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FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL OVERVIEW

Group **sales revenue** was up 11% to $828.7 million (up 14.8% in constant currency) due to Nuplex's acquisition of Viverso and its related products. Sales revenue excluding acquisitions and foreign exchange was down 2.7% to $726.0 million compared with the prior corresponding period mainly due to the weakness in Australian markets.

Nuplex's earnings before interest tax and depreciation, (**EBITDA**[1]) of $57.6 million was steady when compared with the previous half EBITDA result of $57.3 million. Had the New Zealand dollar remained unchanged over the period, EBITDA would have been $59.7 million, up 4%.

The key elements of EBITDA[2] included

- Viverso's EBITDA contribution of $8 million and Nuplex Masterbatch's EBITDA contribution of $3 million
- Resins segment unit margins[3], excluding acquisitions and foreign exchange were up 3.4%
- Resins segment volumes (excluding acquisitions), were flat (up 0.3%) as growth in Asia and the Americas offset lower volumes in Australia and New Zealand and flat volumes in Europe.
- Restructuring costs of $2.8 million associated with reshaping the Australian and New Zealand operations
- Implementation costs of $3.2 million relating to the procurement initiative undertaken as part of Nuplex's operational improvement program NuLEAP II.

Table 1 on the following page is extracted from note 2 to the half-year financial statements and shows the reconciliation of EBITDA, Underlying NPAT and reported NPAT for the period.

The income **tax rate** applicable to operating profit for the period was 23.8%, down from 25.3% pcp as the shift in the geographic mix of earnings was skewed towards the lower tax rate jurisdictions in Asia.

In the second half of the 2013 financial year, the **tax rate on operating profits** is expected to be around 30%. This reflects the income tax rate applicable to our China operations having increased from 12.5% to 25% on 1 January 2013, as the concessions applicable to the original investments

[1] Nuplex Industries Limited's statutory results are reported under International Financial Reporting (IFRS) standards. Throughout this document, non-IFRS profit measures including EBITDA and Underlying NPAT have been included as they are measures used by the Board and management in assessing the performance of the business and are presented to provide a greater understanding of underlying performance.

[2] EBITDA and underlying NPAT exclude the effects of significant incomes and expenses associated with asset impairments, acquisitions, divestments and legal cases where the income or expense is the result of an isolated non-recurring event.

[3] Unit margin as a percentage of sales = Sales revenue minus raw material costs divided by tonnage

have ended. Higher taxable income in the second half of the 2013 financial year from Australia and New Zealand, Europe Middle East and Africa (EMEA) and the US will also contribute to a higher tax rate.

Table 1: Reconciliation of EBITDA and Underlying profit to NPAT

(NZ$ thousands)	1H13 Total Group	1H12 Total Group
EBITDA	57,598	57,330
Depreciation and amortisation	(16,003)	(12,244)
EBIT	41,595	45,086
Net financing costs	(9,064)	(6,542)
Share of profits/(losses) of associates	807	(1,304)
Non-controlling interest	(1,169)	(960)
Tax on operating profits	(7,660)	(9,178)
Underlying net profit after tax & before significant items	24,509	27,102
Impairment of Property Plant and Equipment on Australasian restructuring	(8,220)	-
Impairment of investment in RPC Pipe Systems P/L[1]	(5,516)	-
Loss on sale of Plaster Systems NZ business[2]	(683)	-
Nuplex US waste water discharge costs and legal cost provision	-	(141)
Nuplex US tax audit legal costs provision[3]	(292)	(214)
Acquisition related costs[4]	(753)	(2,642)
Income tax credit on non-operating items	2,407	-
Net profit attributable to equity holders of the parent	11,452	24,105
Net profit attributable to non-controlling interests	1,169	960
Profit for the period	12,621	25,065

1. The carrying value of Nuplex's investment in the RPC Pipe Systems joint venture (Fibrelogic) has been assessed. As announced in September 2012, due to the outlook, it has been fully written down.
2. On November 30th Nuplex Industries Limited sold the inventory, plant and equipment of its Plaster Systems business for consideration of NZD2.1m. The sale of the remaining property in PSL is expected to mitigate this loss.
3. As disclosed in the full-year accounts for 2012, a wholly owned subsidiary in the USA has been the subject of an audit of its 2007 income tax return. The IRS process is not yet completed, but at this stage of the process the IRS has indicated that it believes there is additional tax owing of approximately US$10.5 million plus any fines and penalties that may be imposed. Nuplex considers that it has appropriately applied the applicable tax regulations and that no additional tax is payable. It is defending its position. The above costs are the ongoing legal costs incurred in Nuplex's defence.
4. Acquisition related costs in the current year include legal and consulting costs incurred in the acquisitions of Viverso GmbH and its related operations, and the establishment of Nuplex's Russian joint venture.

Nuplex reported net profit after tax attributable to shareholders (**NPAT**) after significant items for the six months ended 31 December 2012 of $11.5 million, down 52% from $24.1 million in the prior corresponding period.

Significant items after tax were $13.1 million up from $3.0 million in the prior corresponding period. These items included[4]

- $5.8 million after tax ($8.2 million pre-tax) write down of obsolete equipment as a result of the restructure of the Australian and New Zealand operations
- $5.5 million write down of Nuplex's investment in Fibrelogic.

[4] The complete list of significant items is included in Note 2 in the Financial Statements

NPAT before significant items of $24.5 million was 9.6% lower than the last half-year result of $27.1 million. Excluding the impact of significant items and the above mentioned costs relating to the restructure of the Australian and New Zealand operations and the procurement initiative, NPAT would have been $29.5 million, 9% higher than in the prior corresponding period.

As a result of reduced NPAT, earnings per share (**EPS**) was 5.8 cents, down from 12.3 cents in the prior corresponding period. Return on funds employed (earnings before interest, tax and significant items divided by average funds employed) was 9.8% down from 12.1%.

Operating cash flow was up 123% to $47.5 million from $21.3 million in the prior corresponding period reflecting tightly controlled working capital.

This resulted in Nuplex's working capital to sales ratio improving to 14.8% down from 16.5% as at 30 June 2012. In the second half of the current year, Nuplex expects this ratio will return to within management's target working capital to sales ratio of between 15 and 17%.

Operating costs were tightly controlled. The half on half increase largely reflects the inclusion of Viverso for the first time and Acquos's masterbatch operations for a full six months. **Fixed costs** in the existing businesses increased due to a contribution to a European staff entitlement fund, increased investment in R&D and higher than normal legal costs.

Stay-in-business capital expenditure for the half was $12.2 million, equivalent to 95.4% of depreciation. The increase in stay-in-business capital expenditure included costs associated with the global ERP rollout, the replacement of reactors at Wacol and Botany in Australia, as well as East St.Louis in the US, and the building of R&D facilities at Suzhou in China. For the 2013 financial year, stay-in-business capital expenditure is expected to be around 120% of depreciation. The increase for the full year is mainly a result of the investment supporting the restructure of Australian and New Zealand operations.

Capital expenditure for growth, was $6.7 million during the half. This mainly related to costs associated with the new site at Changshu in China. Forecast capital expenditure for growth has changed to reflect the delays associated with Changshu and is now expected to be around $20 million in the current year, lower than previous guidance of $25 to $30 million. In the 2014 financial year, growth capital expenditure is forecast to be $25 to $30 million.

As at 31 December 2012, **net debt** of $209 million was largely unchanged from $220 million as at 30 June 2012. **Gearing**[5] was 27.4% and remains within the Board's target gearing range of between 20 to 35%.

Nuplex's average **funding cost** was 6.6% and down from 7% in the 2012 financial year. The average debt over the period was $298.3 million compared to $163.1 million in the prior corresponding period. Funding costs benefited from the previously announced redemption of the NZ$52.6 million of Capital Notes on 15 September 2012 using funds from existing bank facilities and the US$105 million of debt raised in the US Private Placement market that settled in July 2012.

The Board has resolved to pay an interim **dividend** of 10 cents per share. It will be partially imputed for New Zealand shareholders with 1.4 cents attached. There are no franking credits available for Australian shareholders. The dividend will be paid on 2 April 2013, to all shareholders on the register on 15 March 2013.

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

The Board is confident in maintaining the interim dividend in line with the prior two financial year interim dividends given the strong cash flows generated in the period. 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.

With no requirement to raise equity, the Dividend Reinvestment Plan will not be active.

A contingent liability note was added to the Financial Statements in relation to a Nuplex Construction Products (NCP) claim. The Company been named as one of seventeen defendants in proceedings relating to the supply and installation of materials at the Botany Town Centre in Manukau, New Zealand between 2000 and 2001. The Company does not admit any liability in respect of the claim and will vigorously defend the matter.

OPERATIONAL OVERVIEW

Safety

During the half, there were no Lost Time Injuries for employees and as a result the Lost Time Injury Frequency Rate was zero per million hours worked compared to 4 in the prior corresponding period. The Total Reportable Injury Frequency Rate for employees per million hours increased to 10.2 per million hours worked from 9.2 in the prior corresponding period.

As part of its continued focus on improving its safety performance for all workers on its sites, Nuplex is now publically reporting safety statistics for its contractors. During the half, the Lost Time Injury Frequency Rate for contractors was 13.9 per million hours worked and the Total Reportable Injury Frequency Rate for contractors was 13.9 per million hours worked as a result of two reportable injuries which resulted in lost time.

NuLEAP

Nuplex's operational improvement program, NuLEAP remains on track to deliver total net benefits of $30 million by the end of the 2013 financial year. Between 1 July 2012 and 31 December 2012, NuLEAP delivered an additional $6 million of benefits with approximately 40% of the benefits derived from sales initiatives and 40% from procurement initiatives and the balance from initiatives focused on reducing manufacturing costs.

NuLEAP II will be particularly focused on the areas of procurement, the supply chain and logistics, and price and margin management. During the half, following a review of Nuplex's procurement activities from a global, regional and local perspective, a global procurement initiative was developed. Implementation began towards the end of the half and through taking a global approach to sourcing, this initiative is forecast to deliver $5.3 million in benefits in the second half of the 2013 financial year and $12 million in the 2014 financial year.

Systems and IT

The rollout of our global ERP system continues successfully. It has now been implemented in New Zealand, Australia, Europe (including Germany) and Malaysia. The program will continue in calendar year 2013 to complete the rollout in the US, China, Indonesia and Vietnam. The total project will cost around A$17.5 million, in line with budget.

SEGMENT RESULTS

Resins Segment

As Nuplex's largest segment, it includes the global coatings operations referred to as Coating Resins which contribute approximately 80% of Resin Segment sales.

The Coating Resins operations are involved in the production and supply of polymer resins, a key ingredient in surface coatings such as household paint, car paint, coatings on white goods and a broad range of other industrial goods to protect and enhance appearance. Polymer resins enable a coating to stick to its surface and largely determine the coatings performance characteristics including its ease of application, durability and glossiness.

The segment also includes Nuplex Composites, Australia and New Zealand's leading composites resins producer which is looking to grow its South East Asian presence through its operations in Vietnam and Indonesia. Additionally, the Resins segment also includes Nuplex's Australian and New Zealand based Pulp and Paper and Construction Products businesses.

RESINS SEGMENT (NZ$ million)	1H13 Volume Growth	SALES REVENUE				EBITDA			
		1H13	1H12	Change (%) Actual Currency	Change (%) Constant Currency	1H13	1H12	Change (%) Actual Currency	Change (%) Constant Currency
ANZ	(11.4)%	189.2	215.8	(12.3)%	(11.8)%	4.8	11.3	(57.5)%	(56.6)%
Asia	10.3%	137.6	127.2	8.2%	9.1%	14.9	12.9	15.5%	17.1%
EMEA[6] - Existing operations	2.5%	174.4	183.9	(5.2)%	2.6%	14.4	16.2	(11.1)%	(3.7)%
- Viverso	-	94.3	-	-	-	5.3*	-	-	-
Americas	3.7%	75.6	68.6	10.2%	12.1%	9.0	6.5	38.5%	40.0%
Procurement Initiative cost	-	-	-	-	-	(3.2)	-	-	-
TOTAL	**17%**	**671.1**	**595.5**	**12.7%**	**17.3%**	**45.2**	**46.9**	**(3.6)%**	**0.6%**

*Excludes additional NZ$2.7 million EBITDA contribution embedded in other regions

Volumes in the global Resins segment were up 17.0% reflecting the additional contribution from Viverso, which was consolidated as at 1 January 2012. Excluding Viverso, volumes from existing operations were flat (up 0.3%) as a result of volume growth in Asia (up 10.3%) and the Americas (up 3.7%) was offset by the decline in volumes in Australia and New Zealand (down 11.4%) and steady volumes in EMEA (up 2.5%).

On a constant currency basis, unit margins in the existing operations (excluding Viverso) were up 3.4% as NuLEAP sales and procurement initiatives drove improved unit margins in all four of Nuplex's regions.

Resins segment EBITDA was $45.2 million, down 3.6% (up 0.6% in constant currency) as the contribution from Viverso and improved unit margins in the existing operations were offset by the impact of the costs associated with the restructure of Australia and New Zealand and the global procurement initiative under NuLEAP II.

[6] European, Africa and Middle East

EBITDA from existing operations (excluding Viverso) and before restructure and procurement initiative costs was $42.4 million, down 8.5%. On a constant currency basis, EBITDA from existing operations (excluding acquisitions) before restructure and procurement initiative costs was $43.9 million, down 6.4%.

The seasonality of the Resins segment has become more pronounced over the past two years as the proportion of the segment's sales generated in the northern hemisphere has increased to approximately 70% from about 50% previously. Typically, northern hemisphere sales are stronger in the second half of the year as the first half is impacted by the slowing of activity in the paint and coatings industry during the autumn and early winter. Activity typically strengthens in January and February and hence, an increase in sales activity is expected in the second half.

In the second half of the 2013 financial year, the Resins segment EBITDA will benefit from the $5.3 million of NuLEAP II procurement benefits and a seasonally stronger six-month period.

Australia and New Zealand (ANZ)

In ANZ, sales were down 12.3% (down 11.8% in constant currency) as volumes were down 11.4% compared to the prior corresponding period. This reflected the lower Coating Resins volumes which were significantly impacted by further weakening in demand.

EBITDA of $4.8 million included $2.0 million of Australia and New Zealand restructure costs. Excluding these restructure costs, EBITDA was $6.8 million compared with $11.3 million in the prior comparable period as margin management and cost control helped mitigate some of the impact of lower volumes.

Coating Resins
Volumes in Australia were impacted by extremely tough market conditions. During the period both commercial and residential construction activity continued to slow affecting demand for both decorative and adhesive resins. Manufacturing conditions remained subdued and products historically manufactured in Australia such as inks, continue to be replaced by imports.

In New Zealand, the construction market has shown some signs of improvement and volumes were up during the period.

Across the ANZ Coating Resins operations, improved unit margins were achieved through tightly controlled operations costs, procurement initiatives and operational improvements (outside the restructure program).

Composites, Pulp & Paper and Construction Products
Composite sales were down in the construction, pool, spa and leisure craft segments due to cyclical low levels of construction activity, ongoing subdued consumer sentiment and pressure from imports of finished products. Growth in the transport and tank markets mitigated some of the volume decline. EBITDA was up as the impact of lower volumes was offset by the benefit of a lower cost base from previous period restructuring actions, continued cost out programs and an exit from a number of low margin products.

Pulp and Paper sales were lower over the period. Volumes were lower as paper and packaging manufacturers continue to be impacted by the strong Australian dollar and Nuplex exited a number of low margin products. EBITDA growth was achieved via tight cost and margin control and the benefit of prior period cost reduction programs.

In New Zealand, Construction Products continued to perform below expectations. As part of the restructure, Nuplex sold its exterior cladding 'Plaster System' assets to Resene Paints for $2.1 million.

Restructure of Australian and New Zealand operations
As announced in September 2012, following a review of its operations and markets, Nuplex has undertaken a restructure of its regional manufacturing network with the objective of reducing costs, increasing efficiency and improving returns on funds employed.

Over the next two years, Nuplex will progressively close its sites in Onehunga in New Zealand, Canning Vale and Wangaratta in Australia thereby reducing its capacity to be aligned with expected future demand. An investment of approximately $13 million will be made in the remaining sites at Penrose in New Zealand and Botany and Wacol in Australia to increase their customer responsiveness and production flexibility. Nuplex will continue to manufacture pulp and paper resins from its Australian site in Springvale.

The restructure is underway. Reshaping the network is estimated to deliver benefits of approximately $0.5 million in the second half of the 2013 financial year, $3.7 million in the 2014 financial year and $5.6 million in the 2015 financial year. It is forecast to positively impact earnings by approximately 0.5 cents per share in the 2014 financial year and approximately 2 cents per share in the 2015 financial year. The contribution in the 2014 financial year is below the previously announced 1 cent per share uplift as a result of the later than expected cost recognition.

Restructure costs of $2.8 million were incurred in the first half of the 2013 financial year. Further restructure costs expected include about $4.0 million in the second half of the 2013 financial year and approximately $2.8 million in the 2014 financial year, for a total cost of $9.6 million.

The restructure also resulted in a number of non-cash items impacting the 2013 financial year first half result. These included the $8.2 million pretax write down of obsolete equipment and the $5.5 million impairment charge taken in relation to Nuplex's investment in Fibrelogic. The decision to write down the full value of this investment reflects management's view that a strong recovery in the water and mining infrastructure markets in the near term is now not expected.

Asia

Coating Resins
Sales growth was 8.2% for the period (up 9.1% in constant currency).

Regional volumes were up 10.3% when compared with the prior corresponding period. In China, volumes were up due to growth in Automotive OEM and Vehicle Refinish. Indonesian volumes were up with the underlying economic activity supporting growth in decorative resins. In Malaysia, volumes were up due to increased exports within the region, particularly of Marine & Protective and Vehicle Refinish resins.

In Vietnam, following the commissioning of the new waterborne capacity in May 2012, volume growth was lower than expected due to the significant deterioration in the construction market. The new capacity will not contribute between US$0.5 and US$1.0 million in EBITDA in the 2013 financial year as previously stated. However, management remains confident in the medium term outlook for Vietnam and the SE Asian region and accordingly still expects the capacity will be filled within four years.

Regional EBITDA was $14.9 million for the half, up 15.5% compared with the prior corresponding period (up 17.1% in constant currency) from increased volumes and the contribution from sales of Viverso products.

Organic Growth

In China, the new, third site at Changshu, recently received the regulatory approvals albeit later than planned. The new site is now expected to be commissioned at the end of the 2014 financial year. Initial cost estimates of US$35 million are unchanged. Approximately $23 million is expected to be spent in the FY2014 financial year.

In Indonesia, over the past 18 months, , the new management team has overhauled the business and it is now running efficiently and growing. In December, the Board approved a US$5.4 million project to expand capacity at Nuplex's site in Surabaya. Expected to be commissioned towards the end of the 2014 financial year the new plant will introduce new technology capabilities which will open up opportunities in new high growth markets such as Automotive OEM, Vehicle refinish, and high end metal.

In Thailand, Nuplex has a joint venture, Synthese Thailand, which as part of the business manufactures and sells powder resins. During the period, plans to invest US$1.5 million to expand capacity by 40% were approved. The project will be funded from cash within the joint venture company.

Europe Middle East Africa (EMEA)

Coating Resins

EMEA volumes were up 58.6%. Sales were up 46.1% (up 58.9% in constant currency) and EBITDA was $19.7 million, up 20.9% (up 31.3% in constant currency) reflecting the inclusion of Viverso in the period.

Excluding Viverso, volumes from existing EMEA operations were up 2.5% when compared with the prior period, reflecting growth in powder resins. Sales from the existing EMEA operations were down 5.2% (up 2.6% in constant currency).

During the half, demand was more volatile than expected and towards the end of the year, volumes for liquid resins were particularly impacted by an earlier than usual end of year slowdown in activity. Sales activity over January and the beginning of February 2013 indicate that this slowdown appears to have been confined to these two months.

EBITDA from the existing EMEA operations was down 11.1% on the prior corresponding period (down 3.7% in constant currency) due to the impact of increased fixed costs. These higher fixed costs related to additional provisioning for a European staff entitlement fund (relates to long service leave payments) and an increase in research and development costs.

Viverso (Nuplex Germany)

The acquired Viverso operations and product lines are now fully integrated into Nuplex EMEA. The business integration was completed in line with management expectations on 1 December 2012 following the switch over of Viverso's IT system from Bayer's SAP systems to Nuplex's own Microsoft AX system.

Sales and EBITDA were in line with management's expectations and the business remains on track to deliver EBITDA of €12 million in the 2013 financial year.

Russian JV
The EMEA team continued to progress the negotiations with the Russian Joint Venture partners, Kvil Group. With discussions nearing an end and legal documentation almost complete, the joint venture is expected to commence trading operations in the fourth quarter of the 2013 financial year.

Americas

Coating Resins
Sales were up 10.2% (up 12.1% in constant currency) when compared with the prior period. Volumes from existing operations were up 4% as the steady recovery in US manufacturing continues. Additionally, the half reflects regional Viverso product sales for the first time.

EBITDA was up 38.5% (up 40.0% in constant currency) as a result of increased sales of higher margin performance metal coating products to the agricultural, construction and earth moving equipment market, efficiency improvements and tight cost control and a contribution from the sale of Viverso products.

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 plastics, food and nutrition, pharmaceutical and healthcare, mining 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 70% of the Specialty segment sales.

SPECIALTIES SEGMENT (NZ$ million)	SALES REVENUE				EBITDA			
	1H13	1H12	Change (%) Actual Currency	Change (%) Constant Currency	1H13	1H12	Change (%) Actual Currency	Change (%) Constant Currency
TOTAL	**157.6**	**150.9**	**4.4%**	**5.0%**	**12.4**	**10.4**	**19.2%**	**20.2%**

Specialties segment sales were up 4.4% to $157.6 million (up 5.0% in constant currency) and EBITDA was up 19.2% (up 20.2% in constant currency). These results included a full six-month contribution from Acquos's masterbatch operations compared with the prior corresponding period in which the acquired assets were consolidated for three months and did not have a meaningful impact on earnings.

Agency and Distribution
Sales were up 1% as Australian sales growth of 10% offset an 18% decline in New Zealand. In Australia, the chocolate product line within the Food & Nutrition segment continues to drive growth whilst steady sales in the Healthcare & Pharmaceutical segment reflect the defensive nature of the industry. In both Australia and New Zealand, demand for those products used in plastics, coatings and surfactants remained weak.

Masterbatch
The restructure of Nuplex Masterbatch in Australia is complete and the manufacturing network has been streamlined from six sites to four.

Now, as the largest masterbatch producer in Australia, in addition to offering colour additives, the combined business is now able to offer black and performance additives. This broader product portfolio has been well received by customers.

This business is on track to deliver EBITDA of A$5 million in the 2013 financial year reflecting the benefit of a lower cost base and improved margin management.

FY13 EARNINGS GUIDANCE

Nuplex now expects 2013 financial year EBITDA to be within the range of $135 to $140 million.

Previously this range was $135 to $150 million. The narrowing of the guidance range reflects the ongoing strength of the New Zealand dollar, the continued impact of the soft trading conditions in Australia in the first half and the earlier than usual end of year slowdown in Europe.

The 2013 EBITDA guidance assumes similar conditions in all of Nuplex's markets for the remainder of the year. It is based on the average exchange rates experienced over the first half of the 2013 financial year.

Additionally and as previously announced, the 2013 financial year EBITDA guidance includes the benefit of a full year of earnings from Viverso of at least €12 million and Nuplex Masterbatch of A$5 million and the delivery of $13 million in incremental NuLEAP benefits. It will also benefit from $5.3 million in procurement benefits and accounts for $6.8 million in costs associated with the restructure of Australia and New Zealand.

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