



NZX/ASX release

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Investing to streamline Australian and New Zealand operations

Nuplex Industries today announced the streamlining of its Australia and New Zealand operations to align manufacturing capacity with future demand.

Nuplex CEO Emery Severin said Nuplex remains committed to its customer value proposition of delivering cost competitive, innovative, quality products and security of supply by continuing to manufacture in Australia and New Zealand.

The restructure will see the company consolidate and upgrade the efficiency and flexibility of four of its existing sites: Penrose, Auckland; Botany, New South Wales; Wacol, Queensland; and Springvale, Victoria. The sites at Canning Vale, Western Australia, Wangaratta, Victoria, and Onehunga, Auckland, will cease operating over the next two years. The high-temperature plant at Penrose, Auckland will also be closed.

“Over the past eight months we have undertaken a review of the markets we serve and made an assessment of how we can best supply our customers. It is likely that demand levels in both the manufacturing and construction sectors will be lower than in previous economic cycles as manufacturing customers and their customers continue to move offshore due to the impact of the ongoing strength of the Australian and New Zealand currencies. In construction, whilst activity will recover at some point, demand conditions remain subdued,” Mr Severin said.

“We concluded that through streamlining our manufacturing network and investing to maximize the capability of our remaining operations, we can align our cost base to competitively produce our products in Australia and New Zealand. Importantly, we will continue to maintain our market leading positions in the region through our unique ability to manufacture a broad range of products across our multiple sites.

“To ensure we can continue to meet our customers’ needs, we will invest in replacing and upgrading our waterborne reactors at Botany and Wacol and will install additional capacity at Wacol to serve both coatings and composites’ customers. We have recently completed upgrading our solventborne capacity at Botany, ensuring the needs of this market are fully met.”

Mr Severin said Nuplex is very aware of the impact the changes will have on affected employees however, the changes are necessary to ensure the long-term sustainability of the business. The company will be consulting with affected employees and their representatives over the next few weeks.

The full benefits of the restructure will be approximately NZ\$5.6 million pretax per annum, to be fully realised in the 2015 financial year. The project has a net present value of NZ\$10.5 million.

The progressive closure of sites over the next two years will incur redundancy costs of NZ\$3.95 million, write-downs of obsolete equipment of NZ\$8.05 million, and provision for site clean-up and remediation of NZ\$4.35 million. The investment to upgrade the Australian sites at Botany, New South Wales and Wacol, Queensland will be approximately NZ\$13.0 million which will be spent evenly over the next two years.

In the 2013 financial year, following the take-up of the restructure costs and property remediation provisions, earnings before interest, tax, depreciation and amortisation is forecast to be reduced by NZ\$8.3 million.

As part of the overall review, the carrying value of Nuplex's investment in the RPC Pipe Systems joint venture (the business previously known as Fibrelogic) has been assessed. Due to the continued slowdown in infrastructure programs and the uncertain short term outlook, the investment will be written down by NZ\$5.6 million.

In the 2013 financial year, as a result of the provisioning for restructure costs and property remediation, as well as the write down of plant, equipment and investments, net profit after tax is expected to be reduced by NZ\$17.0 million. As a consequence of the provisions and writedowns, gearing is expected to increase by 0.6% to 28.6%.

The restructure is expected to reduce earnings per share (EPS) in the 2013 financial year by approximately NZ 8.6 cents, of which approximately NZ6.9 cents is due to the impact of non-cash items. The restructure is forecast to be EPS accretive by approximately NZ1 cent in the 2014 financial year and approximately NZ 2.0 cents in the 2015 financial year.

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Nuplex Industries is a leading chemicals company which manufactures polymer resins that enable adhesion and determine the performance and appearance characteristics of coatings and structural materials. These polymers are the backbone and binders of materials that are used in everyday products everywhere. Nuplex manufactures in 11 countries and sells into more than 80 countries worldwide. Due to our unique position in Australia and New Zealand, Nuplex is also a leading supplier of specialty chemicals and a market leader in plastic colour and performance additives.