally, a reduction in the New Zealand cost base flowing from the recently announced streamlining of New Zealand and Australian operations, together with the realisation of further efficiencies from our operational improvement program NuLEAP, should further support the generation of additional profits in New Zealand.

Balance Sheet & Funding

Turning now to Nuplex's balance sheet. This remains strong. Gearing as defined by net debt to net debt plus equity increased from 12% to 28% over the year. The increase was due to the debt funded acquisition of the German based Viverso operations for a total acquisition cost of Euro 75 million and Acquos's masterbatch operations for A$20.9 million. Importantly, gearing remains comfortably within the Board's target range of between 20 to 35%.

We are well positioned to fund our capital expansion plans. In this financial year, our 'stay in business' expenditure is estimated to be between $40 and $50 million and includes the remainder of the expenditure on the new ERP system as well as approximately half of the investment related to the Australian and New Zealand streamlining project. Additionally we will spend approximately $30 million on our organic growth expansion projects, with the bulk of these funds being spent on the new third site in China.

Nuplex's funding cost declined from an average of 12% in the 2011 financial year to 7% in the 2012 financial year. During the year, we took additional steps that should result in a further reduction in the average funding cost in the 2013 financial year.

In June, Nuplex strengthened its financial position by securing long term funding from the US Private Placement market as US$105 million of new debt was raised at an attractive coupon rate of 6.125% fixed for seven years. These funds were converted into Euros and replaced the short term debt used to acquire Viverso. Also in June, the Board announced the redemption of the NZ$52.6m of Capital Notes and they were subsequently redeemed in September.

Safety

Over the past 12 months, work continued to improve our safety, health and environment performance towards our goal of Zero Harm to all our employees and contractors as well as the communities and environment in which we operate. Safety remains one of our top priorities. Pleasingly, our Total Reportable Injury Frequency Rate improved by 30%, however, our Lost Time Injury Frequency Rate increased during the year, highlighting that there is still work to be done to embed safe behaviour into every action, every day at Nuplex.

Board

The Board has a formal process for reviewing annually the performance of the Board, the skills matrix of the Directors, and Board succession and continuity.

Over the last few years, as part of the Board refreshment process we have sought to increase the international business skills and experience on the Board given the complex nature of Nuplex's operations and that future growth will be outside of the ANZ region.

We have had a strong focus on putting policies, processes and frameworks in place and overseen the appointment of a strong management team capable of taking the business to the next stage of development whilst ensuring the existing assets – both tangible and intangible - are protected.

Priorities for the Board has followed 2 themes – the first being to enhance the risk management and performance management systems throughout the Company and the second being to develop and then drive the strategy for future growth.

In our Board review process this year we will again consider and review the appropriate skills matrix of Directors to ensure, as we move forward in implementing our strategy, that we are best placed to deliver on the expectations, and in the interests, of shareholders.

Two years into our strategy

We are now two years into our strategy to strengthen and grow Nuplex and I can confidently say that in the 2012 financial year we made significant progress in moving Nuplex towards its overarching ambition to be the leading, trusted, independent polymer resins manufacturer globally and a leading agency and distribution business in ANZ.

The Board is convinced that the strategic initiatives implemented over the past two years have delivered value to shareholders, and will progressively deliver improved overall returns and earnings growth in to the future.

Strengthening

Nuplex's existing operations are safer and more efficient than they were two years ago as a result of those initiatives focused on strengthening Nuplex through achieving operational excellence in the areas of safety, people and performance improvement.

The investment in safety has resulted in less people being injured at work, whilst across our global operations our people are reaping the benefits from working together as a global team and leveraging off the particular strengths of different regions.

Consistent with our 'leader led' approach to safety, the Board established a Safety Health & Environment Committee in early 2010. This year the Board underscored its commitment to attracting and retaining the highest calibre people to Nuplex through the expansion of the activities of the Remuneration Committee, now called the Human Resources Committee. In addition to covering executive remuneration and the Group's remuneration framework, this committee is also focused on talent management, succession planning as well as employee diversity and culture.

NuLEAP continues to strengthen the business by lowering costs and improving unit margins. Additionally, the integration of the NuLEAP framework into day to day practices at Nuplex is embedding disciplined processes throughout the organisation and providing a solid base for continuous improvement going forward. These disciplined processes were applied to the review of Nuplex's Australian and New Zealand operations which led to the recent streamlining announcement.

Growing

Nuplex has a strong platform for profitable growth. We've increased our capacity in Vietnam and work continues to build a third manufacturing site in China. Our R&D program is focused and being supported by market development activities occurring on a global basis rather than a regional one, and the acquisitions made in the 2012 financial year strengthened our existing operations by securing leading positions in the markets in which the acquisitions were made.

When considering an investment of shareholder's funds, the opportunity under assessment must meet Nuplex's strict acquisition framework which encompasses both financial and non-financial criteria. Our disciplined approach ensures that the opportunity is reviewed in terms of how it fits with Nuplex's strategy of building market leading positions, as well as determining the price we are prepared to pay and the value it will deliver shareholders.

From a financial perspective, all acquisitions must be forecast to earn a return above Nuplex's cost of capital. For acquisitions in mature markets this return must be a few percent above the cost of capital, and for acquisitions in emerging markets, a country risk premium must also be earned. Additionally, they must be forecast to be earnings per share accretive within two years.

In terms of the non-financial criteria, acquisitions must also create market leading positions in product segments or technologies, and or provide access to growing emerging markets.

Over the past two years, we have invested a total of NZ$153 million in acquisitions that have built market leading positions.

The first was made in June 2011 and was a $7.75 million investment in the joint venture company which invested in Fibrelogic Pipe Systems, an Australian large diameter pipe manufacturer.

This was partly a defensive move as Fibrelogic represented a very significant customer of our Composites business. In FY11, for example, Fibrelogic accounted for composite sales of $14m and we did not want that volume going to a competitor.

At the time of the acquisition, Fibrelogic met Nuplex's financial and non-financial criteria. The business has a market leading position in the manufacture of pipes predominantly used in water and mining related infrastructure projects. While we might not be the long term natural owner of this business, it ensured that Nuplex was able to participate in one of the few segments with growth prospects in the Australian composites market. The business was forecast to deliver above cost of capital returns and be earnings accretive, however as resource companies and governments put new projects on hold, markets have been significantly weaker than expected and as a result the business has not delivered earnings in line with expectations and thus not met our financial criteria.

This business has been caught up in the structural change underway in this region that has seen us respond via streamlining our Australian and NZ operations as we announced in September.

As a result of the financial performance to date and subdued market conditions, post the end of the 2012 financial year, we announced the write down of Nuplex's investment in this joint venture. This is a particularly disappointing outcome given this step is being taken so soon after the investment was made in the 2011 financial year.

During the 2012 financial year two acquisitions were made. The first was the acquisition of Acquos's Australian masterbatch operations for A$20.9 million. A market leading position in the colour and performance plastic additives market was established following the integration of the acquired operations with Nuplex's existing masterbatch operations. After a slow start due to the continued deterioration in the Australian market, the integrated business, called Nuplex Masterbatch, is on track to deliver above cost of capital returns and is expected to be earnings per share accretive within two years.

The second acquisition was the purchase of Viverso, its products and operations from BayerMaterial Sciences for, a total acquisition cost of Euro 75 million.

Viverso consolidated Nuplex's existing position in Europe as the leading solventborne acrylics resin producer and positions Nuplex as a top four independent resins producer in the region. Being seen as a German based producer provides greater access to the German manufacturing customer base where Nuplex holds strong positions in the Automotive OEM and Vehicle Refinish segments. Nuplex is also now the leading supplier of resins into the emerging markets in Central and Eastern Europe and has an expanded product portfolio following the addition of some new complementary technologies acquired as part of the transaction.

Viverso meets Nuplex's financial criteria as it will earn above cost of capital returns and was earnings per share accretive within the first six months of ownership. Viverso also meets all three non-financial acquisition criteria.

During the year, the Board held its May meeting in the Netherlands and Germany and in addition to visiting Viverso's Bitterfeld site, we also visited German customers. The site at Bitterfeld is one of the most modern resin manufacturing plants in the world today and I would like to take you on a video tour of the operations to give you a sense of the scale and quality of the assets you have acquired via the Viverso acquisition.

Conclusion

Nuplex has performed well over the past two years in challenging operating conditions, and The Board is confident that the Group is on track to deliver improving returns to shareholders.

Nuplex has a clear strategy and a strong balance sheet. Work is ongoing to strengthen existing operations and grow through the execution of both organic growth projects and acquisitions. The Board is convinced that Nuplex's strategy is the right one to enable the Group to continue navigating uncertain market conditions, whilst at the same time positioning for long term success.

I would like to finish by thanking all our shareholders for their ongoing support, as well as my fellow directors and all our worldwide employees.

I will now hand over to the Chief Executive Officer to give a more detailed operating update and further insight in to the outlook for the company over the balance of this financial year.

EMERY SEVERIN, CHIEF EXECITIVE OFFICER

Thank you Mr Chairman. Good morning Ladies and Gentlemen.

I am pleased to be here today and thank you for joining us at this year's meeting.

Last year I discussed in detail our strategy to strengthen and grow Nuplex through focusing on the things we can control and building on our market positions and innovative technologies. I also noted that our focus for the 2012 financial year would be on execution. 12 months on, our focus on executing our plan has underpinned the delivery of a solid operating performance in challenging markets, whilst at the same time making considerable progress on our strategic initiatives.

Today, I will follow on from the Chairman's overview on the Group's 2012 financial year results with a brief review of the performance of our Resins and Specialties segments, as well as discussing in more detail the recently announced streamlining of our Australian and New Zealand operations. I will then provide a review of our strategic initiatives and their progress and then conclude with a trading update and earnings guidance for the 2013 financial year.

2012 financial year

The resilience of our 2012 financial year results again highlighted the benefit of Nuplex's geographic and product diversity. This year's financial result benefited from the six months of earnings from Viverso and the realisation of $14 million in NuLEAP benefit, $4 million more than was targeted for the year.

Turning to our key business segments, the global Resins segment generates approximately 80% of Nuplex's earnings and delivered a solid result considering the challenging conditions in all our markets but particularly in Australia and New Zealand.

Resins segment earnings were up 3% to $110.3 million as a result of the positive six month contribution from the Viverso acquisition. Excluding Viverso's earnings contribution, earnings from the existing Resins operations were down 6% - however, had exchange rates remained unchanged over the period, earnings would have only been down 1% as margin management, cost control and NuLEAP benefits largely offset the 5% decline in volumes.

Particularly pleasing was the improvement in the average margin per tonne, which on a constant currency basis was up 6%. The margin improvement reflects our relentless focus on margin management and the pricing actions taken throughout the year to recover the higher raw material costs, as well as the benefit of NuLEAP procurement and sales mix initiatives.

The Australian and New Zealand based Specialties segment generates the balance of Nuplex's earnings. The Specialties businesses were also impacted by the same tough markets faced by the Resins segment operations in the region. Earnings were down 12%. The segment's two businesses Nuplex Specialties, the agency and distribution business, and Nuplex Masterbatch, a colour and performance plastics manufacturer, were impacted by reduced demand from the manufacturing, construction and construction related markets.

Alignment of Australian and New Zealand operations

For the second year in a row, our Australian and New Zealand operations experienced challenging and declining market conditions as the higher New Zealand and Australian currencies continued to drive a structural shift in manufacturing, and construction activity remained at cyclical lows. In response to these market conditions, during the year we undertook a review of our regional manufacturing network.

Following the eight month long review, it was concluded that demand levels in both the manufacturing and construction sectors will be lower than in previous economic cycles. In order to align our capacity with a wide range of potential through-the-cycle demand levels we announced the streamlining of our Australian and New Zealand operations in September.

We are streamlining our Australian and New Zealand manufacturing network through the closure of our operations at Canning Vale in Western Australia, Wangaratta in Victoria, and Onehunga in Auckland. The high-temperature plant at Penrose in Auckland will also be closed.

Concurrently, we are investing in the efficiency and flexibility of our four remaining sites at Penrose in Auckland, Botany in New South Wales, Wacol in Queensland and Springvale in Victoria.

By taking these steps we will increase our efficiency and align our cost base with the changed market conditions. These changes will realise cost savings of $5.6 million pre-tax per annum which will be fully realised in the 2015 financial year. Importantly, by adapting to the changed market conditions, we expect to be able to competitively produce products in Australia and New Zealand, retain our market leading positions and improve our returns to shareholders.

Regrettably, approximately 8% of Nuplex employees will be impacted by the announced changes. However these changes are necessary to support a sustainable business in Australian and New Zealand and its remaining 700 plus employees, as well as being in the best interests of shareholders. We are working with all affected employees to do what we can to assist them, and all entitlements will be preserved.

Execution of strategic initiatives

Over the past 12 months, through our ongoing disciplined focus, considerable progress was made in relation to the strategic initiatives designed to improve margins and to grow returns. These fall within six key areas.

Through the combination of the first three focus areas of safety, people and performance improvement, we are working hard to strengthen Nuplex's existing operations to improve overall margins.

Starting with the first of these three areas, safety; as noted by the Chairman, we are continuing to work towards building a culture of 'Zero Harm.' Over the year, considerable effort was put into implementing best practice through a range of activities including a global safety management system, recruitment of additional SHE personnel, training for senior leaders and the rollout of a more comprehensive Personal Protective Equipment Policy.

In relation to our second key area, our people; we are starting to see strong momentum behind our One Global Team approach as employees themselves are starting to see the benefits of working together. Embedding our One Global Team culture across our geographically dispersed business remains a key element of strengthening Nuplex's performance through leveraging our global technologies and know-how. Whilst evolving an organisation's culture takes time, I am confident that the shift from siloed regional businesses towards One Global Team is occurring.

Last July, we established what we refer to as 'overlay' teams which consist of members from each of Nuplex's regions and functions. These teams are focused on working together to drive new business development, particularly in the areas of Performance Coatings and Waterborne applications and are starting to gain traction. The Global Technology and Procurement councils were also established in to better prioritizing activities and spend, as well as reducing costs through the identification of global efficiencies.

We are achieving performance improvement through NuLEAP, our performance improvement program which continues to be at the centre of our activities to strengthen Nuplex's existing operations. Our fixed costs in the 2012 financial year were below inflation and as mentioned earlier our unit margins improved. We can track these results directly to our NuLEAP initiatives. As evident by the delivery of benefits in excess of its 2012 financial year target, there is strong momentum behind the program which remains ontrack to deliver its total program target of at least cumulative $30 million in benefits by the end of the 2013 financial year.

Whilst the NuLEAP program is nearing the end of its program life, it is only the first step in our journey towards embedding continuous improvement practices at Nuplex. We are already planning for NuLEAP II, and expect to be able to make further improvements in the areas of procurement, price and margin management, supply chain and logistics. Already we have identified an opportunity to save 1 to 2% on our annual procurement spend. With this initiative already underway we expect to save $2 million in this financial year after accounting for implementation costs.

Through the remaining three strategic focus areas of emerging markets, innovative R&D and strategic acquisitions, we are growing Nuplex through a combination of these initiatives.

We are growing organically in the emerging markets of East, South East and South Asia as well as Central and Eastern Europe through increasing our presence and capacity. In Asia, we are increasing our capacity by 50% by the end of 2014, through expanding our capacity in Vietnam, and building a third site in China. Pleasingly, in May we commissioned the new plant at our site in Vietnam on time and on budget. The approval process for the new third Chinese site is ongoing and despite it having taken longer than we anticipated, we still expect to have the site built and commissioned by the end the 2014 financial year. In India, we have increased our presence with the formation of a sales office in Mumbai.

In Central Europe, we have taken a market leading position through the acquisition of Viverso. In Eastern Europe, we also took a step towards establishing a presence in Russia through the signing of an agreement to form a joint venture with the Kvil Group, a local Russian paint and resins company. Many of our multinational customers are active in Russia and we see an opportunity to produce high quality resins locally as currently our exports to Russia incur an import tariff. Initially we will only be making a modest investment to form a marketing and sales joint venture, and invest in some plant and equipment. By entering this market with a local partner, we are taking a low risk approach to entering this high growth market.

Innovative research and development is our second key growth area and is central to Nuplex's long term success. One of the significant opportunities I identified when I joined Nuplex almost two and a half years ago, was the opportunity to take our regionally developed and regionally focused technologies and extend them across our global platform. Through the global overlay teams and Technology Council previously mentioned, we are identifying new markets for some of our new and existing technologies. A great example of this is the introduction in Asia of our Australian and New Zealand developed textile technologies and high end decorative coating resins as well as European developed high performance metal coatings used in applications such as trains and heavy machinery.

Our overarching technology goal is to sustainably renew our product portfolio by between 20 and 30% over a five year rolling average. This is essential to having a sustainable business model and we are achieving this goal.

Our final growth area relates to strategic acquisitions, and I will now follow on from the Chairman's discussion of the strategic rationale for the three acquisitions made over the past two years and give an update in their performance.

Starting with our largest acquisition, Viverso, I am pleased to report that the integration is progressing well. The operations have been renamed Nuplex Germany, and we are seeing strong initial interest in the acquired products both in Europe, Asia and the Americas. Earnings for the first six months were ahead of expectations and the business is on track to deliver earnings of at least Euro 12 million in the 2013 financial year.

Nuplex Masterbatch is back on track, having got off to a slow start as a result of the deterioration in the underlying market conditions that occurred in the last quarter of 2011. Following an acceleration of the integration process and optimization of the cost base, it is pleasing to see this business is now performing in line with its acquisition business case and is expected to deliver earnings of A$5 million in this financial year.

We have been actively supporting the management team at Fibrelogic to position the businesses as best they can, given the very low level of activity in their key markets of water and mining infrastructure. Costs have been aggressively cut, however at this stage we don't expect the business will break even in the 2013 financial year. This situation can turn around quickly as it only takes one reasonably sized contract to return this business to profitability.

Ladies and gentlemen, the considerable progress made during the 2012 financial year generated strong momentum within the organisation and we have entered the 2013 financial year in good shape. We continue to focus on what we can control and build on our competitive advantages and I am confident that this approach, combined with the momentum within the business will underpin another year of progress in the 2013 financial year.

2013 financial year

Turning now to the current financial year. As expected, the uncertainty surrounding the outlook for market conditions that has characterised the past two years has continued into the 2013 financial year.

The trading conditions for the first few months of this financial year have largely been a continuation of the conditions experienced the second half of the 2012 financial year.

In Australia, whilst volumes in the first quarter of the 2013 financial year were lower when compared with the same period last year, they were largely in line with volumes in the 2012 financial year fourth quarter. Looking ahead, we are not assuming a turnaround in demand in the near future.

In New Zealand, trading conditions have shown a slight improvement resulting in small volume growth when compared with volumes in the 2012 financial year fourth quarter.

Trading conditions in Asia remain steady and we have seen some small volume growth on the back of internal sales initiatives and the benefit of Viverso heritage products when compared with the same period last year.

In Europe, first quarter volumes were steady when compared with the prior corresponding period. However, seasonally adjusted, volumes were slightly softer when compared with the fourth quarter of the prior financial year. We are closely monitoring market conditions as there are signs of further softening in the automotive OEM sector in coming months. We are actively managing our sales activities in this uncertain environment.

Seasonally adjusted US volumes have been flat when compared to the fourth quarter of the previous financial year. Economic data indicates that the US economy continues its slow recovery.

For the 2013 financial year, earnings before interest, tax, depreciation and amortisation is expected to be between $135 and $150 million. This guidance takes into account the full year benefits of the recent acquisitions, our NuLEAP program, and the impact of the restructuring costs associated with the streamlining of the Australia and New Zealand operations. It also makes allowance for market and exchange rate volatility.

Thank you very much for your attention, I will now hand the meeting back to the Chairman.