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FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

Nuplex Industries CEO, Emery Severin said 'While difficult market conditions continued throughout the period, reported earnings were steady, cash flows were strong, and the interim dividend was maintained in line with the previous interim dividend. This was a direct result of the benefits delivered via our operational improvement program, our geographic diversity and the earnings contribution from the two recent acquisitions.'

KEY POINTS:

- NPAT[1] attributable to shareholders after significant items down 52% to $11.5 million. Significant items after tax included
    - $5.8 million 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
- NPAT attributable to shareholders before significant items down 10% to $24.5 million
- Earnings per share (EPS) was 5.8 cents per share, down 53%
- EBITDA[2] of $57.6 million in line with prior comparable period EBITDA of $57.3 million reflecting
    - $11 million EBITDA contribution from acquisitions
    - $2.8 million of costs relating to restructure of Australian and New Zealand operations
    - $3.2 million of upfront costs of the procurement initiative
    - $2.1 million negative impact due to the higher New Zealand dollar
- Operating cash flow up 123% to $47.5 million
- Interim dividend of 10 cents per share in line with the previous interim dividend
    - Partially imputed with 1.4 cents attached for New Zealand shareholders
- 2013 financial year EBITDA guidance now expected to be between $135 and $140 million
    - Viverso on track to deliver EBITDA of €12 million
    - Nuplex Masterbatch on track to deliver EBITDA of A$5 million
    - NuLEAP on track to deliver at least $13 million in benefits
    - Procurement initiative to deliver benefits of $5.3 million in the second half

NZ$ millions			**Change**	
	1H 2013	**1H 2012**	**Actual FX**	**Constant FX**
Sales revenue	828.7	746.4	11.0%	14.8%
EBITDA – reported	57.6	57.3	0.5%	4.2%
– before restructure & procurement costs	63.6	57.3	11.0%	14.8%
NPAT attributable to shareholders – reported	11.5	24.1	(52.3)%	(50.3)%
– underlying	24.5	27.1	(9.6)%	(7.1)%
Earnings per share (cents) – reported	5.8	12.3	(52.8)%	(50.7)%
– underlying	12.4	13.8	(10.1)%	(7.9)%
Dividend per share (cents)	10	10	-	-
ROFE[3]	9.8%	12.1%[4]	-	-

[1] Net profit after tax
[2] Nuplex Industries Limited's statutory results are reported under International Financial Reporting standards. Earnings before Interest, Tax, Depreciation, Amortisation and significant items (EBITDA) and Underlying NPAT are non-IFRS 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.
[3] Return on Funds employed : (earnings before interest, tax and unusual items) divided by average funds employed)
[4] Excludes Viverso acquisition which was completed on 31 December 2011

Emery Severin said that again, it had been a challenging six months given the extremely weak market conditions in Australia and, demand in Europe had been more volatile than expected.

‘EBITDA was stable over the period. The contribution from acquisitions, which were in line with management expectations, were largely offset by costs associated with the restructure of the Australian and New Zealand operations, the upfont costs of the NuLEAP II procurement initiative and the negative impact of the stronger New Zealand dollar. Whilst these restructuring and procurement initiatives impact this financial result, I am confident they will strengthen Nuplex’s operations and start to deliver benefits as soon as the second half of this financial year.

‘Volumes from our existing operations were up slightly as growth in Asia and the Americas offset the impact of lower volumes in Australia and New Zealand and steady volumes in Europe – again this result highlights the benefit of our geographic diversity.

‘On a like for like currency basis, EBITDA excluding the contribution from acquisitions was down by 14% when compared with the prior corresponding period. This was predominantly due to the performance from the Australian Coating Resins business, which was impacted by the very weak demand. Also, in Europe, sales were lower than expected as a result of an earlier than usual end of year slowdown. Pleasingly, this slowdown appears to have been confined to November and December. Across the group, on average, raw material costs were flat over the period.

‘Additionally, EBITDA from existing operations was also impacted by an increase in fixed costs associated with additional provisioning for a European staff entitlement fund, additional research and development investment and higher than normal legal costs.

‘Positively, these impacts were largely offset by improved margins in all regions due to NuLEAP sales and procurement initiatives, volume growth in Asia and the Americas, and tightly controlled manufacturing costs.

‘Reported net profit was impacted by non-cash, significant items relating to the write down of plant and equipment as part of the Australia and New Zealand operational restructure, as well as the $5.5 million write down of Nuplex’s investment in Fibrelogic,’ said Mr Severin.

Financial Result Overview

Nuplex reported NPAT attributable to shareholders after significant items of $11.5 million. This included $13.1 million of significant items which relate mainly to the write downs associated with the restructure of the Australian and New Zealand operations. This compares with NPAT of $24.1 million in the prior corresponding period, which included significant items of $3 million.

NPAT attributable to shareholders before significant items was $24.5 million for the six months ended 31 December 2012. Down 9.6% when compared with the prior corresponding period result of $27.1 million, this includes the impact of the after tax costs associated with the restructure of Australian and New Zealand and the procurement initiative.

Nuplex reported EBITDA of $57.6 million for the period. This was broadly in line with $57.3 million, reported in the previous half. Had the New Zealand dollar remained unchanged over the period, EBITDA would have been $59.7 million, up 4%.

EBITDA for the period benefited from the $11 million EBITDA contribution from the two acquisitions completed in the prior financial year, Viverso ($8 million) and Nuplex Masterbatch ($3 million).

This growth was offset by $2.8 million in costs associated with the restructure of the Australian and New Zealand operations. Total restructure costs, excluding asset write downs, are expected to be $9.6 million. The operational restructure is expected to deliver cost savings of $0.5 million in the second half of the 2013 financial year and $3.7 million of savings in the 2014 financial year. Once completed, the restructure is expected to deliver annualized cost savings of $5.6 million, which will be fully realised from the 2015 financial year.

Additionally there were $3.2 million in upfront costs relating to the global procurement initiative undertaken as part of Nuplex's operational improvement program NuLEAP II. This initiative is expected to deliver $5.3 million in cost savings in the second half of the 2013 financial year and $12 million in the 2014 financial year.

EBITDA, including acquisitions and before the costs associated with the restructure of the Australian and New Zealand operations and the global procurement initiative was $63.6 million, up 11% (up 14.8% in constant currency) compared with the prior period.

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%.

CEO Commentary

Commenting on the result, Mr Severin said, 'Our strategic initiatives to strengthen Nuplex and improve returns continue to gain momentum. Our efforts to embed safe behavior into every action, every day are gaining traction. During the half there were no Lost Time Injuries to employees. There were two Lost Time Injuries to contractors during the period.

'NuLEAP is on track to deliver the targeted $30 million in net benefits by the end of the 2013 financial year. NuLEAP II planning is underway and we are implementing the previously announced procurement initiative under which we are building a globally co-ordinated procurement function and improving supply chain efficiencies. We also continued to successfully implement our global ERP system rollout.

'Strong cost control and cash management resulted in manufacturing costs excluding acquisitions being held constant half on half and an improvement in our working capital to sales ratio, which declined to 14.8% from 16.5% as at 30 June 2012.

'As previously announced, we are restructuring our Australian and New Zealand operations to create a more efficient and responsive manufacturing network to meet projected demand in the region. The restructure will reduce costs and improve returns on funds employed. Through the closure of our sites in Onehunga in New Zealand, Canning Vale and Wangaratta in Australia we will be reducing our existing capacity. At the same time, we are investing to increase customer responsiveness and production efficiency at our sites in Penrose in New Zealand and Botany and Wacol in Australia.

'Pleasingly, the two strategic acquisitions completed in the 2012 financial year have been smoothly integrated and are both delivering in line with management's expectations. Viverso has been EPS accretive in its first 12 months of ownership and remains on track to deliver EBITDA of at least €12 million in the 2013 financial year. Nuplex Masterbatch's restructure is complete and it is on track to deliver EBITDA of A$5 million in the current financial year, and in line with our original business case.

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

‘We continue to increase our presence in those geographies where the markets for our products are developing and growing. In China, our site in Changshu recently received its approvals. Still expected to cost US$35 million, commissioning is now expected to occur at the end of the 2014 financial year, six months later than previously expected. In Indonesia, we have committed to invest US$5.4 million to expand capacity at our existing site in Surabaya. Construction is expected to take 18 months and the new reactor will introduce new technology capabilities which allow Nuplex Indonesia to enter into new, high growth markets such as Automotive OEM and Vehicle Refinish in Indonesia.

‘In Russia, discussions with our partner continue and the joint venture is expected to commence trading operations in the fourth quarter of this financial year,’ said Mr Severin.

Dividend

Nuplex’s interim dividend will be 10.0 cents per share, in line with the interim dividend paid in 2012. 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.

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

Outlook

Mr Severin concluded ‘Keeping our focus on what we can control remains key to navigating the ongoing challenging business environment.

‘We are continuing to execute our strategy focused on improving returns on funds employed by pursuing operational excellence and building market leading positions. We continue to focus on margin management, tight cost control and pursuing operational improvement to maximize earnings and cash generation irrespective of the business cycle.’

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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