

NUPLEX INDUSTRIES – FY2011 AGM, 2 NOVEMBER 2011

Chairman's Address

2011 financial year overview

Financial year 2011 has been a busy and challenging year for Nuplex as market conditions around the world have softened and global raw material prices rose rapidly. Nevertheless, Nuplex has fared relatively well due to strong operational management and our geographic and business diversity.

Sales across the group were up 8%, driven by higher volumes and increased selling prices, implemented to recover rising raw material costs.

Earnings before interest, tax, depreciation and amortisation were \$130.9 million, down 6.1% when compared with the prior record earnings year. Half of this decline was due to a stronger New Zealand dollar, whilst the balance was due to the impact of the non-recurring costs associated with the strategic review and the \$3.6m restructuring charge, predominantly taken in relation to the Australasian composites operations.

A highlight of the year was the Group's relentless and ongoing focus on margin management. Positively this resulted in the recovery of over 90% of the higher raw material costs, working capital as a percentage of sales being held constant year on year, and non-raw material costs per tonne reducing by 1%.

With our gearing ratio as measured by net debt to net debt plus equity at 11.7%, the balance sheet is strong.

Consistent with our focus on efficient capital management and our conservative approach to gearing, when we renegotiated our bank facilities in August, we reduced the total available facilities from A\$300 million to A\$200 million. Importantly our bank facilities are now unsecured and if we had continued with our current level of debt we would have realised annualised pre tax savings of \$4 million. With the acquisition of Viverso which was announced last week, we have increased our available facilities back to A\$300m. We will explore options to convert some of this to 7-10 year debt via the US private placement market.

Net profit after tax attributable to shareholders was a record \$66.5 million, up 3.6% year on year. Considering this year was characterised by unprecedented raw material cost increases in the resins industry, overall, we believe this was a solid performance.

Shareholder returns

Importantly we were able to deliver stable shareholder returns over the period.

Earnings per share was 34.2 cents, up 1.5% on the prior record earnings year.

Return on funds employed remained strong at 12.3%.

A final dividend of 11 cents was paid, taking the full year dividend to 21 cents per share and in line with the full year dividend paid in the previous year. The final dividend was franked at 60% for Australian shareholders, but did not carry any New Zealand imputation credits given over 90% of our earnings are generated outside of New Zealand.

In August, the Board announced their intention to pay dividends in the range of 55-65% of profits attributable to shareholders, subject to funding requirements for organic growth and acquisition activity. This is consistent with what Nuplex has historically delivered and reflects the ability of Nuplex's operations to generate strong cash flows.

The Board decided to suspend the Dividend Reinvestment Plan in relation to the final dividend given the funds to meet our operating and organic growth needs were available.

Strategy

In response to key growth and performance targets set by the board, Emery and his management team early in the financial year reviewed and agreed a number of strategic initiatives for the company. These initiatives have laid the foundations for future growth and performance of the company and are projected to drive performance over the next few years towards the targets agreed with the board.

They include organic growth via the investment in a new 20 tonne reactor in Vietnam and securing land to construct a third manufacturing site in China. Both investments will significantly add to overall capacity and in particular to water born resin capability in Asia. We are also continuing our search for a fourth manufacturing site in China and assessing manufacturing options in Russia.

In addition, we have made a number of bolt-on acquisitions to protect and grow our positions in the masterbatch and composites markets in Australia and most recently in resins in Europe. The acquisition of Viverso and its related operations from Bayer Material Sciences in Germany further strengthens our position as one of the leading resin manufacturers in Europe. Through new and strengthened product capabilities, as well as a broader geographic footprint in Europe, including the German industrial market in particular, Viverso provides a strong platform for future growth.

Investing in research and development is also core to our strategy and during the year the board approved the establishment of two “Centres of Excellence” to be the core of our innovations program. One centre is in the “West” at Wageningen in the Netherlands with a new centre to be based in the “East” in Asia. These centres will be backed up by product development and technical services facilities at our key manufacturing sites.

Emery will talk further about these initiatives during his address.

Safety Health & Environment

We continue to work towards our safety, health and environment goal of ‘Zero Harm’ to our people and the environment and communities in which we operate. I am pleased to report that the lost time injury frequency rate fell to 1.25 injuries per million hours from 2 in the previous period and our total injury frequency rate fell to 12.8 from 17.6 injuries per million hours worked. Pleasingly there were no lost time injuries at 19 of our 22 manufacturing sites.

Our waste generation, water and energy consumption rates all fell over the year. NuLEAP, our step change program to improve the way we work, has also played an important role in bringing down these measures as increasing our efficiency has also helped us reduce our impact on the environment. For example, initiatives where we have switched to cleaner energy sources or further streamlined our waste products, not only reduce operating costs, but also reduce our emissions.

In relation to the Australian Government’s proposed carbon tax scheme, given our low level of emissions we do not expect to be directly taxed. However, it’s likely that we will be impacted through increased costs from our energy and transport suppliers, who will be directly taxed. We expect to use higher selling prices to recover any cost increases as well as minimising our outlay on these inputs through increased efficiency.

NZSC

In February, it was announced that the Company had reached a settlement with the New Zealand Securities Commission in relation to the proceedings commenced in April 2010 and that the Commission had discontinued its action against certain directors and former directors. The independent committee set up to deal with the proceedings weighed up all the factors including the potential costs of defending the matter and the ongoing distraction to the company, the board and management. It was agreed that it was in the shareholders’ best interests to settle the case.

At the half year we took a provision of \$1.8 million to cover the costs of the case. However, reflecting a lower than estimated take up of the settlement compensation, the final cost in this financial year was \$229,000. Total costs borne by the company in relation to this matter amounted to \$1.5 million.

Directors and Board Succession

Turning now to the board. Today we are asking shareholders to approve the re-election of one non-executive director, Peter Springford, and the election of Jerry Maycock as a non-executive director to the board of your company.

As mentioned at last year's meeting, Michael Wynter, who has been a non-executive director since 1998, is retiring. His legal background and experience has been of great value to the company and I would like to thank Michael for his significant contribution to Nuplex over the last 13 years.

On 1 September, 2011, Jerry Maycock was appointed as a non-executive director. Jerry is the Chairman of AGL Energy Limited, Port of Brisbane Pty Ltd and has had a distinguished career in the building and construction industry, most recently as the CEO of CSR Limited. Having spent a considerable part of his early career in New Zealand, he has since held a number of senior management positions with global multi-national companies and I welcome him to the Board. Both Jerry and Peter will address you later in the meeting.

Jerry's appointment is the latest step taken in a process to refresh the board which was initiated several years ago. Throughout this refresh process, a critical objective has been to increase the international business skills and experience on the Board given the complex global nature of Nuplex's operations and that our growth focus will continue to be increasingly outside of the ANZ region.

Shareholders last approved an increase in the aggregate fee level in 2007. Since then, there have been a number of changes to director's remuneration with the result that there is very little headroom left under the current approved fee level. These changes include:

- An average 2.9% per annum increase in base directors' fees but no change in base committee fees.
- A 12% depreciation in the A\$/NZ\$ rate from 0.86 to 0.77. This is especially relevant in that Australian based directors were paid the same nominal amount but in Australian dollars and movement in the NZ\$/A\$ exchange rate has a material impact on the actual fees paid.
- The change in Chairman from Fred Holland (paid in NZ\$) to myself (paid in A\$).
- Establishment of a new Safety Health & Environment Committee with a Chair and 2 members
- And, as from July 2010, all directors have been paid the same nominal amount in Australian dollars so as to ensure that all directors are paid on the same basis regardless of where they are based. At the same time the Chairman's fee was increased from 2.0 to 2.2 times the base directors' fee.

The purpose of putting this resolution forward today was to allow for possible future increases in directors' fees over the next 3 to 5 years. An increase in the pool from which directors' fees are paid was being sought to cover a possible increase in base director fees over future years, a possible increase in the number of directors, or committee membership and to maintain sufficient headroom to cover for possible future depreciation in the NZ dollar.

As previously advised, this resolution has been withdrawn.

Outlook

There is no doubt that we face uncertain and volatile times, and it is virtually impossible to predict with accuracy what will eventuate.

However, our mix of geographies and products provides us with a strong platform from which to operate. With many of our products used in every day goods that are fundamental to living, whilst not recession proof, we are certainly recession resistant.

Additionally, the outlook in Asia where we have a significant part of our operations, whilst it has slowed from its peak, still remains very attractive. Our focus on expanding our capacity in these emerging markets continues and we are confident in the growth these operations will deliver over the next three to five years. Also, despite all of the turmoil we read about in Europe that region is still delivering earnings growth for Nuplex. The Vivero acquisition expands our position in this region and will deliver further earnings growth.

Critical to my confidence in our medium term growth outlook, is that Nuplex is in a much stronger position to face any future challenges than it was several years ago.

On a number of fronts, we are in much better shape to meet the weak economic conditions that some are predicting. Most importantly, our balance sheet is strong and we are committed to ensuring that our gearing levels do not exceed those levels which are appropriate for an industrial company such as ourselves.

NuLEAP, our step change program has brought a more disciplined approach to the way we work, and is reducing costs and delivering benefits such as increased productivity levels.

And, not only are we in a better position to face weak economic conditions, but our customers are too - as we haven't seen inventory levels build to the levels they were back towards the end of 2008.

Concluding remarks

Let me conclude by expressing my thanks to my fellow directors for their support and valued contribution. On behalf of the board I would also like to thank Nuplex's Executive team and our 1,600 employees for their hard work and commitment, and, you, our shareholders for your ongoing interest and support.

Our strategy is clear - it builds on our strengths and enables us to take advantage of growth opportunities.

This is an exciting time for Nuplex as we advance towards the next stage of performance and growth. Initiatives focused on improving our operational effectiveness and laying the foundations for future growth have gained traction and are starting to deliver benefits. The board is confident that we have the right strategy in place to deliver improving returns to shareholders.

I will now hand over to the Chief Executive Officer, Emery Severin, to give a more detailed operating update and further insight into our newly developed strategy and its associated initiatives.

Chief Executive Officer's Address

Thank you Rob.

Good morning ladies and gentlemen, it's a pleasure to be here again, addressing you as Chief Executive of Nuplex.

When I spoke to you last year, I was just settling into the role and we were mid-way through a strategic review and business improvement diagnostic. Now 12 months on, with our review complete, and our strategy confirmed, I am pleased to report that we've made good progress implementing those initiatives designed to strengthen the underlying business and deliver sustainable growth for shareholders.

Before talking more about our strategy, priorities and the recently announced acquisition of Vivero, I will briefly review the performance of our two segments over the 2011 financial year. You will of course find much more detailed information in the Annual Report and on our website.

The Resins segment delivered a solid result despite the challenges of rising raw material prices globally, and weaker economic conditions in Australia and New Zealand. Sales growth of 9% was driven by higher selling prices implemented throughout the year, as well as volume growth of 3.5%.

Our coating resins operations, which account for approximately 80% of our Resins segment earnings or 60% of Nuplex's total earnings, benefited from their global diversity. Strong volume growth in Europe and the Americas helped offset the raw material cost lag which was experienced globally. In Asia, and consistent with our Chinese and Vietnamese operations being capacity constrained, volumes were steady. Volumes were also steady in Australasia.

It was reduced earnings from our Australasian composites business that weighed most heavily on our 2011 performance. A division of our non coatings resins operations within our Resins segment, this business was impacted by weaker consumer demand, natural disasters and stronger local currencies.

These factors all combined to form what I described back in May as a 'perfect storm' and resulted in reduced demand for discretionary composite end products such as swimming pools and boats.

With a view that these markets will remain weak for some time, we decided to restructure our three existing composite brands, FGI, Nupol, and NSR into one strengthened group, now branded Nuplex Composites. Also, via a joint venture we acquired Fibrelogic, a manufacturer of wide diameter fibreglass pipes for the growing water and mining infrastructure markets. We will continue to supply the composite resin to this business.

Our Specialties segment benefited from selling to over 25 different sectors in the Australian and New Zealand economies. Sales to the Food & Nutrition industry were particularly strong, reflecting the Med-Chem acquisition made in the 2010 financial year.

I will now move on to our strategy - which we confirmed early in 2011 and since then have been busy implementing.

Last year, I mentioned how I had been greatly impressed by the strength of Nuplex's market positions and customer relationships, our research and development capabilities and the skills of our people around the world. I also mentioned my initial thoughts on the growth opportunities I saw for Nuplex. Pleasingly, the strategic review confirmed our strengths and highlighted our growth opportunities. Importantly, it provided a sound base from which to develop our strategy.

I think of our strategy as a road map that will take Nuplex to its next stage of performance and growth. It has been set so we can pursue our objectives of being a leading independent global resins manufacturer and a leading specialty chemicals supplier in Australia and New Zealand, and in doing so - work towards delivering the Board's goals of improving margins and delivering sustainable growth to shareholders.

To deliver our goals and achieve our objectives, our strategic priorities are to:

1. Improve safety, global teamwork and employee engagement
2. Improve our operational performance
3. Pursue leading niche positions in our four global product segments in performance and water borne coatings as well as composite and powder resins
4. Invest and grow organically in emerging markets and
5. Consider both value creating bolt-on and strategic acquisitions

Our priorities for the coming year are clear.

To deliver long term operational excellence, we will continue to focus on improving our safety performance, how our people work together, and the way in which we work.

As mentioned by the Chairman, we are committed to turning our safety vision of 'Zero Harm' into a reality. Central to achieving this, across all four regions we are embedding behaviour based safety programs to build the foundations for a safe workplace culture. Programs such as these are critical to achieving our vision, because the way our leaders and employees think, manage themselves and see the world are all factors in influencing safe workplace behaviour.

Having everyone working together as One Global Team is a significant opportunity for us to embrace. We have 1,600 employees spread across 10 countries in four regions, working in 22 manufacturing sites and many more sales offices. Work has begun to foster this One Global Team culture through activities such as our first global management conference held in Shanghai last December, and the launch of an internal communications program across the group.

Last year I announced that we had commenced our step change program, NuLEAP, having at the time just completed the diagnostic phase. Through increasing our efficiency and effectiveness in all aspects of our business including sales, operations, logistics, warehousing and procurement, NuLEAP is improving the way we work in a rigorous and disciplined way.

We are targeting approximately \$30 million in net benefits to be realised by the end of the 2013 financial year and this will help us increase our EBITDA to sales margin towards our aspirational target of 12%.

NuLEAP has been embraced across the organisation, with our employees proposing over 250 improvement ideas in the diagnostic phase. Those ideas identified as 'Quick Win' initiatives were implemented shortly after last year's AGM and delivered over \$3 million in benefits after accounting for the cost of the program.

Examples of Quick Win initiatives include, reducing the number of solvents we use to clean the reactors from seven to one, converting the energy source of a hot oil heater from diesel to more cost and energy effective natural gas, increasing onsite storage efficiency to reduce the need for off-site storage costs and separating waste streams to enable reduced disposal costs.

With the 'Quick Wins' now implemented, we are currently developing and implementing the longer term initiatives, and we expect to realise \$10 million in incremental benefits in the 2012 financial year. One of the longer term initiatives we are currently implementing is a Chinese procurement desk. Through combining orders from each of our regions, having them purchased and delivered in China, then shipped to their respective regions, we will be able to secure many raw materials which we buy in smaller volumes at a lower cost.

In 2012 we will continue to build on those foundations we laid over the past 12 months. We will be continuing our focus on organic growth opportunities such as capacity expansion and globalisation of our product portfolio, as well as continuing to consider value creative acquisitions.

We are currently undertaking the largest capital expenditure program in Nuplex's history which will leave us well positioned to take advantage of the attractive future growth rates expected in the emerging markets of China and Vietnam. Across both countries, we have committed to spending approximately \$75m over the next two to three years, and in doing so we will double our capacity in Asia.

The capacity expansion projects in Vietnam and China are progressing on time and on budget. In February we began work on expanding our capacity at our existing Ho Chi Minh City site in Vietnam and expect first production to occur in the first half of 2012.

In China, we have secured a third site at Changshu, west of Shanghai. With the planning permissions received, we are now developing the site design and expect construction to begin in 2012, with commissioning to commence in 2013. Also we continue to search for a new site in Southern China.

Outside of Asia, we continue to assess opportunities in other emerging markets such as Russia and India, markets we already export to.

Research and Development continues to be a priority for Nuplex. From the in-depth analysis of our technologies and markets in the strategic review, it became clear that it would be best to focus our R&D efforts into growth markets where we already have leading niche technologies.

Four key product groups met these criteria – they are performance coatings, water borne coatings, composite resins and powder coatings.

We are also taking advantage of the opportunity to leverage our product portfolio across all our regions, and particularly into Asia. For example, through the introduction of the same water borne capability we have at our site in the Netherlands, Changshu will be our first Chinese site to produce water borne resins. Having this capability will enable us to manufacture specialised water borne resins used in industrial applications such as automotive and wood, as well as non-coating resins used in textiles, inks and construction products.

Alongside these organic growth initiatives, we continue to consider acquisitions. Our disciplined acquisition criteria ensures that any transaction we consider has to be value creating – but what does that actually mean?

Our recent announcement to purchase Vivero and its related coating operations from Bayer Material Sciences for €75 million is a good example of what we mean. It is earnings accretive in its first year, consolidates some of our market leading positions, widens our presence in a region, expands our portfolio in complementary products, and will deliver earnings growth in the future.

Integrating Vivero and its operations will grow Nuplex into a top four European resins player and provide Nuplex with leading market positions in a number of product segments within the region. The product portfolio we are acquiring bolsters our existing strong positions in the automotive, metal and general industrial coatings markets through a combination of new capabilities and products we already produce.

Its site, located in Bitterfeld, Germany is one of the most modern and efficient plants in the Europe. Having on the ground operations in Germany will give us greater access to the German industrial market and provide a springboard for growing into Central and Eastern Europe. Looking to the future, we expect further earnings growth will come from the additional capacity that we have acquired and leveraging the new product capabilities across our global operations, as well as utilising Vivero's online sales platform.

Our acquisition of Acquos's Masterbatch operations for \$23.5 million, also met our disciplined acquisition criteria. Through combining it with our own masterbatch business, Culamix, to form Nuplex Masterbatch, we are now the leading masterbatch supplier in Australia and New Zealand. The transaction will be earnings accretive this year and as the two businesses are integrated, deliver synergies in coming years.

Now, turning to the outlook for the next 12 months

There is no doubt that these are uncertain times, however, we have a sound position from which to operate. Our products are utilised in goods used in everyday living and our operations are geographically diversified. In Europe we are exposed to the better performing northern economies including Germany. In Asia, our resins are used in a broad range of industrial and construction products which are experiencing strong growth. In the US, our resins go into consumer durables, and maintenance markets such as vehicle refinish, whilst in Australia and New Zealand our manufacturing and specialties distribution businesses are exposed to a diverse mix of industries and markets.

As a consequence of current global market conditions we expect overall volumes to be flat year on year. In Europe and the US, on the back of strong volume growth last year, we are forecasting flat trading conditions overall in FY2012, indicating a modest slow down from the previous year. Recently, month to month trading conditions have been quite volatile as customers have been demonstrating caution in an uncertain, global economic environment. However the forward order books indicate a return to more stable trading conditions within the next few months.

In Asia, we expect modest volume growth as we recover lost market share in Southern China, through our Foshan plant as well as some growth in Indonesia. We also expect volumes to increase in Vietnam later in the year as we bring new capacity on line. Our East China plant at Suzhou is expected to continue operating near capacity, and our Malaysian plant is expected to operate at capacity as it services both its domestic and regional export markets.

In Australia and New Zealand economic conditions remain subdued and we expect volumes and sales to be down slightly year on year for both our Resins and Specialties businesses.

Pleasingly, as raw material costs have stabilized we have continued to recover the lag caused by material cost increases in FY2011. This has resulted in gross margins returning to more normal levels for the financial year to date.

NuLEAP remains on track to deliver its FY2012 target of at least \$10 million in incremental benefits. New sales initiatives are contributing to revenues and volumes, procurement initiatives are improving margins and cost initiatives are helping to offset inflation.

Before accounting for the positive impact of our recent acquisitions, from our existing operations we expect earnings before interest tax depreciation and amortisation to be approximately in line with last year's EBITDA of \$130.9 million. Given the volatility in demand in the first half, we expect earnings, before the contribution from the recently announced acquisitions will be stronger in the second half.

Following the recent strength in the New Zealand dollar, this guidance takes into account the average September quarter exchange rates being maintained throughout the year. Had average exchange rates remained the same as they were last year, EBITDA would be forecast to be up by around 5%-6% compared to last year.

Combining the outlook for our existing operations with the positive earnings contribution from our two recently announced acquisitions, we expect to deliver approximately 10% year on year EBITDA growth in FY2012.

In closing, in 2011 we planned for and commenced those initiatives focused on strengthening Nuplex's operations and to lay the foundations for future growth. Looking ahead, 2012 is all about executing those initiatives and building earnings momentum. By focusing on the things we can control and building on our strengths, we are ensuring that Nuplex is in the best possible shape to meet the ongoing challenges that we face today.

Thank you.