GRANT SAMUEL

Nuplex

Independent Report

In relation to the Proposed Scheme of Arrangement with Allnex

May 2016

Grant Samuel confirms that it:

- has no conflict of interest that could affect its ability to provide an unbiased report; and
- has no direct or indirect pecuniary or other interest in the proposed transaction considered in this report, including any success or contingency fee or remuneration, other than to receive the cash fee for providing this report.

Grant Samuel has satisfied the Takeovers Panel, on the basis of the material provided to the Panel, that it is independent under the Takeovers Code for the purposes of preparing this report.

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Glossary

Term	Definition
Advent	Advent International Corporation
Allnex	Allnex Belgium SA/NZ
ANZ	Australia and New Zealand business units
CAPM	Capital asset pricing model
Code	The Takeovers Code
Companies Act	Companies Act 1993
DCF	Discounted Cash Flows
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EMEA	Europe, Middle East and Africa business units
FTP	Floor Tiles & Parquet Limited
FY10-FY19	Financial years ended 30 June 2010 through 30 June 2019
Grant Samuel	Grant Samuel & Associates Limited
NPV	Net present value
Nuplex	Nuplex Industries Limited
NZX	NZ stock exchange
OIO	Overseas Investment Office
Proposed Scheme	The Proposed Scheme of Arrangement with Allnex
VWAP	Volume weighted average share price

1. Terms of the Proposed Scheme

1.1 Background

On 15 February 2016 Nuplex Industries Limited (**Nuplex**) announced that it had received a proposal from Allnex Belgium SA/NV (**Allnex**) to acquire 100% of the issued capital of Nuplex for a cash consideration of $5.55 cash per share, including any Nuplex interim dividend paid before settlement of the proposal (the **Proposed Scheme**). On 4 April 2016 Nuplex paid an interim dividend of $0.12 per share. If the Proposed Scheme is implemented, the price shareholders will receive for their shares will therefore be $5.43 per share. Allnex is an international coating resins producer owned by private equity firm Advent International Corporation (**Advent**). The Proposed Scheme is to be implemented through a scheme of arrangement under the Companies Act 1993 (**Companies Act**) between Nuplex and its shareholders.

As part of the Proposed Scheme, Nuplex granted Allnex and Advent a period of exclusivity to complete due diligence, allow financing to be finalised and to receive appropriate approvals from Allnex's Board and Advent's Investment Committee. During the due diligence period:

- Nuplex agreed (subject to the Board's typical fiduciary duties under which the Directors are able to consider superior offers if they arise) that it would not solicit, initiate or encourage any enquiries with a view to obtaining a competing transaction to the Proposed Scheme;
- Allnex and Advent agreed not to purchase Nuplex shares on market; and
- Allnex and Nuplex agreed to reciprocal break fee arrangements should either not proceed with the Proposed Scheme, subject to agreed exceptions.

On 9 April 2016 Nuplex and Allnex entered into a formal Scheme Implementation Agreement. Allnex and Advent have finalised their financing, completed due diligence and received formal approvals from the Allnex Board and the Advent Investment Committee. The Proposed Scheme is now being put to Nuplex shareholders for their consideration. The Proposed Scheme is subject to a number of key conditions that are set out in the Scheme Booklet, including:

- approval from the New Zealand Overseas Investment Office (**OIO**);
- approval from the Australian Foreign Investment Review Board;
- the receipt of other regulatory approvals including anti-trust and competition clearances;
- Nuplex shareholder approval; and
- Approval of the Proposed Scheme by the New Zealand High Court.

The full list of conditions to the Proposed Scheme are set out in the Notice of Meeting.

1.2 Profile of Allnex/Advent

Advent acquired Cytec Industries' coating resins business in 2013 for US$1.15 billion and renamed the business Allnex. Allnex is a supplier of resins and additives for architectural, industrial, protective, automotive and special purpose coatings and inks. Allnex is recognised in the industry as having particular focus on specialty chemicals and for offering a broad portfolio of quality products. The Allnex product range includes innovative liquid resins & additives, radiation cured and powder coating resins & additives and crosslinkers for use on wood, metal, plastic and other surfaces.

Allnex has annual revenues of approximately US$1.5 billion and generates annual EBITDA of approximately US$220 million. It is headquartered in Brussels, Belgium and has over 2,000 employees. Allnex's operations span throughout Europe, USA and Asia and comprise of 17 manufacturing and 12 research & technology support centres.

Advent is a substantial private equity firm based in Boston, USA and with offices in North America, Latin America, Europe and Asia. In addition to Allnex, Advent has undertaken a number of other investments in the chemical industry including:

- ***Grupo Transmerquim S.A.*** (***GTM***) - GTM is the second largest distributor of chemical raw materials in Latin America. Advent acquired GTM in December 2014 for ZAR 1.6 billion (approximately US$143 million). GTM supplies chemical products and logistical services to more than 10,000 customers in industries ranging from personal care to oil exploration;

- ***Maxam*** - In February 2012 Advent acquired a 49.9% stake in Spanish civil explosive supplier Maxam for approximately €600 million. Maxam specialises in the supply of explosives to the mining, quarry market and civil works industries;
- ***Mondo Minerals*** - In November 2011 Advent acquired Mondo Minerals in a transaction valued between €350 - €400 million. Mondo Minerals is the world's second largest talc producer, supplying customers in over 70 countries. The Amsterdam-headquartered business owns mines and processing facilities, producing additives for paper, paints and plastics; and
- ***Oxea Chemicals*** - Oxea Chemicals is one of the largest global manufacturers of oxo intermediate chemicals and derivatives, with an annual production capacity exceeding 1.3 million tons, sales of €1.5 billion and 1,400 employees worldwide. Oxea Chemicals produces chemicals used in paints and coatings, lubricants, flavours, fragrances, safety glass and inks. Advent sold Oxea to the Oman Oil Company in December 2013 for approximately US$2.4 billion.

2. Scope of the Report

2.1 Purpose of the Report

The Directors of Nuplex have engaged Grant Samuel & Associates Limited (**Grant Samuel**) to prepare an Independent Report to assess the Proposed Scheme. The Proposed Scheme is governed by the Companies Act 1993 and is required to be approved by the High Court. Although the provisions of the Takeovers Code (**Code**) do not apply to the Proposed Scheme, the Takeovers Panel (which is responsible for administering and enforcing the Code) will conduct a review to consider whether appropriate information is placed before Nuplex's shareholders. Nuplex has requested that the Takeovers Panel issue a "no-objection statement" in relation to the Proposed Scheme to present to the High Court to assist with its deliberations. Although there is no legal requirement under the Companies Act or the Code for an Independent Adviser's Report as a result of the Proposed Scheme, the practice of the Takeovers Panel (except in very limited circumstances) is to require the preparation of an Independent Adviser's Report before it will consider issuing a final no-objection statement. Grant Samuel is independent of Nuplex and Allnex and has no involvement with, or interest in, the outcome of the Proposed Scheme.

Rule 21 of the Takeovers Code requires the Independent Adviser to report on ***the merits of an offer***. The term "merits" has no definition either in the Takeovers Code itself or in any statute dealing with securities or commercial law in New Zealand. While the Takeovers Code does not prescribe a meaning of the term "merit", it suggests that "merits" include both positives and negatives in respect of a transaction.

A copy of this report will accompany the Scheme Booklet to be sent to all Nuplex shareholders. This report is for the benefit of the shareholders of Nuplex. The report should not be used for any purpose other than as an expression of Grant Samuel's opinion as to the merits of the Proposed Scheme. This report should be read in conjunction with the Qualifications, Declarations and Consents outlined at Appendix E.

2.2 Basis of Evaluation

Grant Samuel has evaluated the Proposed Scheme by reviewing the following factors:

- the estimated value range of Nuplex and the price of the Proposed Scheme when compared to that estimated value range;
- the likelihood of an alternative offer and alternative transactions that could realise fair value;
- the likely market price and liquidity of Nuplex shares in the absence of the Proposed Scheme;
- any advantages or disadvantages for Nuplex shareholders of accepting or rejecting the Proposed Scheme;
- the current trading conditions for Nuplex;
- the timing and circumstances surrounding the Proposed Scheme;
- the attractions of Nuplex's business; and
- the risks of Nuplex's business.

Grant Samuel's opinion is to be considered as a whole. Selecting portions of the analyses or factors considered by it, without considering all the factors and analyses together, could create a misleading view of the process underlying the opinion. The preparation of an opinion is a complex process and is not necessarily susceptible to partial analysis or summary. For the avoidance of doubt appendices A to E form part of this report.

2.3 Approach to Valuation

Grant Samuel has estimated the value range of Nuplex with reference to its full underlying value. In Grant Samuel's opinion the price to be paid under a full takeover or scheme of arrangement that has the same economic intention and effect should reflect the full underlying value of the company. The support for this opinion is two fold:

- the Takeovers Code's compulsory acquisition provisions apply when the threshold of 90% of voting rights has been reached. In compulsory acquisition scenarios, the Takeovers Code seeks to avoid issues of premiums or discounts for minority holdings by providing that a class of shares is to be valued as a whole with each share then being valued on a pro rata basis. In other words, a minority shareholder is to receive its share of the full underlying value. Grant Samuel believes that the appropriate test for fairness under a full or partial takeover offer where the offeror will gain control is the full underlying value, prorated across all shares. The rationale for this opinion is that it would be inconsistent for one group of minority shareholders, those selling under compulsory acquisition, to receive a different price under the same offer from those who accepted the offer earlier; and

- under the Takeovers Code the acquisition of more than 20% of voting rights in a "code" company can only be made under an offer to all shareholders unless the shareholders otherwise give approval. As a result, a controlling shareholding (generally accepted to be no less than 40% of the voting rights) cannot be transferred without the acquirer making an offer on the same terms and conditions to all shareholders (unless shareholders consent). Prior to the introduction of the Takeovers Code some market commentators held the view that where a major shareholder had a controlling shareholding, any control premium attached only to that shareholding. One of the core foundations of the Takeovers Code is that all shareholders be treated equally. In this context, any control premium is now available to all shareholders under a takeover offer (in a scenario where an offeror will gain control), regardless of the size of their shareholding or the size of the offeror's shareholding at the time the offer is made.

Accordingly, Grant Samuel is of the opinion that not only because shares acquired under a compulsory acquisition scenario will receive a price equivalent to full underlying value, but because the control premium is now available to all shareholders, the share price under either a full or partial takeover offer or similar transaction such as a scheme of arrangement or amalgamation where the offeror will gain control, should be within or exceed the prorated full underlying valuation range of the company.

In the context of the Proposed Scheme only two outcomes are possible:

- The Proposed Scheme is approved by Nuplex shareholders and, if all other conditions are satisfied, the Proposed Scheme is then implemented and 100% of the shares in Nuplex would be acquired by Allnex. Nuplex would be delisted in that circumstance; or
- The Proposed Scheme is rejected by Nuplex shareholders and the Proposed Scheme then collapses and Allnex buys no shares in Nuplex. Nuplex will remain a listed company in that circumstance.

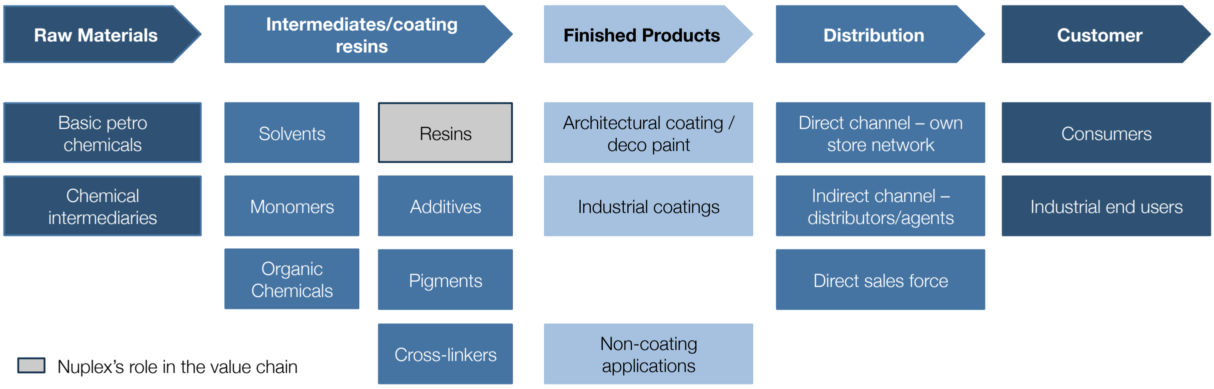
The Proposed Scheme therefore is similar to a full takeover in that it represents a potential change of control event. It is therefore appropriate that the value assessment should be the full underlying valuation of the company. For this reason Grant Samuel has valued Nuplex at fair market value, which is defined as the estimated price that could be realised in an open market over a reasonable period of time assuming that potential buyers have full information.

3. Overview of the Coatings Industry

3.1 Introduction

The coatings industry is a diverse sector of the broader chemical industry that includes a large number of local, regional and multinational participants. At the close of 2014, the global sales of coatings was estimated in an industry research paper to be approximately U.S. $130 billion and forecast to reach approximately US$195 billion by 2020[1]. The following diagram profiles the broad value and process chain in the coatings industry:

Coatings' Industry value chain



Source: Deutsche Bank

Some industrial coatings businesses are vertically integrated and own operations in different parts of the value chain, while others such as Nuplex are focussed specifically as a supplier of resins to coatings manufacturers. A brief definitional overview of selected resins and coatings are summarised below:

Industry Definitions/Sector Profiles

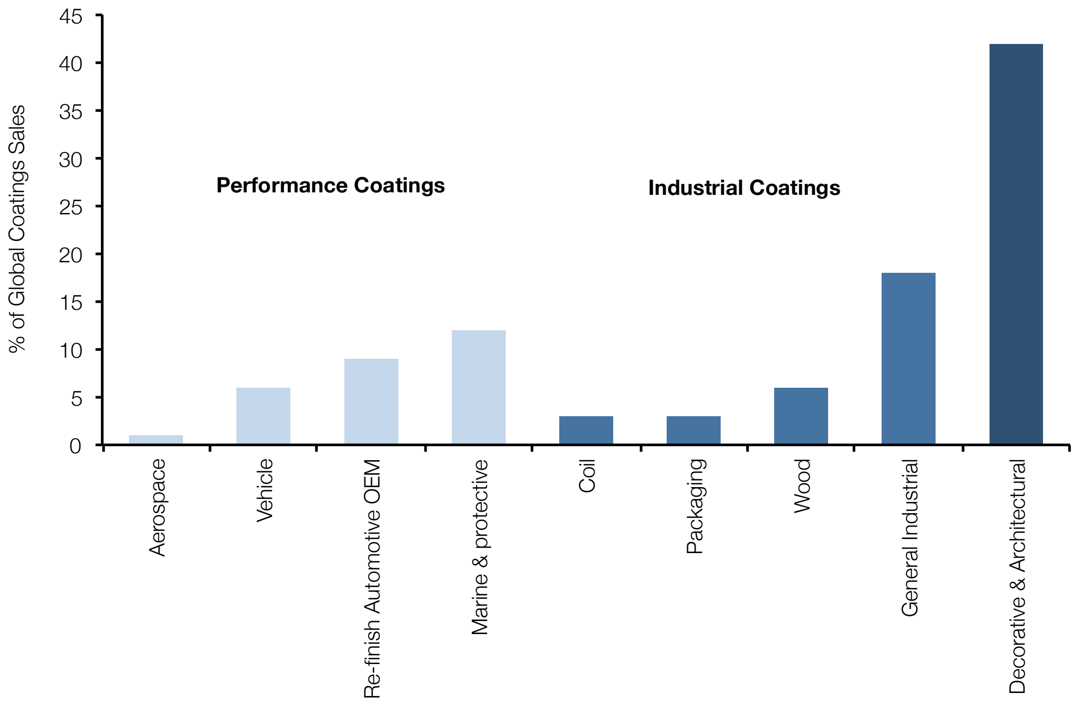
Coating	A material applied to a substrate for decorative, protective, or functional purposes. Such materials include paints, sealants, caulks, inks, adhesives and maskants (chemical milling).
Crosslinker	A crosslink is a bond (covalent or ionic bond) that links one polymer chain to another. "Polymer chains" can refer to synthetic polymers or natural polymers (such as proteins).
Industrial Resin	The term "industrial resins" refers to any synthetic polymer resin made for commercial use, which has adhesive, film-forming or useful reactive properties. Industrial resins have multiple applications ranging from synthetic leather to paint binders to imitation marble vanity tops and the adhesives used to bind plywood.
Coating Resin	Coating resins are made up liquid Resins & Additives, Radiation Curing Resins, Powder Coating Resins and Crosslinkers
Composite Resins	Composite resins are often used in dentistry as restorative material or adhesives. Synthetic resins evolved as restorative materials since they were insoluble, aesthetic, insensitive to dehydration, easy to manipulate and reasonably inexpensive.
Performance Coatings	Performance Coatings are products that will have exposure to diverse conditions, including the outdoors, high temperatures, detergents, abrasive and scouring agents, solvents and corrosive atmospheres. Products within this category are applied to ships, yachts, cars, trucks and buses, industrial installations, structural steel and aircraft.
Industrial Coatings	An industrial coating is a layer or layers of protective coating applied to steel, concrete and other materials to add or enhance specific properties such as corrosion resistance, wear resistance, conductivity and fire resistance. The coatings are manufactured with common polymers such as epoxy, polyurethane and moisture cure urethane.

[1] Global Paints and Coatings Market Outlook (2014-2022) Statistics MRC

Architectural Coatings	An architectural coating is a coating for application to the surface of a stationary structure, portable building, pavement or curb. Most are designated for specific uses such as roof coatings, wall paints, or deck finishes. Architectural coatings would typically contain some combination of decorative, durable and protective functions.
Decorative Coatings	A coating material primarily used for decoration rather than protection. Decorative coatings include clear and matte varnishes, metallic effect lacquers, customer-specific coatings as well as modified coatings. Decorative coatings are used on household appliances, writing instruments, cosmetic products, toys, fittings and automobile manufacture.

An overview of the global coating industry sales by end use market is summarised below:

Global Coatings Industry Sales by end use markets (% of sales)



The decorative and architectural coatings segment is considered the largest in the global coatings industry. Sector research suggests this segment represents more than half of the industry's total manufactured volume, but less than half of the value[2]. This dynamic is attributed to the generally lower price of decorative coatings compared to the often higher-priced industrial coatings that comprise products such as automotive coatings, refinish coatings, aerospace coatings and heavy duty protective coatings.

2 2013 Orr & Boss State of the Global Coatings Industry 2013 and beyond

3.2 Economic Influences and Regional Demand

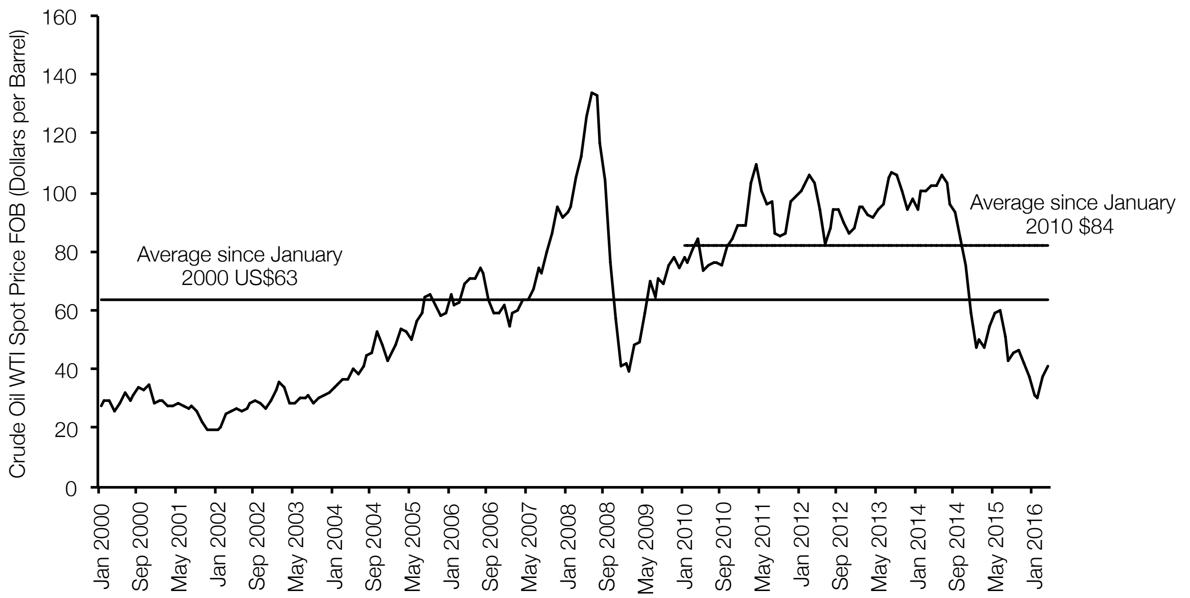
The demand for coatings is considered closely correlated to growth in GDP. During times of strong economic activity there is typically higher demand for coatings. The type of economic growth also impacts the demand for a particular coating segment. For example, demand for decorative coatings is influenced by the levels of housing activity and new construction, as well as levels of personal wealth. After the Global Financial Crisis the housing and construction markets in North America and Europe were soft, adversely impacting the demand for decorative coatings in those markets. However, the downturn for decorative coatings in the US and Europe was offset in part by stronger housing and construction markets in China and other parts of Asia Pacific.

The standard of living in each region is also a factor on demand for coatings. North America has the largest per capita demand for coatings at nearly 12 litres per person per annum[3] - significantly higher than the per capita demand within Asia Pacific and other developing regions. It is expected that the demand for coatings will progressively increase as the standard of living increases in the developing regions, especially when coupled with forecast strong population growth.

3.3 Oil Prices

Crude oil is the main feedstock for the manufacturing of resins and depending on the product can account for approximately half of the overall raw material costs. Resin manufacturers' revenue and margins are impacted by changes in the oil price as industrial customers expect any cost savings from a decline in raw material pricing to be passed on. Conversely, when oil prices increase, resin manufacturers tend to raise prices to cover the increase in raw materials. A chart depicting the price of crude oil between 2000-2016 is set out below:

Historical West Texas Crude Oil Prices



Source: Thomson Reuters

Historically, the industry has been disciplined in its cost recovery of rising oil, energy, labour and transportation costs. As would be expected there is often a time lag between the change in prices of raw materials and changes in market prices for resins but over time the gross margin as a percentage of sales for the industry appears to have remained relatively constant. A sustained low oil price environment is likely to result in lower revenue and a higher gross margin for resin manufacturers such as Nuplex.

3 2013 Orr & Boss State of the Global Coatings Industry 2013 and beyond

4. Profile of Nuplex

4.1 Overview

Nuplex is a dedicated resins business, specialising in developing and manufacturing innovative resins used in decorative, industrial, automotive and protective coatings. Nuplex's resin portfolio is focused on the higher margin, niche coatings markets. Nuplex operates in 12 countries and has 16 manufacturing sites located in New Zealand, Australia, America, Russia, Germany, Netherlands, England, China, Vietnam, Indonesia, Malaysia and Thailand. The business is organised into four geographical regions:

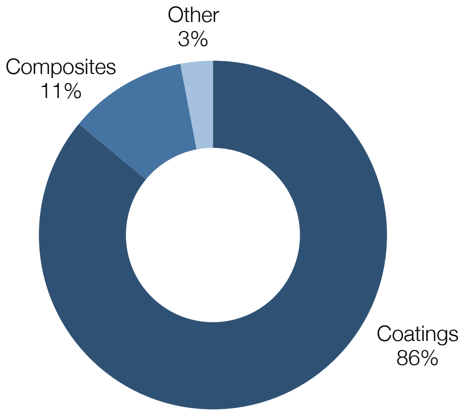
- Australia and New Zealand (**ANZ**);
- Asia (**Asia**);
- Europe, Middle East and Africa (**EMEA**); and
- North and South America (**Americas**).

Nuplex's technology and product portfolio seeks to position the company as a leading provider of resins and additives. The following table provides a brief overview of Nuplex:

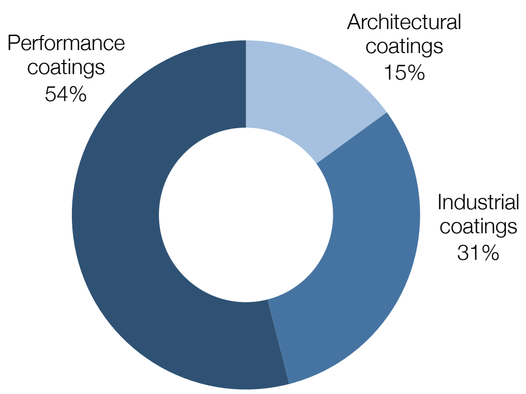
Business Unit	Activity	Location	Markets & End Products
Coating Resins	Manufactures resins used in architectural, industrial & protective coatings.	All 4 regions - ANZ, Asia, EMEA & Americas	Markets: building & construction, automotive, vehicle refinish, transport, infrastructure, marine & protective, furniture.
Composite Resins	Manufactures resins & coatings used in fibreglass, & distributes products used in fibreglass production.	ANZ & Asia	Markets: building & construction, manufacturing. End products: marine & leisure craft, transport.
Other Resins	*Construction Products*: Manufactures resins for self-levelling commercial flooring.	ANZ	Markets: residential, commercial & industrial building & construction.

Over 85% of Nuplex's sales from continuing operations in the financial year ended 30 June 2015 (**FY15**) were sold into the coatings sector, of which more than half were used in the manufacture of performance coatings:

Nuplex - End Use Sales by Product Type for FY15 (% of sales)



Nuplex - End Use Sales by Coatings Product Type for FY15 (% of sales)



4.2 History and Background

Nuplex has its origins in 1952 as a flooring distributor named Floor Tiles and Parquet Ltd (**FTP**). FTP expanded into Australia in the late 1950s through a joint venture with British flooring resins company Revertex. In 1967 Revertex NZ and FTP merged to form Revertex Industries and began producing solvent borne resins for coatings as well as composite resins for structural materials.

During the 1970s Revertex Industries expanded its product and technology profile to include resins for adhesives, printing inks, coatings and paints through technology partnerships and licensing agreements with leading producers in the US and Europe.

As a result of trade protectionist policies that had been in place since the 1960s, the New Zealand resins industry was highly fragmented. When the government began to remove these protectionist policies, Revertex Industries began acquiring many of its competitors. Key acquisitions in 1998 and 1999 were Australian Chemical Holdings in 1998 and Dulux Resins in 1999, establishing Nuplex as the leading resins manufacturer in the Australasian market. Exports also began to Asia and the Pacific Islands.

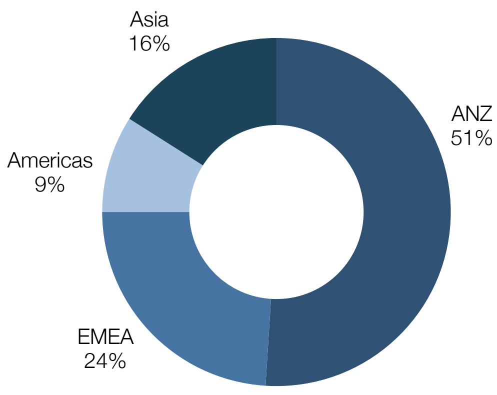
In 2002 Nuplex entered the chemical agency and distribution sector with the purchase of Australian based Asia Pacific Specialty Chemicals Limited, which broadened its distribution network and expertise in specialty materials used in the construction, food, soap and rubber industries. Nuplex proceeded to acquire another agency and distribution business PML Holdings Limited (operating Polychem Marketing Limited in New Zealand and Multichem Limited in Australia) to form Nuplex Specialties. Nuplex Specialties focused on importing ingredients used in food manufacturing for customers including Goodman Fielder, Mondelez, Fonterra and Nestle. It also distributed a broad range of raw materials used in industrial applications for customers including Dulux, Wattyl and Resene. In November 2014 Nuplex sold its Specialties business, making Nuplex a pure-play resins company.

In 2004 Nuplex acquired a manufacturing facility in Foshan in China and in 2005 established a position in coating resins and additives in the European and American markets by acquiring Akzo Nobel's coating resins business for approximately NZ$215 million. The Akzo Nobel acquisition strengthened Nuplex's position in the global chemicals industry by doubling the size of the company and adding manufacturing sites in Europe, America, South East Asia and China as well as a comprehensive R&D network spread across Europe and America.

In 2011 Nuplex acquired Viverso from Bayer for a total acquisition cost of €75 million. Viverso is a manufacturer of solvent free, water resistant resins used in construction coatings, resins for putties used in vehicle refinish and resins offering chemical resistance and high temperature performance.

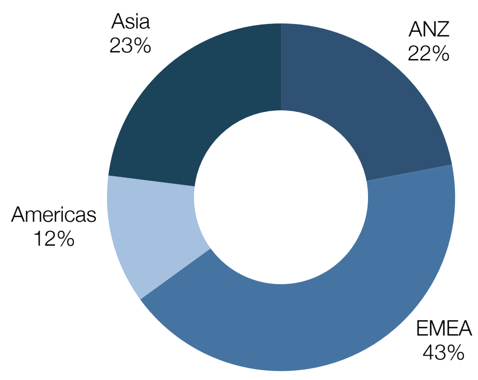
Over the last five years Nuplex has focused on transforming its business from an Australasian focused chemical company to a dedicated resins company spread across a number of geographies. Revenue from Australasia as a percentage of group revenues has progressively reduced from 51% in FY10 to approximately 22% in FY15:

Nuplex - Sales by Region for FY10 (% of sales)



Total Sales FY10 $1,460m

Nuplex - Sales by Region for FY15 (% of sales)



Total Sales FY15 $1,375m

4.3 Regions

The financial information below sets out the results for the years ended 30 June 2012, 2013, 2014 and 2015, together with the forecast for the year ended 30 June 2016 and the strategic plan for the year ended 30 June 2017. This information has been sourced from Nuplex.

The strategic plan for the year ended 30 June 2017 has been prepared based on recent trends and Nuplex management's expectations of volumes, pricing and margins, overheads and other costs. The FY17 strategic plan assumes that:

- there are no significant changes to the global economy, or the regional or national economies or key industry sectors in which Nuplex operates;
- there are no significant changes in Nuplex's business, including acquisitions or disposals of material businesses;
- foreign exchange rates for the twelve months to 30 June 2017 of: EUR:NZD 0.60, USD:NZD 0.66 and AUD:NZD 0.91;
- volumes grow in FY17 by 15% compared to FY16. This growth is assumed to be driven mainly by increases in capacity in Asia, growth in Russia;
- sales revenue grows by 15% compared to FY16. The growth is assumed to be driven mainly by changes in volume;
- gross margin percentage is lower than FY16 due to assumed increases in raw material costs and competitive conditions in some of Nuplex's markets; and
- overheads and other costs continue in line with recent trends and Nuplex management expectations. Plant operating costs are assumed to increase due to increases in capacity in Asia.

EMEA

Nuplex's EMEA business is well established in Western Europe, from which it also supplies the Middle East markets. A large proportion of Nuplex's EMEA earnings are generated from sales to the European automotive industry. Nuplex's operations in the EMEA region include four manufacturing sites (United Kingdom, Netherlands, Germany and Russia), two technical labs and an innovation centre. The financial performance of EMEA for the years ended 30 June 2012, 2013, 2014 and 2015, together with the forecast for the year ending 30 June 2016 and plan for 2017 are summarised in the table below:

Nuplex EMEA - Financial Performance

Year End 30 June (€ millions)	FY12	FY13	FY14	FY15	FY16F	FY17P
Volumes (tonnes)	127,489	153,469	157,934	173,543	174,353	186,890
Sales	302.9	360.7	363.7	379.3	361.5	398.8
EBITDA	**29.5**	**28.6**	**33.8**	**39.3**	**40.0**	**41.0**
EBITDA Margin	*9.7%*	*7.9%*	*9.3%*	*10.4%*	*11.1%*	*10.3%*
EBITDA (excluding Acure/Technology)	**29.5**	**28.6**	**33.8**	**39.3**	**40.0**	**40.6**

Source: Nuplex management accounts and the Nuplex forecast and strategic plan F = Forecast P = Plan

The following points should be taken into consideration when reviewing the table above.

- EMEA has achieved strong growth primarily due to the acquisition of Viverso in FY12. The acquisition of Viverso, now renamed Nuplex Germany - expanded Nuplex's global product portfolio particularly in speciality resins and polyols, gave Nuplex a manufacturing facility in Germany and allowed Nuplex to access the emerging markets of Central and Eastern Europe;
- In FY14, Nuplex acquired operating assets in Russia. FY15 represents the first full 12 month period for the Russian operations and accounts for almost half of the increase in EMEA volume achieved in FY15. The Russian businesses are understood to produce resins to a higher quality than produced by other manufacturers in the Russian market;
- In FY15 lower raw material costs were passed through to customers, which resulted in sales growth being lower relative to the volume growth achieved;

- The progressive improvement in EBITDA margin has been achieved through a combination of a change of product mix resulting in a greater proportion of higher margin products being sold, approximately €2 million in cost savings, efficiencies realised at the German Bitterfeld operations and a reduction in raw material costs.
- Growth has historically been achieved in the Automotive OEM, flooring and powder sectors. In the first half of FY16 the EMEA market was weak, especially in the Middle East and Russia; and
- Since FY09 sales volume in EMEA has doubled, with approximately 40% coming from organic growth and 60% from the acquisition of Viverso in Germany and the business in Russia. Future growth is expected to come from utilising increased capacity (predominantly in Russia), market share gains and where possible benefits from the increasing profile of the Acure technology (refer to section 4.5).

Asia

Nuplex's Asian operation comprises an extensive production network comprising seven manufacturing sites (three in China and one in each of Malaysia, Vietnam, Indonesia and Thailand), four technical labs and a research and development centre. Nuplex Asia also operates a significant distribution network with 10 sales offices located throughout the region. The financial performance of Nuplex Asia for the years ended 30 June 2012, 2013, 2014 and 2015, together with the forecast for the year ending 30 June 2016 and plan for 2017 are summarised in the table below:

Nuplex Asia Financial Performance

Year End 30 June (US$ millions)	FY12	FY13	FY14	FY15	FY16F	FY17P
Volumes (tonnes)	88,349	96,664	102,714	108,613	115,444	145,442
Sales	208.3	232.8	247.1	247.5	230.9	279.1
EBITDA	**21.6**	**24.3**	**26.4**	**29.6**	**30.1**	**32.2**
EBITDA Margin	*10.4%*	*10.5%*	*10.7%*	*11.9%*	*13.0%*	*11.5%*
EBITDA (excl. Specialties & Masterbatch)	**21.4**	**24.2**	**26.4**	**29.7**	**30.1**	**32.2**

Source: Nuplex management accounts and the Nuplex forecast and strategic plan F = Forecast P = Plan

The following points should be taken into consideration when reviewing the table above.

- Nuplex has focused on capacity expansion in Asia including a US$50 million investment that will increase the capacity in the Asian region by 75%. This investment has included:
  - US$35 million to develop manufacturing in China (Changshu). The new Changshu site has doubled Nuplex's manufacturing capacity in China allowing the company to target new markets such as adhesives and textiles, while also allowing sustainable local production of product that was previously imported;
  - US$1.5 million in Thailand;
  - US$7.5 million in Vietnam to expand manufacturing capacity; and
  - the commissioning of a US$5.4 million reactor in Indonesia (Surabaya).
- Asia's growth in revenue and EBITDA in FY15 reflects the increase in the available capacity, improved Automotive OEM demand in China and increasing construction activity in Vietnam. In the first half of FY16 Nuplex commented that demand in the region was generally steady. In FY16 China is expected to contribute approximately half of Nuplex Asia's revenue with Vietnam contributing approximately 20% and Indonesia approximately 13%; and
- Management anticipate that due to the recent investment in capacity, revenue from the Asia region should grow to more than US$350 million per annum by FY19.

Americas

Nuplex's operations in the Americas include two manufacturing sites and a research and development centre. Nuplex Americas supplies products to a wide range of industries and the company has established a particularly strong market position in protective coatings (agricultural and industrial) and vehicle refinish. The financial performance of Americas for the years ended 30 June 2012, 2013, 2014 and 2015, together with the forecast for the year ending 30 June 2016 and plan for 2017, are summarised in the table below:

Nuplex Americas Financial Performance

Year End 30 June (US$ millions)	FY12	FY13	FY14	FY15	FY16F	FY17P
Volumes (tonnes)	33,478	33,481	36,457	36,714	31,489	36,976
Sales	118.7	128.8	136.2	133.0	123.7	131.9
EBITDA	**12.9**	**16.9**	**17.2**	**19.4**	**22.1**	**19.1**
EBITDA Margin	*10.9%*	*13.1%*	*12.6%*	*14.6%*	17.9%	*14.5%*
EBITDA (excl. Acure/Technology)	**12.9**	**16.9**	**17.2**	**19.4**	**22.1**	**18.8**

Source: Nuplex management accounts and the Nuplex forecast and strategic plan F = Forecast P = Plan

The following points should be taken into consideration when reviewing the table above:

- Nuplex America's has been a solid performer with relatively constant volumes and reliable EBITDA, although the market is characterised by excess industry capacity resulting in intense competition. The weakness in the wider oil and gas industry has continued into the first half of 2016;
- An increase in volumes in the decorative, high-end metal and general metal resin segments more than offset the loss of a significant tolling contract in FY14. The focus on increasing volumes and capacity utilisation led to a small decline in EBITDA margin in that year;
- The EBITDA margin in FY15 slightly improved due to a shift in product mix to higher margin products, an improvement in margin management and benefits from procurement initiatives. The improvement in EBITDA was achieved despite lower sales and only a small increase in volumes; and
- The business is forecasting year on year volume increases based on Acure, developing markets in Mexico and a focus on flooring and construction.

ANZ and Head Office

Nuplex's ANZ operations include the corporate head office, three manufacturing sites, a technical site and a research and development centre. In FY15 the business moved from reporting certain costs that were previously included in the ANZ Region financial result to reporting these costs separately as 'Unallocated' costs. This change makes it difficult to compare the historical performance for the ANZ stand-alone business going back to FY12. The financial performance of ANZ and Head Office for the years ended 30 June 2012, 2013, 2014 and 2015, together with the forecast for the year ending 30 June 2016 and plan for 2017, are summarised in the table below on a constant currency basis:

ANZ and Head Office Financial Performance – constant currency

Year End 30 June (NZ$ millions)	FY12	FY13	FY14	FY15	FY16F	FY17P
Volumes (tonnes)	98,783	96,413	92,184	87,843	68,408	71,185
Sales	625.9	595.1	579.7	431.4	302.9	319.4
EBITDA	**30.8**	**26.5**	**16.1**	**11.3**	**12.3**	**21.8**
EBITDA Margin	*4.9%*	*4.5%*	*2.8%*	*2.6%*	*4.1%*	*6.8%*
Specialties and Masterbatch	(18.0)	(22.9)	(15.1)	(6.4)	-	-
Pulp and paper	(4.3)	(4.6)	(4.1)	(3.8)	-	-
Adjusted EBITDA	**8.5**	**(1.0)**	**(3.0)**	**1.2**	**12.3**	**21.8**

Source: Nuplex management accounts and the Nuplex forecast and strategic plan F = Forecast P = Plan

The following points should be taken into consideration when reviewing the table above:

- In Australasia manufacturing industries have generally been in progressive decline due to the high Australian dollar and high wage costs. As a consequence of the increasing cost base, a number of Nuplex's customers moved their manufacturing operations to Asia. This reduced results in FY13 and FY14;
- In November 2014, Nuplex divested two non-core ANZ businesses - Nuplex Specialties (trading & agency business) and Nuplex Masterbatch (plastic additives business) (**Specialties and Masterbatch**) - to Axieo Pty Limited for A$127.5 million as part of the transition to become a dedicated global resins business;
- In April 2016 Nuplex announced the sale of its Pulp and Paper division. The EBITDA contribution from this division has been excluded from the FY16 forecast and FY17 plan;
- Following these changes, Nuplex ANZ's remaining business includes three distinct business units with shared operational and support facilities. The business units are Coating Resins, Composite Resins and Construction products, representing approximately 43%, 51% and 6% of ANZ's FY15 revenue respectively;
- In Coatings Resins, where Nuplex has approximately 30% of the Australian market, the key multinational competitors to Nuplex are Dow Chemicals and BASF. Both these entities are also suppliers of raw materials and are vertically integrated. The coatings resins market is expected to show signs of improvement for Nuplex after competitor BASF announced its intended exit from local manufacturing of emulsions;
- In Composite Resins, Nuplex is the market leader in the ANZ region. Valspar recently exiting the ANZ composite market has reinforced this position and Nuplex enjoys strong margins in its composite business;
- In the first half of FY16 there has been some growth observable in the Australian building and construction sectors;
- The increase in adjusted EBITDA in FY15 (excluding the Specialties and Masterbatch divested business units) reflects the benefits of the NuLeap efficiency and cost savings programme (see section 4.4) that has resulted in a turnaround of ANZ's business. Through this initiative Nuplex has been able to successfully realign its capacity with the reduced demand in ANZ;
- The ANZ region's adjusted EBITDA is forecast to increase from NZ$1.2 million in FY15 to NZ$12.3 million in FY16; and
- The key drivers of growth in ANZ in FY17 and beyond are market share growth by leveraging the exit of BASF from local manufacturing, continued margin improvement for composite products and the continuation of NuLeap (i.e. operational and cost improvements).

4.4 NuLeap

In 2010 Nuplex initiated an operational improvement and excellence programme call NuLeap, focussing on improving sales, operations, logistics and network efficiencies. This programme has been the catalyst for a significant change in the business. In the financial year ending 30 June 2016 Nuplex estimate that the combined benefit of all restructuring activities will deliver annualised earnings of approximately $11 million. The NuLeap programme will also result in the progressive disposal of surplus property in ANZ totalling approximately $20 million and the divestment of selected non-core business units.

In response to the structural changes in the Australian manufacturing market and the resulting customer shift, a key part of NuLeap was to restructure Nuplex's Australasian operations to adjust manufacturing capacity to more closely match the decreased level of demand. Key initiatives that have been undertaken under the NuLeap programme include:

ANZ Restructuring

Year	Initiative
2013	▪ Decommissioned: – high-temperature plant at the site in Penrose, New Zealand; – the site at Onehunga, New Zealand; and – the site at Wangaratta, Victoria. ▪ Invested A$22 million to increase the efficiency and flexibility of the sites at Penrose in New Zealand and Botany and Wacol in Australia.
2014	▪ Reorganised the ANZ business units to reduce the overhead cost structure and simplify the regional organisation into two business units being: – ***Resins:*** bringing together the coating resins, composites, pulp and paper and construction products businesses; – ***Specialties:*** capturing the agency and distribution business, Nuplex Specialties and the plastic additives business, Nuplex Masterbatch. ▪ Completed the reorganisation of Nuplex Australia and New Zealand realising $4.5 million per annum in ongoing cost savings.
2015	Decommissioned the site at Canning Vale, Western Australia. This last decommissioning was the end of the work stream that reduced regional capacity by 30% to align it with the anticipated demand and to seek to create a sustainable and profitable business.

4.5 Research, Development and Technology

Research and development is central to Nuplex's business to ensure the company continues to innovate, design products to meet client's needs and to provide application and technical support. The centre of Nuplex's R&D operations is located in the Netherlands and is supported by technical centres in Australia, New Zealand, Asia, Europe and America. The R&D network allows Nuplex to develop tailored solutions for customers, regardless of the customer's location and product requirements.

In 2015 Nuplex launched *Acure*, a specialised and highly researched product it had been developing since 2007. Coatings formulators traditionally need to balance the dry time of a coating with the time in which the paint becomes unusable, which is referred to as pot-life. *Acure* has sought to address this issue with a new two-package coating technology that provides enhanced control over drying speed and pot-life. The *Acure* system is designed to deliver fast dry times, long pot-life and product cures at low temperatures.

When used in coatings applied in large-scale processes, Nuplex considers *Acure* has the potential to reduce manufacturing times significantly. Nuplex has begun to introduce *Acure* to customers across its network and initial feedback to the new technology is favourable. Nuplex estimates that the global market opportunity for *Acure* is between US$1 and $2 billion per annum. If a portion of this can be captured, the product will be a success and it would become a significant contributor to Nuplex.

4.6 Financial Performance

The financial performance of Nuplex for the years ended 30 June 2012, 2013, 2014 and 2015, together with the forecast for the year ending 30 June 2016 and the plan for 2017 are summarised in the table below:

Nuplex Financial Performance (NZ$ millions)

Year end 30 June	2012	2013	2014	2015	2016F	2017P
Sales	1,615.9	1,664.9	1,355.3	1,374.7	1,382.2	1,587.0
Cost of sales	(1,261.4)	(1,293.3)	(1,051.5)	(1,048.6)	(999.8)	
Gross Profit	**354.5**	**371.6**	**303.8**	**326.1**	**382.4**	
Gross margin %	*22%*	*22%*	*22%*	*24%*	*28%*	
Distribution expenses	(77.6)	(88.2)	(72.0)	(73.7)	(77.4)	
Marketing expenses	(83.9)	(84.0)	(61.7)	(61.3)	(66.1)	
Administration expenses	(66.0)	(71.5)	(66.9)	(71.3)	(81.5)	
Other	4.0	(1.5)	7.2	7.5	(1.0)	
Normalised EBITDA	**131.0**	**126.4**	**110.4**	**127.3**	**156.4**	**168.2**
EBITDA margin	*8.1%*	*7.6%*	*8.1%*	*9.3%*	*11.3%*	*10.6%*
Depreciation and amortisation	(27.8)	(33.1)	(34.0)	(32.8)	(37.3)	(39.5)
Normalised EBIT	**103.2**	**93.3**	**76.4**	**94.5**	**119.2**	**128.7**
Significant items	(3.6)	(16.4)	(3.8)	(7.0)	(6.0)	-
Net financing costs	(14.0)	(16.6)	(17.6)	(10.9)	(13.8)	(13.4)
Share of profits of associates	(1.8)	1.8	2.1	1.9	1.9	2.2
Net profit before tax	**83.7**	**62.1**	**57.1**	**78.5**	**101.3**	**117.5**
Income tax expense	(19.3)	(16.8)	(11.8)	(17.4)	(23.8)	(29.4)
Profit from continuing operations	**64.5**	**45.3**	**45.3**	**61.1**	**77.5**	**88.1**
Profit from discontinued operations	-	-	9.4	12.5	9.2	-
Profit after tax	**64.5**	**45.3**	**54.7**	**73.6**	**86.7**	**88.1**

F = Forecast P = Plan

The following points should be taken into consideration when reviewing the table above.

- In the year to 30 June 2015 Nuplex reported a strong earnings rebound on similar revenue to 2014. 82% of the EBITDA growth was generated in EMEA, Asia and the Americas business units, endorsing the validity of the strategy to grow in attractive manufacturing markets. In the first half of FY16, EBITDA growth was enjoyed in ANZ, Asia and Americas, offsetting a weak start in EMEA;
- Nuplex's earnings are sensitive to changes in exchange rates - primarily the translation of overseas earnings into NZD. The recent weakness of the NZD against both the USD and EUR has resulted in an increase in reported NZD earnings. The following table provides an analysis of the financial performance using a constant currency:

Nuplex Financial Performance (NZ$ millions) – constant currency

Year End 30 June (NZ$)	FY12	FY13	FY14	FY15	FY16F	FY17P
Sales	1,607.0	1,722.7	1,744.0	1,617.5	1,421.4	1,582.6
EBITDA	**135.6**	**135.4**	**137.7**	**146.8**	**155.0**	**165.0**
EBITDA Margin	*8.4%*	*7.9%*	*7.9%*	*9.1%*	*10.9%*	*10.4%*
Adjusted EBITDA[4]	**112.6**	**107.4**	**118.3**	**137.1**	**155.0**	**163.8**

Source: Nuplex management accounts

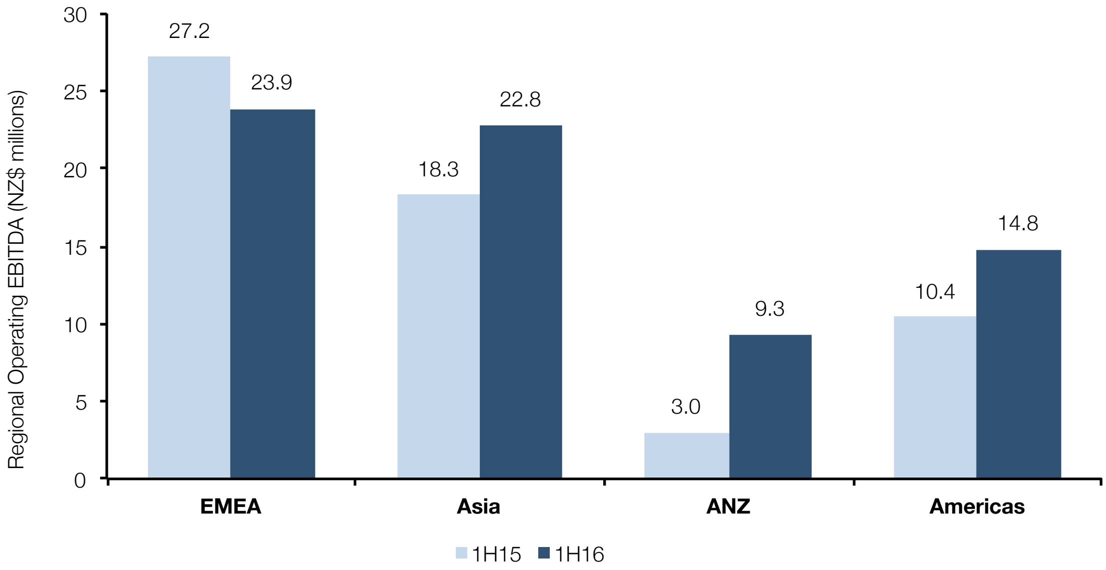
- After normalising for currency movements, the financial result in FY15 reflects some of the benefits of the progressive restructuring of the ANZ business and the investment in capacity in Asia;

[4] Adjusted EBITDA excludes Specialties and Masterbatch, Pulp and Paper and earnings from Acure and other new technology in FY17.

- Investments in associates in FY15 relates to Nuplex's 47% ownership of Synthese (Thailand) Co Limited. In prior years Nuplex also had investments in two Australian companies that have now been divested;
- In November 2014, Nuplex completed the sale of Specialties and Masterbatch. The earnings contribution from these two businesses is recognised as profit from discontinued operations in FY14 and FY15; and
- In April 2016, Nuplex announced the sale of the Pulp and Paper business which is expected to be completed by 30 June 2016. The earnings contribution from this business is recognised as profit from discontinued operations in FY16.

An overview of the EBITDA by region for the first half of FY16 is summarised in the table below:

Nuplex Regional Operating EBITDA first half FY16 (NZ$ million)



4.7 Financial Position

The financial position of Nuplex as at 30 June 2014, 2015 and at 30 April 2016 is outlined in the table below:

	30 June		30 April
	2014	**2015**	**2016**
Cash and cash equivalents	73.1	91.1	65.3
Trade and other receivables	351.1	351.5	340.9
Inventories	233.0	185.0	156.7
Properties held for sale	15.6	10.3	-
Other	2.5	3.8	1.3
Current assets	**675.3**	**641.7**	**564.2**
Property, plant and equipment	303.5	357.0	335.9
Intangible assets	196.0	148.0	145.9
Investment in associates	4.8	7.0	15.1
Other	20.7	28.4	28.1
Non-current assets	**525.0**	**540.4**	**525.1**
Total assets	**1,200.3**	**1,182.1**	**1,089.3**
Trade and other payables	309.1	286.1	258.0
Provisions	3.4	9.5	5.6
Income tax payable	9.6	14.8	12.1
Current liabilities	**322.1**	**310.4**	**275.7**
Borrowings	304.8	231.0	192.6
Employee provisions	43.7	47.9	49.5
Deferred tax liability	15.5	16.4	15.7
Other liabilities	**364.0**	**295.3**	**257.9**
Total liabilities	**686.1**	**605.7**	**533.5**
Net assets	**514.2**	**576.4**	**555.8**
Net debt	*231.7*	*139.9*	*127.3*
Gearing[5]	*31.1%*	*19.5%*	*18.6%*

The following points should be taken into consideration when reviewing the table above:

- Gearing (net debt/net debt + equity) has reduced from 31.1% as at 30 June 2014 to 18.6% as at 30 April 2016. The improvement reflects the reduction in borrowings from the proceeds of the sale of surplus assets and the Specialties and Masterbatch businesses;
- The progressive reduction in inventory values in part reflects the steadily contracting oil price and its impact on feedstock pricing;
- Properties held for sale in FY14 and FY15 are Australian properties that have subsequently been sold in the FY16 year; and
- Intangible assets reduced in FY15 following the sale of Specialties and Masterbatch.

[5] Net debt/(Net debt plus equity)

4.8 Cash Flows

The cash flows for Nuplex for the years ended 30 June 2012, 2013, 2014 and 2015 are shown in the table below:

Nuplex Cash Flow (NZ$ millions)

Year end 30 June	2012	2013	2014	2015
Net profit	64.5	45.3	54.7	73.6
Depreciation and amortisation	27.8	33.1	36.4	33.4
Share of profits/dividends from associates	3.1	(0.6)	(0.4)	(1.4)
Movement in working capital	(36.2)	17.8	(32.8)	21.4
Other	(10.8)	16.2	(6.8)	(9.3)
Cash flow from operating activities	**48.4**	**111.8**	**51.1**	**117.7**
Disposal of property, plant and equipment	0.5	0.2	2.1	0.4
Payments for property, plant and equipment	(31.5)	(48.3)	(63.2)	(56.5)
Payments for purchase of businesses	(130.5)	(7.0)	-	-
Disposal of businesses	4.0	2.0	3.3	133.4
Cash flow from investing activities	**(157.6)**	**(53.1)**	**(57.8)**	**77.3**
Net movement in borrowings	155.1	3.8	39.7	(117.4)
Share buyback	-	-	-	(25.6)
Dividends paid	(43.0)	(39.6)	(43.4)	(43.9)
Cash from financing activities	**112.0**	**(35.8)**	**(3.7)**	**(186.9)**
Net cash flow	**2.8**	**22.9**	**(10.4)**	**8.1**

In reviewing the above table the following should be considered:

- From FY12 to FY15 Nuplex invested approximately NZ$200 million on capital items;
- The payment for purchase of businesses in FY12 largely relates to the acquisition of Viverso that was acquired for €69.3 million; and
- Following the sale of Specialties and Masterbatch, Nuplex reduced its debt position and undertook an on market share buyback of up to 5% of Nuplex's issued share capital. As at 2 October 2015, Nuplex had acquired 4.8% of issued capital at an average of $3.69 per share. The company stopped buying shares on 2 October 2015 before the Annual Meeting blackout period and the programme did not resume.

4.9 Capital Structure and Ownership

As of 20 May 2016 Nuplex had 188.6 million shares on issue held by approximately 7,496 shareholders. The share register is relatively open, with no major shareholder. The top 20 shareholders are shown in the table below:

Nuplex – Top 20 Shareholders as shown on the Company's share register as at 20 May 2016

Shareholder	Shares (000s)	%
HSBC Nominees (New Zealand) Limited	38,430	20.4%
National Nominees Ltd	18,633	9.9%
Citibank Nominees (New Zealand) Ltd	13,683	7.3%
Accident Compensation Corporation	12,757	6.7%
JP Morgan Chase Bank (New Zealand)	7,347	3.9%
JP Morgan Nominees Australia Limited	6,761	3.6%
FNZ Custodians Limited	5,342	2.8%
Masfen Securities Limited	4,297	2.3%
Deutsche Securities New Zealand Limited	3,523	1.9%
Citicorp Nominees Pty Limited	2,760	1.5%
NZ Superannuation Fund Nominees Limited	2,194	1.2%
Forsyth Barr Custodians Limited	1,562	0.8%
New Zealand Depository Nominee Limited	1,084	0.6%
Investment Custodial Services Limited	971	0.5%
HSBC Custody Nominees (Australia) Limited	947	0.5%
New Zealand Permanent Trustees Limited	900	0.5%
Cogent Nominees (NZ) Limited	882	0.5%
Custodial Services Limited	816	0.4%
BNP Paribas Nominees (NZ) Limited	801	0.4%
FNZ Custodians Limited	709	0.4%
Top 20 Shareholders	**124,402**	**66.0%**
Other Shareholders	**64,191**	**34.0%**
Total	**188,593**	**100.0%**

The following table shows the volume of Nuplex shares traded over the 12 months prior to the announcement of the Proposed Scheme, the price ranges and the volume weighted average price for the respective time periods:

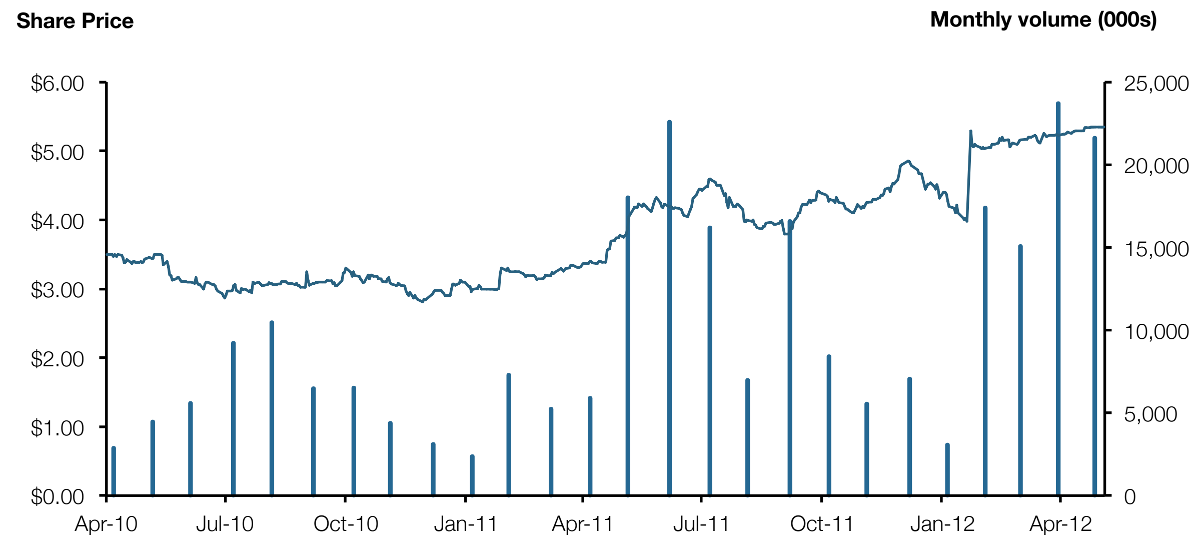
Nuplex – Share Trading Summary Prior to Offer Announcement

Time period	Low	High	VWAP	Volume (000s)
1 months	3.80	4.54	4.17	4,994
3 months	3.80	4.86	4.30	16,127
6 months	3.71	4.86	4.11	47,608
12 months	2.97	4.86	3.95	123,990

4.10 Share Price Performance

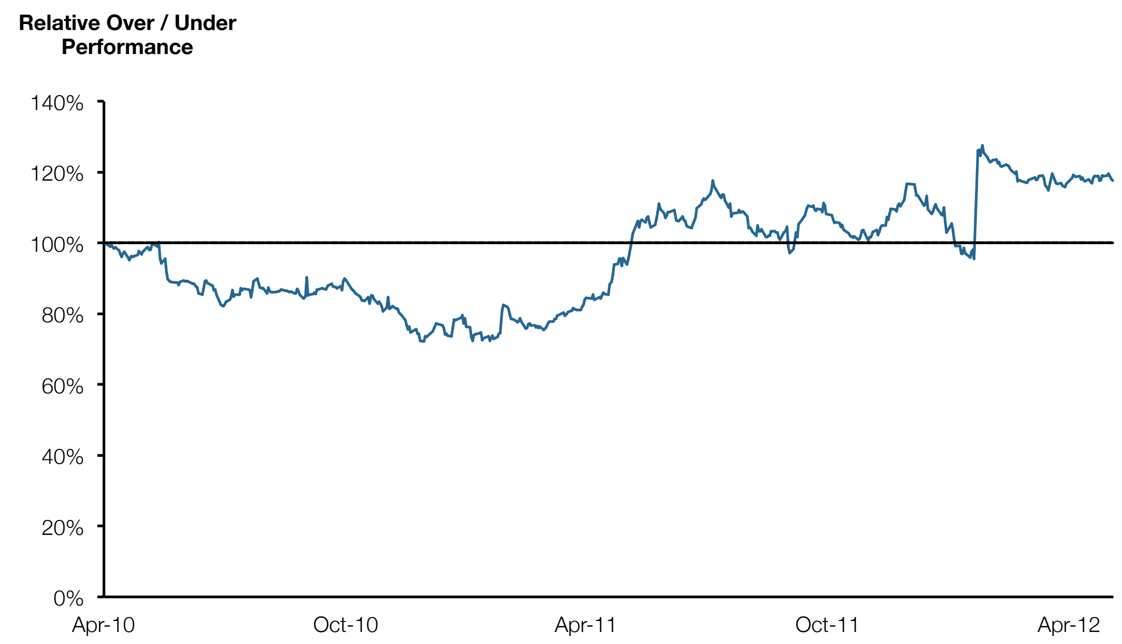
The share price and trading volume history of Nuplex shares is depicted graphically below.

Nuplex – Share price performance over the last two years



Nuplex's share price against the NZX50 index is shown in the graph below:

Nuplex – Share price performance relative to the NZX50 Gross Index



Nuplex's share price performance improved in mid 2015 following guidance of improved financial performance to the market in May 2015. In February 2015 Nuplex also initiated a programme to buy back up to 5% of the issued capital, potentially indicating the company believed its shares were undervalued and resulting in upwards pressure on the share price following a period of relative underperformance during 2014.

5. Valuation of Nuplex

5.1 Preferred Methodology

Overview

Grant Samuel's valuation of Nuplex has been estimated on the basis of fair market value as a going concern, defined as the estimated price that could be realised in an open market over a reasonable period of time assuming that potential buyers have full information. The valuation of Nuplex is appropriate for the acquisition of the company as a whole and accordingly incorporates a premium for control. The value is in excess of the level at which, under current market conditions, shares in Nuplex could be expected to trade on the share market. Shares in a listed company normally trade at a discount of 15% - 25% to the underlying value of the company as a whole, but the extent of the discount (if any) depends on the specific circumstances of each company.

The most reliable evidence as to the value of a business is the price at which the business or a comparable business has been bought and sold in an arm's length transaction. In the absence of direct market evidence of value, estimates of value are made using methodologies that infer value from other available evidence. There are four primary valuation methodologies commonly used for valuing businesses:

- capitalisation of earnings or cash flows;
- discounting of projected cash flows (**DCF**);
- industry rules of thumb; and
- estimation of the aggregate proceeds from an orderly realisation of assets.

Each of these valuation methodologies has application in different circumstances. The primary criterion for determining which methodology is appropriate is the actual practice adopted by purchasers of the type of business involved. A detailed description of each of these methodologies is outlined at Appendix C.

Preferred Approach

Grant Samuel's valuation of Nuplex represents an overall judgment having considered the value outcomes derived using different valuation methodologies.

The capitalisation of earnings methodology is commonly used by purchasers of resin and coating businesses, however careful judgement needs to be exercised given the exposure of different businesses in the sector, technology enhancements and the markets in which each operate. Grant Samuel has adopted the capitalisation of earnings methodology as its preferred approach to value the core resins business.

DCF analysis has a strong theoretical basis. It is the most commonly used method for valuation in a number of industries and for the valuation of start-up projects where earnings during the first few years can be negative. DCF valuations involve calculating the net present value (**NPV**) of projected cash flows. The cash flows are discounted using a discount rate, which reflects the risk associated with the cash flow stream. Considerable judgement is required in estimating future cash flows and the valuer generally places great reliance on medium to long term projections prepared by management. The discount rate is also not an observable number and must be inferred from other data (usually only historical). None of this data is particularly reliable so estimates of the discount rate necessarily involve a substantial element of judgement. In addition, even where cash flow forecasts are available the terminal or continuing value is usually a high proportion of value. Accordingly, the multiple used in assessing this terminal value becomes the critical determinant in the valuation (i.e. it is a "de facto" cash flow capitalisation valuation). NPV outcomes are typically extremely sensitive to relatively small changes in underlying assumptions, few of which are capable of being predicted with accuracy, particularly beyond the first two or three years. The arbitrary assumptions that need to be made and the width of any value range mean the results are often not meaningful or reliable. Notwithstanding these limitations, DCF analyses can play a role in providing a check on alternative methodologies, not least because explicit and relatively detailed assumptions need to be made as to the expected future performance of the business operations. Grant Samuel has also utilised DCF analysis as a cross check to its valuation and specifically to value the Technology asset.

5.2 Valuation Summary

Grant Samuel has estimated the equity value of Nuplex in the range of $1.03 billion to $1.13 billion or $5.36 to $5.86 per share. The valuation represents the estimated full underlying value of Nuplex assuming 100% of the company was available to be acquired and includes a premium for control. The value exceeds the price at which, based on current market conditions, Grant Samuel would expect Nuplex shares to trade on the NZX in the absence of a takeover offer or acquisition scheme similar in nature to the Proposed Scheme. Grant Samuel's valuation is summarised below:

Nuplex – Valuation Summary

$ million except where otherwise stated	Low	High
Enterprise value for the Group (excl. Technology)	1,120	1,200
Net debt for valuation purposes	(144)	(144)
Pulp and Paper Assets	22	22
Technology	34	48
Equity value	**1,032**	**1,127**
Fully diluted shares on issue (million)[6]	192.5	192.5
Value per share	**$5.36**	**$5.86**

A value range of $1.12 billion to $1.20 billion[7] has been attributed to Nuplex's business operations. This valuation range is an overall judgement having regard to recent transactions, current equity markets and prevailing economic conditions and the specific attributes of Nuplex. Grant Samuel makes the following comments in respect of the financial performance and valuation of Nuplex:

- Nuplex is forecasting an increase in earnings from FY15 to FY16. The growth in earnings in this period is predominantly a function of foreign exchange translation gains and the forecast continued turnaround in the ANZ business;
- Over the last two years there has been significant capital expenditure by Nuplex in Asia to address forecast growth in volumes in that region. The largest single investment by Nuplex has been in its China operations. Some market commentators observe that China (as an economy) is likely to grow at lower rates than those experienced in the past;
- EMEA is the single largest region for Nuplex producing approximately 43% of group revenue in FY15. Growth in Europe continues to be lethargic in a market characterised by sustained strong competition, resulting in lower growth in Nuplex's business in that area. Commodity input costs are also contracting, leading to declining selling prices for Nuplex's products. The investment to date in Russia should result in growth in earnings as Nuplex's product is adopted by existing manufacturers and new plants are established by international coatings companies;
- The Americas market is reasonably mature and aside from the potential of the *Acure* technology, is forecasting very limited growth. The Americas business has exhibited some tentative signs of uplift in recent months;
- The ANZ business has a dual focus on resins and composites. The resins business is largely a commodity business supplying local paint manufacturers. The composites business is benefiting from a lack of domestic competition and a continued weakness in the Australian dollar, discouraging imports;
- Initial feedback is that the market is exhibiting strong interest in the newly developed *Acure* technology. Only limited sales have been made to date but further orders are expected in the near term. While the addressable market is estimated at approximately US$1 billion per annum, the share *Acure* will be able to attract is uncertain. The advantages of *Acure* over existing technologies appear to be meaningful and in time, *Acure* could secure a useful market share. The reluctance of end users to change from existing proven technologies may restrict *Acure* securing market share as rapidly as it might desire. Grant Samuel has valued the *Acure* separately using the DCF methodology (see section 5.1);

[6] The number of shares has been adjusted to reflect the 3,871,678 shares that will be issued to senior executives on the vesting of performance rights that will vest if the Proposed Scheme proceeds.

7 Excluding the valuation of the Technology assets.

- Nuplex has undergone a very significant and largely successful transition to an almost "pure play" resins manufacturer operating globally. In 2010, 51% of group revenue came from Australasia. This is forecast to represent only approximately 17% of group revenue by FY18, highlighting a marked restructure of the business over the period. Nuplex has acquired or established manufacturing facilities in Asia and Europe producing resins primarily for those markets; and
- Notwithstanding a substantial period of underperformance relative to projections, it appears that market sentiment to Nuplex is becoming more favourable. This re-rating possibly reflects a range of factors including the business now being a pure play resins company, improvements and growth in the Asian business, the benefits of a lower NZD (relative to the USD and EUR) and the perception that growth may be able to be extracted from the *Acure* initiative. The continued underperformance of ANZ and the challenging economics in the US and Europe potentially counter some of this sentiment.

Overall, the business has worked hard in the past five years to restructure itself both in terms of geographical exposure but also acutely focussing the resins product range. The NuLeap initiative has been a success, although further cost savings and efficiency gains will be incremental rather than a step-change. In the absence of these structural changes it is highly likely the financial performance of Nuplex would have deteriorated. Instead, the company has been able to deliver steady constant currency earnings growth in a highly competitive market.

Earnings

Grant Samuel has adjusted the historical and forecast EBITDA and EBIT by:

- removing the Specialties and Masterbatch trading results in FY15 as this business unit was divested in November 2014;
- removing Pulp & Paper trading results as this has been treated as a surplus asset for valuation purposes;
- earnings from the adoption of new Technology have also been excluded as these have been valued separately; and
- adjusting the actual and forecast trading results for foreign exchange movements. Nuplex's earnings are very sensitive to changes in exchange rates, primarily the translation of overseas earnings into NZD. The recent weakness of the NZD against both the USD and EUR has resulted in an increase in reported NZD earnings. For the purposes of this valuation Grant Samuel has adopted average exchange rates for the last 90 days of NZD:USD $0.68 and NZD:EUR $0.60.

The following table summarises the adjusted earnings for the year ended 30 June 2015, together with the forecast for the year ending 30 June 2016 and 2017:

Earnings Overview (NZ$ millions)

	2015	**2016F**	**2017F**
ANZ (inc head office and eliminations)	10.0	12.3	21.8
Masterbatch / SPG	(6.4)	-	-
Pulp & Paper	(3.8)	-	-
Adjusted ANZ	**(0.1)**	**12.3**	**21.8**
EMEA	65.0	66.1	67.1
Asia	43.7	44.2	47.2
America	28.5	32.5	27.7
Associate and minorities	2.0	2.0	1.2
EBITDA	**139.1**	**157.0**	**165.0**

Source: Nuplex management accounts and the Nuplex strategic forecast

Net debt for valuation purposes

Grant Samuel has adopted net debt for valuation purposes at $143.8 million as summarised below:

Nuplex - Net debt as at 30 April 2016

	NZ$ millions
US private placement - €83.3 million	138.0
Bank borrowings	41.8
Cash rights	7.7
Proposed buyout of existing joint venture	22.0
Minority interest adjustment	(0.5)
Cash on hand	(65.3)
Net debt for valuation purposes	**143.8**

The following comments are relevant to the calculation of net debt for valuation purposes:

- The USD raised in the US Private Placement has been swapped into EURs, resulting in Nuplex having to repay €83.3 million in July 2019. For the purposes of calculating net debt for valuation, the EUR balance of €83.3 million has been translated into NZD at the prevailing spot rate of NZD:EUR $0.60;
- As part of its remuneration framework, Nuplex has a Long Term Incentive plan for senior executives which involves the granting of performance share and cash rights that are subject to the achievement of longer term financial performance criteria. In the event that the scheme proceeds, these rights will vest in full. The expected cash outlay to senior executives is approximately NZ$7.7 million as a result of the vesting of cash rights and 3,871,678 shares will be issued as a result of the vesting of performance share rights. NZ$7.7 million has been added to net debt for valuation purposes and the number of shares on issue has also been adjusted;
- Nuplex is currently in negotiations to purchase the minority shareholder's interests in an existing joint venture. The valuation assumes that this acquisition has been settled. The net debt has been adjusted to reflect the mid point of the estimated purchase price of the minority interests; and
- Net debt has been adjusted to reflect Nuplex's minority interest in cash held of the net cash of its minority interest in its Thailand investments, offset by an allocation of net debt in the Nuplex Indonesian operation to the minority interest shareholder.

Synergies

There will be merger synergies available to Allnex if the Proposed Scheme is successful. The primary synergies are expected to be derived from enhanced or more efficient purchasing power, cost savings from the duplication of certain head office functions and R&D re-alignment and efficiency. Other cost savings should be able to be extracted by virtue of Nuplex no longer being a listed company. Some of these synergy benefits would be available to other prospective purchasers of Nuplex, while others would be unique to Allnex. To the extent these synergies exist and are significant, Allnex may have been prepared to pay away some of the upside to Nuplex shareholders. It is assumed that any synergies available were factored into the negotiations between Allnex and Nuplex and reflected in the agreed price of $5.43 per Nuplex share.

5.3 Earnings Multiple Analysis

Implied Multiples

Grant Samuel estimates the value of Nuplex on an un-geared basis to be in the range of $1.12 billion to $1.20 billion[8]. This range implies the following multiples:

Nuplex - Implied Multiples

	Valuation Range	
	Low	**High**
Multiple of EBITDA – year ended 30 June 2015	8.1	8.6
Multiple of EBITDA – year ending 30 June 2016	7.1	7.6
Multiple of EBITDA – year ending 30 June 2017	6.8	7.3
Multiple of EBIT – year ended 30 June 2015	10.6	11.4
Multiple of EBIT – year ending 30 June 2016	9.3	10.0
Multiple of EBIT – year ending 30 June 2017	8.9	9.6

An explanation regarding interpreting the above multiples is included at Appendix D. The valuation implies historic FY15 EBITDA multiples in the range 8.1 - 8.6 and forecast FY16 EBITDA multiples in the range 7.1 - 7.6. These implied multiples can be referenced to the implied multiples of the prices of comparable transactions and the multiples implied by the share prices of comparable companies.

Transactions in Resin and Chemicals Industry

The valuation of Nuplex has been considered having regard to the earnings multiples implied by the price at which broadly comparable companies and businesses have changed hands. A selection of relevant transactions is set out below:

Recent Transaction Evidence

				EBITDA Multiple[9] (times)	
Date	**Target**	**Acquirer**	**Implied Enterprise Value (millions)**	**Historical**	**Forecast**
Mar 2015	65% stake in DSM's Polymer Intermediates and Composite Resins Businesses	CVC Capital	€775	5.7 - 7.0	na
Oct 2014	Nuplex Specialties & Masterbatch	Axieo	A$128	8.0	na
Oct 2012	Cytec Industries Inc., Coating Resins Business (**Allnex**)	Advent	US$1,150	6.8	6.6
Oct 2011	Viverso	Nuplex	NZ$130	6.5	5.2
Jul 2011	Cray Valley, Cook and Sartomer	Arkema	€550	7.0	na
Dec 2010	DSM-AGI Corporation	Koninklijke DSM	€94	12.7	na
Median				***6.9 – 7.0***	***5.9***
Average				***7.8 - 8.0***	***5.9***
Global Transactions in broader chemical, plastics and resins businesses since 2001 (average)				8.0	na

Source: Media reports, company announcements, annual reports and presentations.

The multiples implied by the prices of transactions are consistent with Grant Samuel's valuation of Nuplex. When observing the table above the following points should be noted:

- The brief descriptions of the transactions included above are set out in Appendix A. Each transaction has its own unique set of circumstances. As such it is often very difficult to identify trends or draw direct comparisons;
- Although there have been a number of transactions in the wider chemical industry, the majority involve targets that are not considered comparable with Nuplex. The prices paid at which global chemical, plastics and resins businesses shown in the table above have changed hands averages approximately 8.0 times historical EBITDA;

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[8] Excluding the valuation of the Technology assets.

[9] Represents implied enterprise value divided by EBITDA.

- The implied enterprise value of DSM's Polymer Intermediates and Composite Resins Businesses transaction assumes that the earn out included in the transaction structure is delivered. If the earn out was not delivered the implied historical EBITDA multiple reduces to 5.7 times; and
- The most comparable transaction in recent times was the acquisition by Advent of the Coating Resins division of Cytec Industries Inc, which is now trading as Allnex. Allnex is considered by Nuplex to be its closest competitor. This transaction was announced in October 2012 and since that date the forecast EBITDA multiples of share market ratings of listed companies with exposure to resin manufacturing have increased, in part due to a general upwards re-rating of global equity markets over this period.

Share Market Evidence

The valuation of Nuplex has also been considered in the context of the multiples implied by the share market prices of companies with exposure to resin manufacturing. While none of these companies is precisely comparable to Nuplex, the share market data provides some framework within which to assess the valuation of Nuplex. A description of each of the companies is set out in Appendix B.

Share Market Ratings of Comparable Listed Companies

Company	Market Capitalisation ($NZ millions)	EBITDA Multiple[10] (times)		EBIT Multiple[11] (times)	
		Historical	Forecast	Historical	Forecast
Competitors/Customers					
Dow	86,773	9.0	9.2	12.3	12.6
BASF	105,943	8.0	8.4	13.8	14.5
Arkema	9,128	7.0	6.8	12.2	11.6
DSM	15,434	10.0	10.2	17.7*	17.6 *
Eternal	1,514	8.4	9.3	11.9	13.9
Momentive	562	8.7	na	41.4*	na
DIC	3,259	5.7	5.4	9.3	8.9
Median (excl. outliers)		***8.4***	***8.8***	***12.2***	***12.6***
Average (excl. outliers)		***8.1***	***8.2***	***11.9***	***12.3***
Customers					
PPG Industries	42,794	13.2*	11.8*	16.3*	14.6*
The Sherwin-Williams Company	39,972	16.0*	14.4*	17.9*	16.1*
Akzo Nobel	25,512	9.0	8.7	12.9	12.1
Nippon Paint Holdings	13,078	9.6	8.5	13.1	11.7
Kansai Paint	7,799	11.2	11.1	13.9	14.6
Valspar	12,626	14.5*	14.3*	16.7*	16.6*
Median (excl. outliers)		***9.6***	***8.7***	***13.1***	***12.1***
Average (excl. outliers)		***9.9***	***9.4***	***13.3***	***12.8***

*Source: Grant Samuel analysis, Capital IQ[12], * denotes outliers that have been excluded from calculations*

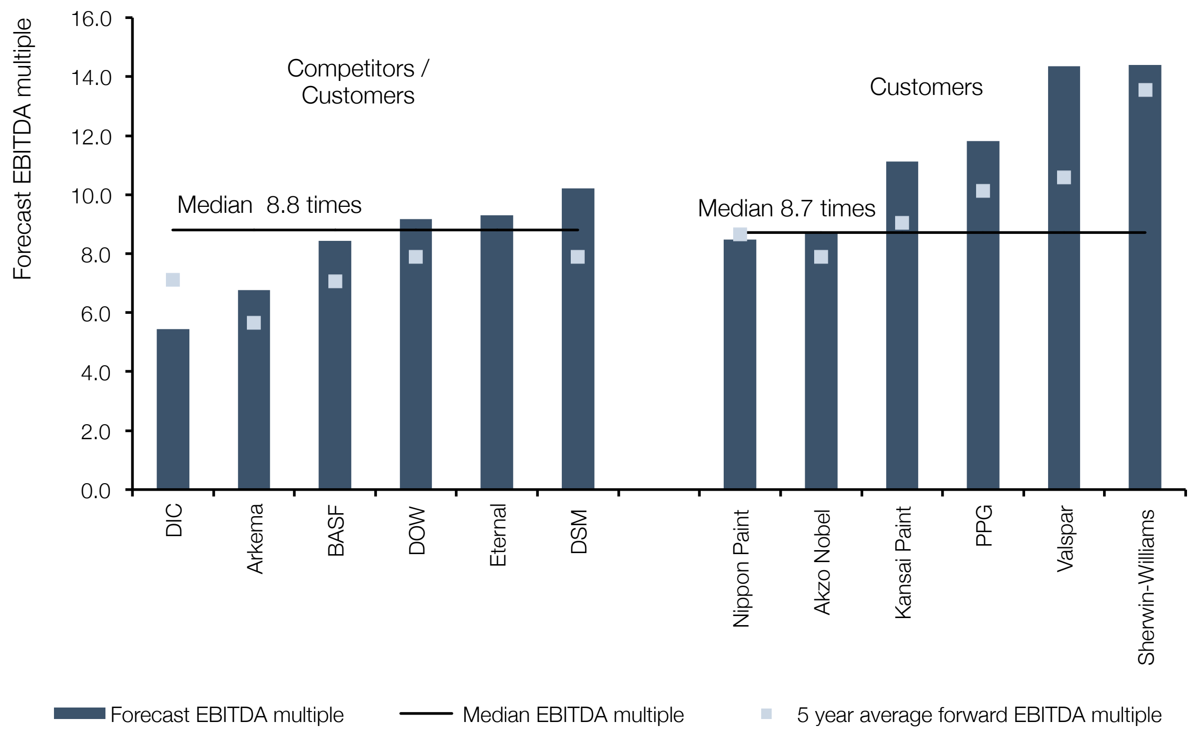
A graphic representation of the EBITDA multiples implied by the share prices of comparable companies is set out in the chart below:

[10] Represents gross capitalisation (that is, the sum of the market capitalisation adjusted for minorities, plus borrowings less cash as at the latest balance date) divided by EBITDA.

[11] Represents gross capitalisation divided by EBIT.

[12] Grant Samuel analysis based on company announcements and, in the absence of company published financial forecasts, brokers' reports. Where company financial forecasts are not available, the median of the financial forecasts prepared by a range of brokers has generally been used to derive relevant forecast value parameters. The source, date and number of broker reports utilised for each company depends on analyst coverage, availability and recent corporate activity.

Share Market Ratings of Selected Listed Companies – Forecast EBITDA multiple[13]



Source: Grant Samuel Analysis, Capital IQ

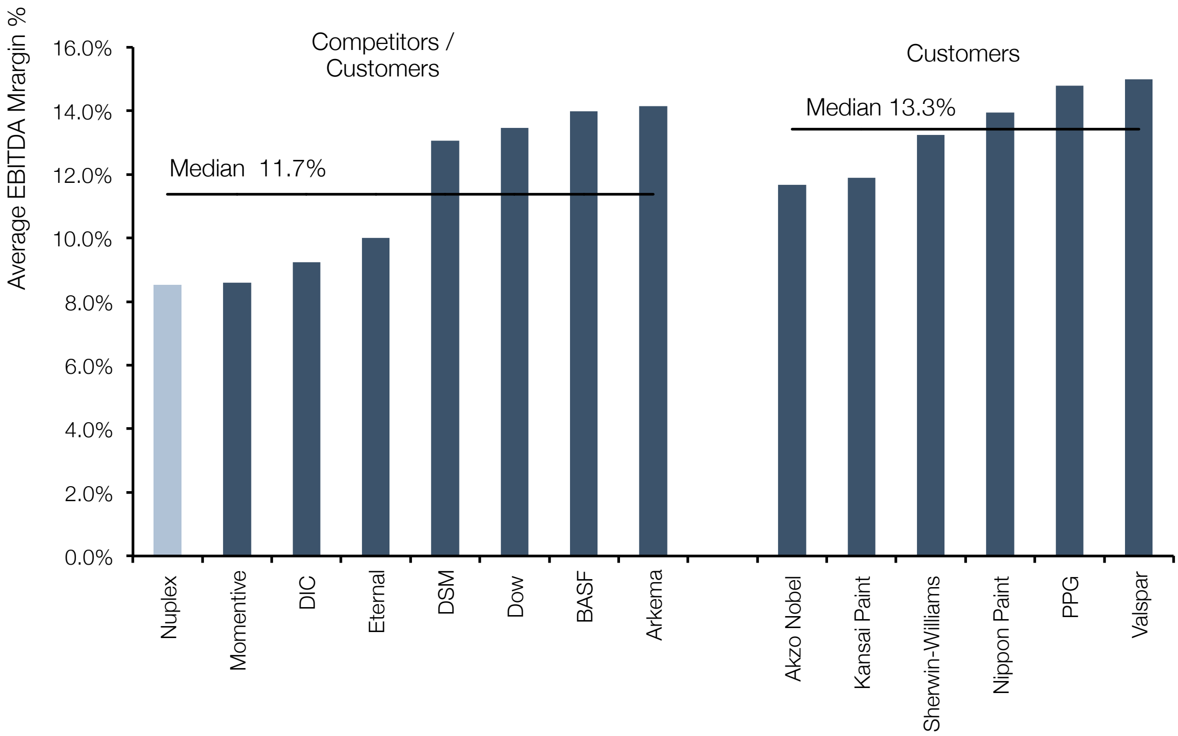
When observing the table and chart above the following points should be noted:

- The multiples are based on closing share prices as at 27 May 2016. The share prices and therefore the multiples, do not include a premium for control. Shares in a listed company normally trade at a discount to the underlying value of the company as a whole;
- There are considerable differences between the operations and scale of the comparable companies when compared with Nuplex. All of the companies in the table are substantially larger than Nuplex and in two cases are more than 80 times larger when measured by market capitalisation. Direct comparison with substantially larger companies must be treated with caution. In addition, differences in regulatory environments, share market and broader economic conditions, taxation systems and accounting standards hinder comparisons;
- The closest listed competitors to Nuplex are DIC and Eternal. Nuplex's management also consider Arkema and Koninklijke DSM (**DSM**), The Dow Chemical Company (**DOW**) and BASF as partial competitors as they are able to compete as vertically integrated chemical companies. These companies develop, manufacture and distribute a range of coatings, paints and related products worldwide. Some of these companies are further diversified by providing a wider range of products into a number of different industries. As an example DSM provides a range of products into the health and nutrition markets;
- Nuplex has historically traded at a discount to the comparable companies outlined above. This reflects a combination of factors including lower EBITDA margins, a generally smaller scale of operations (relative to the peer group), its exposure to a commoditised and competitive markets and margin pressures due it being a pure play resin provider. Nuplex's average EBITDA margin is below the average EBITDA margins of the comparable companies. Nuplex's lower EBITDA margin relative to its industry peers is primarily due to a number of the comparable companies having a high degree of vertical integration. This enables these companies to have more flexibility within the value chain to maintain or extract higher margins and an ability to selectively apply pricing pressure to focused suppliers such as Nuplex. Nuplex's EBITDA margin has also been impacted by its exposure to the Australian market, which over the last five years has been impacted by a structural change in the manufacturing sector. Since 2010, Nuplex has diversified its revenue with growth in Europe, Asia and the America regions, all of which are achieving a significantly higher EBITDA margin that what is being achieved in

[13] Eternal and Momentive's 5 year average Forward EBITDA multiple is not available

ANZ. The margins being achieved by Nuplex in Asia and the America regions is broadly in line with the average of the comparable companies as set out in the chart below:

Average EBITDA margin over the last five years



Source: Capital IQ

- Nuplex's capital intensity is relatively light as resin manufacturing uses a batch production process. The larger vertically integrated companies with upstream operations employ continuous production processes, which typically increases the cost of the investment in the manufacturing plant and equipment but in the long run can result in operational efficiencies leading to higher EBITDA margins. Due to the differences in capital intensity, Nuplex's average return on capital over the last five years is broadly in line with the median average return on capital of the comparable companies;
- Arkema has consistently traded at a discount relative to its peers in part due to earnings volatility. However, some analysts believe this valuation gap is likely to close as the business becomes more stable on the back of its recent acquisition of Bostik and forecast earnings per share growth;
- On 11 December 2015 Dow announced that it entered into a definitive agreement to acquire E.I. du Pont de Nemours and Company for $62.4 billion in stock. Pursuant to the transaction the merged entity, DowDuPont, will be separated into three independent publicly traded companies. The three respective companies will be focused on Agricultural, Material Science and Specialty Products. Nuplex will be most comparable to the Material Science division. In the market commentary to date, analysts are indicating an EBITDA multiple range of 7.0 to 8.5 times to assess the value of the Material Science division of the newly merged entity - a premium to the comparable companies selected by the analysts; and
- On 20 March 2016, The Sherwin Williams Company (**Sherwin Williams**) announced that it entered into an agreement to acquire The Valspar Corporation (**Valspar**) for US$9.4 billion in cash. The transaction is expected to close at the end of the first quarter in 2017. The offer represented a 34.8% premium to Valspar's share price prior to the announcement and the offer price implied a forward EBITDA multiple of 15.0 times (10.9 times when including the assumed synergies).

5.4 Discounted Cash Flow Valuation

As a cross check to the valuation Grant Samuel has undertaken a DCF valuation of Nuplex. The following table provides a summary of the DCF valuation:

Discounted Cash Flow Summary

$ million except where otherwise stated	Low	High
Discount rate	*10.5%*	*10.0%*
Enterprise value of the Group (excl. Technology)	1,117	1,197
Net debt for valuation purposes	(144)	(144)
Australian pulp and paper business	22	22
Technology	34	48
Equity value	**1,029**	**1,124**
Fully diluted shares on issue (million)	192.5	192.5
Value per share	**$5.35**	**$5.84**

The following points provide an overview of the key considerations and adjustments made by Grant Samuel to derive the DCF valuation:

Earnings forecast

Grant Samuel created a 10 year model using the FY16 forecast and the FY17 - FY19 strategic plan as a base. Grant Samuel's key assumptions when deriving the 10-year forecast include:

- Nuplex's FY17 strategic plan forecast has been adopted. The earnings from the adoption of new Technology have been excluded, as these have been valued separately;
- Historically, Nuplex's actual results have fallen short of the strategic plan, largely due to the regular underperformance of the ANZ business and the impact of foreign exchange movements. The strategic plan assumes that all regions will deliver on the plan, which is arguably an unrealistic expectation when considering the number of global macro economic factors that can influence the company's financial performance. At constant exchange rates the actual performance has been approximately 10-20% below the strategic plan. Nuplex's FY18 and FY19 strategic plan has been adjusted to reflect a risk-adjusted outlook;
- The long term implied EBITDA margin for the Group is 10.9%, which is considered reasonable when observing historical trends, the company's forecast EBITDA margin for FY16 and the competitive environment in which Nuplex operates;
- Sales growth of 2% per annum from FY20; and
- A long term effective tax rate of 25%.

Foreign exchange

Grant Samuel has forecast Nuplex's regional earnings in the local currencies and translated the forecast into NZ dollars. As the NZ dollar is volatile and foreign exchange movements are very difficult to forecast, Grant Samuel has applied the historic 90 day average foreign exchange rates to derive forecast earnings in NZ dollars. A large percentage of Nuplex's earnings are denominated in foreign currencies, which makes the DCF valuation sensitive to small movements in foreign exchange. The following table provides a range of share prices derived using different foreign exchange rates:

DCF – Foreign exchange rate sensitivity (NZ$ share price)

NZD:USD	NZD:EUR	Low	High
0.7008	0.6249	$5.19	$5.67
0.6908	0.6149	$5.27	$5.76
0.6808	**0.6049**	**$5.35**	**$5.84**
0.6708	0.5949	$5.43	$5.93
0.6608	0.5849	$5.51	$6.02

Discount Rate and Terminal Growth

The discount rate derived using the Capital Asset Pricing Model (**CAPM**) is approximately 8.4%. In Grant Samuel's opinion this is too low and is not representative of the expected rate of return that a potential investor is likely to expect having regard to the risks associated with the future cash flows of the underlying businesses. Selection of the appropriate discount rate to apply to forecast cash flows of any business enterprise is fundamentally a matter of judgement. The CAPM is probably the most widely accepted and used methodology for determining the cost of capital. While the theory underlying CAPM is rigorous, the practical application is subject to substantial shortcomings and limitations. Valuation is an estimate of what real world buyers and sellers of assets would pay and must therefore reflect criteria that will be applied in practice. Having regard to the long-term risk free rate averages and brokers consensus, Grant Samuel has selected a discount rate range of 10.0% and 10.5%.

Grant Samuel has used a terminal growth rate of 2.5%, which is in line with Nuplex's long-term compound average growth rate.

Technology

Grant Samuel has valued Nuplex's Acure technology separately. As outlined above, the uptake of this new technology is somewhat uncertain, despite apparent strong interest from existing customers. Grant Samuel has assumed that by FY26 Nuplex has secured approximately 7% of the estimated US$1 billion per annum market. Grant Samuel has applied discount rates in the range of 20% - 25% and with a 3.0% terminal growth rate to derive its discounted cash flow valuation. The high discount rates reflect the risk associated with the forecast earnings.

Capital Expenditure

Capital expenditure for FY17, FY18 and FY19 is based on the capital expenditure outlined in the strategic plan. From FY19 to FY25, Grant Samuel has aligned capital expenditure with depreciation.

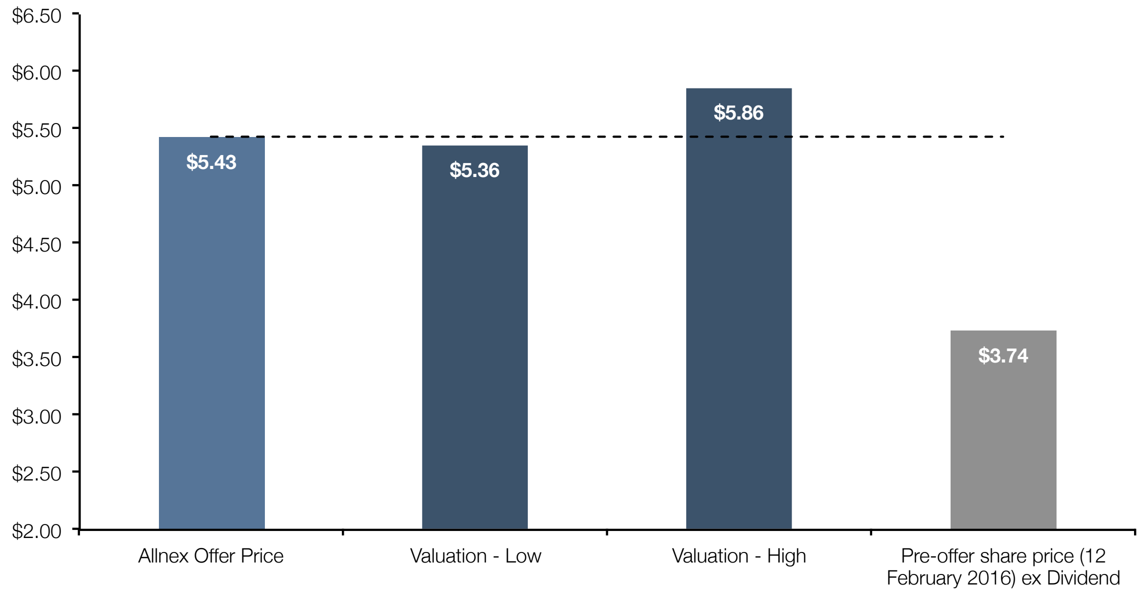
6. Merits of the Proposed Scheme

6.1 The Value of the Proposed Scheme

The value of the Proposed Scheme can be assessed with reference to a number of factors:

- ***Grant Samuel's assessment of the value of Nuplex.*** In Grant Samuel's opinion the full underlying value of Nuplex shares is in the range of $5.36 to $5.86 per share, as set out in Section 5. This value represents the value of acquiring 100% of the equity in Nuplex and therefore includes a premium for control. In Grant Samuel's opinion the offer price under a takeover offer or scheme of arrangement where the offeror will gain control should be within, or exceed, the pro-rated full underlying valuation range of the company. **The Proposed Scheme price of $5.43 per share is within Grant Samuel's assessed value range for Nuplex shares.** The diagram below compares the Proposed Scheme price with Grant Samuel's assessed value range for Nuplex shares and the Nuplex share price immediately prior to the announcement that the indicative non-binding proposal by Allnex had been received;

Comparison of the Proposed Scheme price with the valuation range and the Nuplex share price before the Proposed Scheme was announced



- ***the premium implied by the price of the Proposed Scheme.*** The price of the Proposed Scheme represents a premium of 45% relative to the closing price of $3.74 per Nuplex share on 12 February 2016 (excluding dividend), being the last trading day prior to the announcement that the indicative non-binding offer from Allnex had been received. The Proposed Scheme represents a premium of 34% relative to the 1 month volume weighted average price (**VWAP**) for the month to 12 February 2016. The premium for control is higher than the premiums for control generally observed in successful takeovers of other listed companies. Since the announcement of the Proposed Scheme at a price of $5.43 per share, Nuplex shares have traded in the range of $4.98 to $5.35 per share; and

- ***comparable company and comparable transaction data.*** The Proposed Scheme price implies multiples of 8.4 times historical normalised EBITDA for 2015 and 7.4 times forecast EBITDA for 2016. Grant Samuel's analysis suggests the historical EBITDA multiple implied by the price of the Proposed Scheme is in line with the multiples implied by the prices of comparable transactions and the multiples implied by the share prices of comparable listed companies.

6.2 The timing and circumstances surrounding the Proposed Scheme

Nuplex is a dedicated resins company supplying product to the coatings industry. The coatings industry is diverse and comprises a large number of local, regional and multinational participants across the globe. The industrial coatings market is undergoing a period of consolidation, as competition remains intense as a consequence of excess capacity in a number of markets where demand has contracted on the back of weak industrial growth. The ANZ market for Nuplex is an example of this dynamic. In this trading environment larger vertically integrated companies have an advantage and smaller companies focussed on particular parts of the value chain (such as Nuplex as a resins provider) have had to realign their market manufacturing capacity to better match demand.

Nuplex, despite having sales revenue of $1.5 billion, is small in the context of the global chemical industry. Allnex is approximately 50% larger than Nuplex in revenue terms and would afford Allnex some synergies but critically an access to the Asian market to complement its existing business footprint.

The Proposed Scheme follows an approach from Advent regarding the potential combination of Nuplex and Allnex. Following the initial approach, Nuplex entered into negotiations with Allnex and Advent, culminating in the announced form of the Proposed Scheme.

6.3 Possible outcomes of the Proposed Scheme

Allnex and its main shareholder Advent, as with most acquirers of listed companies, prefer the acquisition of 100% of the potential target. This is particularly the case when it is envisaged that the companies will be merged operationally as is clearly contemplated in this scenario.

The transaction contemplated by Nuplex and Allnex is constructed as a scheme of arrangement. For all intents and purposes the Proposed Scheme has the same economic effect as a full takeover of Nuplex by Allnex. The use of the scheme of arrangement provisions of the Companies Act in this context has attracted some market and media comment that the provisions allow for a takeover to be effected outside the ambit of the Takeovers Code and can be achieved at a lower level of shareholder acceptance. Full takeover offers require acceptances which result in the acquirer holding or controlling 90% of the voting securities in a company to effect compulsory acquisition of remaining shares. In contrast, a scheme of arrangement needs the support of 75% of the shares voted on the special resolution and more than 50% of the total number of voting securities in the company to be voted in favour of the Proposed Scheme for it to proceed. Given that it is unlikely that 100% of Nuplex's shareholders will cast their votes at a meeting or by proxy the acceptance threshold is likely to be less than 75% of the company's total shares on issue. The probability of a 100% acquisition being successfully completed under a scheme structure is therefore materially increased provided the threshold of more than 50% of the total number of voting securities being voted in favour can be achieved.

Nuplex shareholders will vote to approve or reject the implementation of the scheme. To be passed, more than 50% of the total number of voting securities in Nuplex must be voted in favour and a majority of at least 75% of the total votes cast must be in favour of the resolution. If the two tests are satisfied and the High Court approves the Scheme and the other conditions (including obtaining regulatory approvals) are satisfied, the Proposed Scheme will proceed and all the shares in Nuplex will be acquired.

The possible outcomes of the Proposed Scheme are a function of Nuplex shareholders' endorsement (or not) of the scheme construct are summarised below:

The voting thresholds to approve the Proposed Scheme are not achieved.

If the voting thresholds to approve the Proposed Scheme are not achieved, the Proposed Scheme will not proceed and no shares will be acquired by Allnex. Nuplex will remain a listed company and will have no further obligation to Allnex. No break fees will be payable by either Allnex or Nuplex unless the terms of the scheme implementation agreement have been breached.

The voting thresholds to approve the Proposed Scheme are achieved.

If the voting thresholds to approve the Proposed Scheme are achieved and all other conditions are satisfied, the Proposed Scheme will be implemented. In that circumstance all shareholders in Nuplex will have their shares acquired at $5.43 per share. The compulsory acquisition provisions of the Takeovers Code do not apply in the context of the Proposed Scheme. Voting in favour of the Proposed Scheme will only realise cash for Nuplex shareholders if the voting thresholds are achieved, the other conditions are satisfied and the transaction is therefore implemented. If the transaction is implemented Nuplex will be delisted. For those shareholders wishing to retain an equity investment in the resins or coatings sector there are currently no other listed chemical companies listed on the NZX, although there are numerous chemical companies listed on other international stock exchanges.

The outcome of the shareholder vote on the Proposed Scheme is binary – either the voting thresholds are achieved in which case the Proposed Scheme will be effected in its entirety (provided all other conditions are satisfied), or the voting thresholds are not achieved in which case the Proposed Scheme will not be implemented. It is important that shareholders exercise their right to vote for or against the Proposed Scheme.

6.4 Factors that may affect the outcome of the Proposed Scheme

- Approximately 60.3% of the issued shares in Nuplex are held by the top ten registered shareholders, although many of these are nominee or holding companies. The support or otherwise of the larger shareholders in relation to the Proposed Scheme is likely to be material in determining whether or not Nuplex achieves the voting thresholds;
- Since the announcement of the Proposed Scheme, a large volume of shares in Nuplex have traded. As a result of some of these transactions, hedge funds may also hold sizable shareholdings in Nuplex, and accordingly the behaviour of these hedge funds could be pivotal in determining the success of the Proposed Scheme.
- The Nuplex share price has traded below the Proposed Scheme price since the Proposed Scheme was announced. From 15 February 2016 to 27 May 2016 Nuplex has traded in the range $4.98 – $5.35, or approximately 1.5 - 9.0% below the $5.43 price per share. The increase in price close to (but below) the price of the Proposed Scheme suggests the market believes the Proposed Scheme will be successfully implemented. However the market may also in part be reacting to a better understanding of Nuplex's future prospects as a consequence of the Allnex approach, which itself may contribute to a subsequent re-rating of the company; and
- The Proposed Scheme is conditional on Allnex receiving relevant regulatory consents for the acquisition. When and if all consents will be given is uncertain. If all the necessary regulatory consents are not obtained, the Proposed Scheme will lapse and Allnex will not acquire any shares in Nuplex. The scheme of arrangement process being used by Allnex will result in it acquiring either no shares or 100% of the shares in Nuplex.

6.5 Other Merits of the Proposed Scheme

- It is usual for transactions to be negotiated and the price set with settlement sometime later. In the case of the Proposed Scheme the settlement date is uncertain due to the timing of obtaining regulatory approvals;
- In some takeovers and share transactions there are factors that suggest that even if the price of the proposed takeover or scheme transaction is below the assessed value range shareholders should consider accepting the offer or voting in favour of the offer or scheme. In this instance there does not appear to be any compelling reason for shareholders to support any proposal that is below full underlying value;
- The break fee structure agreed between Allnex and Nuplex provides for Nuplex to pay a fee of $10.47 million if (amongst other things) an Independent Director of Nuplex does not recommend the Proposed Scheme or if a competing transaction is announced and completed within 12 months. The existence of the break fee structure has implications. First, it provides Nuplex with a monetary incentive to promote the Proposed Scheme. Secondly, it implies that the Independent Directors have formed the view that the Proposed Scheme is priced fairly. The break fee would make it marginally more expensive for another bidder to make a successful equivalently priced offer;
- The break fee structure also provides for Allnex to pay Nuplex a break fee of $10.47 million if the condition requiring anti-trust regulatory approvals is not satisfied (subject to limited exceptions), or if Allnex materially breaches its obligations under the Proposed Scheme;
- If the voting thresholds are not achieved theoretically Allnex could elect to increase the price it is prepared to pay for Nuplex. Any price increase would require a revised scheme of arrangement proposal. However, there is no certainty that a revised proposal would be tabled. Unless a revised proposal from Allnex or a competing takeover offer from another party is anticipated by the market, Nuplex's shares are likely to trade at levels below the Proposed Scheme price of $5.43 per share if the Proposed Scheme does not achieve the necessary vote thresholds and does not proceed;
- The use of a scheme of arrangement provides the acquirer with the absolute certainty that if the resolutions are passed it will secure 100% of the shares on issue (subject to satisfaction of the other conditions). Allnex has demonstrated a desire to own 100% of Nuplex. While the scheme of arrangement structure is likely to be preferred by Allnex by virtue of the lower acceptance levels to be successful, it may elect to launch a conventional takeover offer if the Proposed Scheme does not proceed;

- It is not uncommon for takeover transactions to include a sharing of the "synergy" benefits from an acquisition between the buyer and the seller. The extent of the sharing varies from transaction to transaction and is usually a function of the competition for the asset or the business in question. In this instance there are currently no competing bids. The primary synergies in this circumstance may include purchasing efficiencies, elimination of selected duplicated costs (such as two head offices) and increasing the efficiencies of the R&D function across the two companies;
- Nuplex is largely a commodity producer of resins. With 72% of Nuplex's raw material cost base being highly exposed to cyclical oil price trends, R&D and investments in processing and operational efficiency are key focuses of the business; and
- Nuplex shareholders who choose not to vote in favour the Proposed Scheme have either decided they want to retain their investment in Nuplex for the longer term, or may be expecting that Allnex or another bidder may make another offer at a higher price. There is no certainty regarding the ongoing performance of Nuplex or that a subsequent offer or scheme proposal from Allnex will be forthcoming if the Proposed Scheme is rejected by Nuplex shareholders. The risks and benefits associated with an investment in Nuplex are outlined at Section 6.6 below.

6.6 If the Proposed Scheme is rejected

If the Proposed Scheme is rejected by Nuplex shareholders Nuplex will remain as a listed company with no shares acquired by Allnex as a consequence of the Proposed Scheme. The status quo scenario is therefore very relevant to Nuplex shareholders in deciding whether to support or reject the Proposed Scheme. Grant Samuel makes the following observations in respect of the status quo scenario:

- In the half year to 31 December 2015 Nuplex reported EBITDA from continuing operations of $65.7 million, up 20.6% from $54.5 million in the prior corresponding half. In May 2016, the FY16 EBITDA guidance by the company was increased to $157 - $161 million from the earlier guidance of NZ$145 to $157 million. This change was due to stronger than expected earnings from EMEA and the Americas in March and April 2016. The Nuplex Board and management consider that rate of improvement will increase in the FY17 and FY18 years;
- Nuplex is a well-managed business that has succeeded in transforming itself into a multinational resins supplier over the last 5 years. It operates in a competitive market place. Growth opportunities currently being pursued through existing and planned capital expenditure are strongest in China and Russia. The majority of Nuplex's production is sold within the region it is produced in. With its R&D capability, Nuplex is able to batch manufacture to suit the particular requirements of its coating manufacturing clients. The ability to adapt to local demand is a key element of Nuplex's success in growing market share;
- The NuLeap initiative has been successful, although future gains will be incremental rather than step-change. In the absence of a major change in the market in which Nuplex operates, the company is expecting to deliver steady increases in earnings. This outlook is consistent with the broker consensus projections for the company;
- The resins sector has consolidated with the major remaining mid size businesses being Allnex, Nuplex and the resins division of DSM. In the absence of a transaction involving any two of the entities (such as the Proposed Scheme), the acquisition opportunities available in the market are likely to involve significantly smaller entities. Nuplex's ability to grow by acquisition is therefore likely to involve smaller opportunities if these can be identified and negotiated on appropriate terms. A transformational acquisition appears less likely in the context of the current structure of the competitors in the resins market; and
- Any decision to reject the Proposed Scheme is likely to result in a reversal of some or all or the share price appreciation that followed the announcement of the Proposed Scheme.

A consideration for Nuplex shareholders is therefore whether, in time, an investment in Nuplex will yield a higher value outcome than the Proposed Scheme. If Nuplex can deliver on its initiatives and continue the earnings growth it recently delivered, then higher value outcomes may eventuate. However, given the paucity of potential sizeable acquisition opportunities, the expected continued intense competition in the sector suggests material improvements in earnings may take some time to deliver.

As with any equity investment there are risks associated with the market in which the company operates. The risks associated with an investment in Nuplex include:

- ***Foreign Currency.*** Nuplex operates across a large number of countries and as a consequence is exposed to movements in the value of the New Zealand dollar as more than 90% of turnover is conducted outside of New Zealand and some raw materials are purchased in foreign currencies;
- ***Geographical Exposure.*** The majority of Nuplex's business and assets are located outside of New Zealand and the head office of the company is in Sydney, Australia. An investment in Nuplex provides exposure primarily to the manufacture of resins for surface coatings and to an extent the wider chemical market. There are a large number of chemical manufacturers listed on international sharemarkets for investors seeking exposure to that sector;
- ***Liquidity in Nuplex Shares.*** Allnex does not control Nuplex and will not do so if the Proposed Scheme fails to achieve the necessary shareholders' vote as it will not acquire any shares in Nuplex. Therefore the liquidity of Nuplex shares will not be affected if the Proposed Scheme does not proceed; and
- ***Other.*** A key variable affecting the resins sector is the price of oil and its impact on feedstock costs.

6.7 Likelihood of alternative offers

The prospect of an acquisition by Allnex in the form of a Proposed Scheme was announced to the market on 15 February 2016. Since that time, the Scheme Proposal and its prospects of success have received some press analysis and commentary. However to date, no alternative takeover offers have been forthcoming and no company that competes with Allnex has emerged as the holder of a substantial security interest (5% or greater) in Nuplex.

As the Proposed Scheme is being effected by way of a scheme of arrangement rather than a takeover, Nuplex remains as a listed entity prior to the proposal being put to shareholders with no trading restrictions on any of its shares. No "lock up" agreements have been put in place in connection with the Proposed Scheme. "Lock-up" agreements are relatively commonplace in conventional takeovers where key shareholders agree in advance to sell their shares into a forthcoming takeover offer when it is made. In the context of the Proposed Scheme there are therefore no restrictions or deterrents to prevent a competing acquiror to make an alternative takeover or scheme of arrangement proposal to acquire Nuplex. By most measures the Nuplex shareholder base is therefore reasonably "open". At the date of this report no other offer or proposal to acquire Nuplex had been made.

6.8 Acceptance or Rejection of the Proposed Scheme

Acceptance or rejection of the Proposed Scheme is a matter for individual shareholders based on their own view as to value and future market conditions, risk profile, liquidity preference, portfolio strategy, tax position and other factors. In particular, taxation consequences will vary widely across shareholders. Shareholders will need to consider these consequences and, if appropriate, consult their own professional adviser(s).

GRANT SAMUEL & ASSOCIATES LIMITED

May 2016

Appendix A – Recent Transaction Evidence

A brief description of each of the transactions listed in Section 5 is outlined below:

Koninklijke DSM (Polymer Business) / CVC Capital

On 16 March 2015, CVC Capital Partners (**CVC**) agreed to acquire a 65% stake in the polymer and composite resins business owned by Koninklijke DSM N.V. (**DSM**) for a total of €775 million (made up of an up front purchase price of €600 million plus an earn-out of up to €175 million). Under the terms of the transaction, DSM and CVC agreed to form a new company - 65% owned by CVC and 35% owned by DSM. DSM is a global life sciences and materials sciences company that offers products in areas of health, nutrition and materials and supports CVC's investment interests in the industrial chemical sector. Founded in 1981, CVC operates in Europe, Asia and the United States and manages over $50 billion in assets.

Nuplex Specialities & Masterbatch / Axieo

On 28 November 2014 Nuplex sold its specialities businesses, Nuplex Specialities (its agency and distribution business) and Nuplex Masterbatch (its plastic additives business) to CHAMP Private Equity (**CHAMP**) through a newly created company, Axieo Pty Limited. The agreed purchase price for the two specialties businesses amounted to NZD$141 million at an implied historical EBITDA multiple of 8.0x. Nuplex Masterbatch manufactures colour and performance additives for plastic and Nuplex Specialties NZ Limited manufactures and distributes high compliance ingredients, raw materials and specialty chemicals. Both companies are based in Australia and New Zealand. The acquisition of Axieo follows CHAMP's history of acquiring non-core divisions of larger corporates and creating stand-alone businesses – in this case Axieo.

Cytec Industries (Coating Resins Business) / Advent

On 3 April 2013 Advent to acquire the coating resins business of Cytec Industries (**Cytec**) for an agreed purchase price of US$1.1 billion. The purchase price amounted to an implied historical EBITDA multiple of 6.8x and included Cytec's radiation-cured resins, liquid coating resins, powder coating resins and amino crosslinkers product lines. Cytec was renamed Allnex. By acquiring a leading supplier of specialty chemicals that offers a range of resins for use on wood, metal, plastic and other surfaces acquisition, Advent has been able to grow its industrial chemical and materials portfolio significantly.

Viverso / Nuplex

On 3 January 2012, Nuplex acquired German resin and putty manufacturer Viverso GmbH (**Viverso**) from Bayer Material Science AG for NZD$130 million. The agreed purchase price amounted to an implied historical EBITDA multiple of 6.5x, regarded as being towards the lower end of recent transaction multiples. However the process was competitive reflecting Viverso's strong product portfolio and revenue base. Viverso was an addition to Nuplex's high performance resin and coatings business offering products for interior wood, exterior wood, decorative, super durable powder, durable powder and general industrial coatings.

Cray Valley, Cook and Sartomer / Arkema

On 31 July 2011, Arkema S.A. acquired the coatings resins business of Cray Valley and Cook Composites and Polymers along with the photocure resins businesses of Sartomer from Total S.A. Arkema acquired the businesses for a total consideration of €550 million. The purchase price implied a historical EBITDA multiple of 7.0x. The Cray Valley and Cook composites and polymers resins (waterborne and solvent-based, powder, rheology additives) and the Sartomer high added value photocure resins (for fibre optics, graphic arts, electronics, etc.) enhance Arkema's product portfolio for coatings applications and aligns with its identified growth strategy, in particular, opening up further opportunities throughout Asia.

Koninklijke DSM / AGI Corporation

On 12 July 2011, DSM N.V., acquired a 51% stake in AGI Corporation of Taiwan (**AGI**) for approximately €48 million. The purchase price implied an historical EBITDA multiple of 12.7x, assuming the earnout was achieved. If the earnout was not achieved the historical EBITDA multiple reduces to 5.7x. The controlling interest was achieved through a mix of newly issued shares and purchases from existing shareholders by way of a public tender offer. AGI produces a broad range of environmentally friendly Ultraviolet curable resins used in coatings for paper, wood, plastic and graphic arts applications. DSM's strategic ambition is to become a leader in sustainable and innovative resin and the acquisition of AGI was consistent with this focus.

Appendix B - Comparable Listed Companies

A brief description of each of the companies listed in Section 5 is outlined below:

Akzo Nobel N.V.

Akzo Nobel is a major producer of paints, coatings and specialty chemicals for the building, transportation, consumer goods and industrial sectors. With a portfolio of brands that include Dulux, Sikkens, Interpon and Eka, Akzo Nobel develops and supplies a vast range of products that include decorative paints, protective coatings, packaging coatings, automotive and aerospace coatings, detergent ingredients, pulp bleaching chemicals and de-icing salt. Headquartered in Amsterdam, the Netherlands, Akso Nobel has activities in over 80 countries and approximately 47,000 employees.

Arkema S.A.

Arkema is a specialty chemicals and advanced materials company based in France. Arkema is organised into three business segments, Coating Solutions which includes waterborne, solvent borne, powder coating resins and additives, Industrial Chemicals which includes major chemical intermediates such as thiochemicals, fluorochemicals, acrylic glass and hydrogen peroxide and Performance Products including specialty polyamides, fluoropolymers, molecular sieves and organic peroxides. Arkema has 85 production plants and 10 research centres globally, employing approximately 14,000 staff in over 40 countries.

BASF SE

BASF SE is the largest chemical producer by revenue in the world, achieving €74.3 billion in sales in 2014. The BASF business is organised into segments including chemicals, plastics, performance products, functional solutions, agricultural solutions and oil and gas. In the early 1990s BASF chose to abandon its consumer product lines, instead choosing to focus on business-to-business product specialties. Despite this decision, BASF has customers in over 200 countries and supplies products to a wide variety of industries. As at the end of 2014, BASF employed over 113,000 people globally.

DIC Corporation

DIC Corporation is a Japan-based manufacturing company specialising in Printing Ink, Fine Chemicals, Polymers and Application Materials. The Printing Ink segment manufactures and sells printing inks and printing-related equipment and materials such as offset ink, gravure ink, can manufacturing paint, news ink, adhesive for packing materials, plate for printing, printing-related consumable materials and equipment. The Fine Chemicals segment manufactures and sells organic pigments, organic pigment and liquid crystal materials such as pigments for ink, paint and plastic, paint and plastic pigments, thin-film transistor liquid crystal, among others. The Polymers segment manufactures and sells Acrylic resins, urethane resins, epoxy resins and polystyrene. The Application Materials segment manufactures and sells synthetic resin compound, colorant, building materials, packaging materials, adhesive products, plastic moulding products, engineering plastic, hollow fibre and others.

Eternal Materials Co Ltd

Eternal Materials is based in Taiwan and is engaged in the manufacture and sale of synthetic resins. The Company also provides electronic chemical materials and specialty chemicals. The Company's products portfolio consists of general purpose resins, polyester resins, coating resins, special chemicals, circuit substrates, dry film photo resists, liquid crystal display optical films, solar battery conductive adhesives, as well as silica gel materials for light emitting diode packaging and other products. The Company's products are mainly used in printed circuit boards, automobiles, washing machines, electronic games, televisions, construction materials and artificial marbles.

Kansai Paint Co. Ltd.

Kansai Paint Co. is a Japanese based chemical company specialising in the manufacturing and supply of paints and coatings. Kansai's product categories include automotive, decorative, protective industrial, marine and personal coatings. Kansai Paint is a member of the Mitsubishi UFJ Financial Group and as at 31 March 2014 the company employed approximately 12,000 staff.

Koninklijke DSM N.V.

DSM is a global life sciences and materials sciences company that offers products in areas of health, nutrition and materials. The majority (approximately 65%) of DSM's products and solutions relate to life sciences including food, infant nutrition, dietary supplements, personal care and animal feed and with the remainder (approximately 35%) relating to material sciences including medical devices, automotive, paints, electrical & electronics, life protection, alternative energy and bio-based materials. As at June 2015, DSM had over 25,000 employees across all major continents.

MPM Holdings Inc

MPM Holdings Inc (**Momentive**) produces and sells silicones, silicone derivatives and functional silanes worldwide. It is also involved in the development and manufacture of products derived from quartz and specialty ceramics. The company operates in two segments, Silicones and Quartz. The company sells its products into various markets, such as industrial, building and construction, transportation, agriculture, electronics, healthcare, personal care, semiconductor and fibre optics markets for various applications.

Nippon Paint Holdings Co., Ltd

Nippon Paint is a Japanese paint products manufacturing company. The company is owned by Singapore-based NIPSEA Group and as a result of several joint ventures Nippon has been established as the largest paint maker in Asia. Nippon has seven business fields established under two main divisions, Paint and Fine Chemicals. Products within Nippon's Paint business include automotive coatings, commercial paints, industrial coatings, marine coatings and retail paints. Products within Nippon's Chemicals business include surface treatments and fine products.

PPG Industries Inc.

PPG Industries is a global supplier of paints, coatings, optical products, specialty materials, glass and fiberglass to customers in industrial, transportation, consumer products and construction markets based in Pittsburgh, Pennsylvania. Along with its manufacturing operations, PPG Industries also owns and operates four specialist research centres in the United States where it develops new products for its glass, fiberglass and coatings businesses while also working on new innovations. PPG operates approximately 156 facilities in more than 70 countries.

Sherwin Williams Company

The Sherwin-Williams Company is a manufacturer and supplier of general building materials including the sale of paints, coatings and related products to professional, industrial, commercial and retail customers primarily in the Northern Hemisphere. The company is broken into four divisions including, Paint Stores Group (known as 'Sherwin-Williams Stores' for which the company is mostly widely recognised), Consumer Group, Latin America Coatings Group and Global Finishes Group. Headquartered in Cleveland, Ohio, the company operates approximately 4,340 stores worldwide.

The Dow Chemical Company

The Dow Chemical Company (**Dow**) manufactures plastics, chemicals and agricultural products and is the second largest chemical manufacturer by revenue in the world, achieving sales of US$57 billion in 2013. Dow has seven different major operating segments including basic plastics (approximately 26% of sales), performance plastics (approximately 25% of sales), performance chemicals (approximately 17% of sales), hydrocarbons and energy (approximately 13% of sales), basic chemicals (approximately 12% of sales) and agricultural sciences (approximately 7% of sales). Dow also has a business unit that owns a system to help purify water for human use. With a presence in approximately 160 countries, Dow employs approximately 54,000 people worldwide. On December 2015, Dow announced that it would merge with DuPont, in an all-stock deal.

Valspar

The Valspar Corporation is an American manufacturer of paints and coatings based in Minneapolis, Minnesota. Valspar has achieved growth through a series of acquisitions over a 20-year period beginning with the acquisition of the Mobil coatings business in 1984 and ending with Samuel Cabots in 2005. Valspar sells its products under a number of separate brand names including *Valspar, Plasti-Kote, House of Kolor, Cabot Stain, Barn and Fence, De Beer, Octoral, Devine Color, US Chemical & Plastics, Prospray and Matrix*. Valspar employs approximately 10,700 staff with operations in over 25 countries.

Appendix C – Valuation Methodology Descriptions

1. Capitalisation of Earnings

Capitalisation of earnings or cash flows is most appropriate for businesses with a substantial operating history and a consistent earnings trend that is sufficiently stable to be indicative of ongoing earnings potential. This methodology is not particularly suitable for start-up businesses, businesses with an erratic earnings pattern or businesses that have unusual expenditure requirements. This methodology involves capitalising the earnings or cash flows of a business at a multiple that reflects the risks of the business and the stream of income that it generates. These multiples can be applied to a number of different earnings or cash flow measures including EBITDA, EBITA, EBIT or net profit after tax. These are referred to respectively as EBITDA multiples, EBITA multiples, EBIT multiples and price earnings multiples. Price earnings multiples are commonly used in the context of the share market. EBITDA, EBITA and EBIT multiples are more commonly used in valuing whole businesses for acquisition purposes where gearing is in the control of the acquirer.

Where an ongoing business with relatively stable and predictable earnings is being valued Grant Samuel uses capitalised earnings or operating cash flows as a primary reference point. Application of this valuation methodology involves:

- estimation of earnings or cash flow levels that a purchaser would utilise for valuation purposes having regard to historical and forecast operating results, non-recurring items of income and expenditure and known factors likely to impact on operating performance; and
- consideration of an appropriate capitalisation multiple having regard to the market rating of comparable businesses, the extent and nature of competition, the time period of earnings used, the quality of earnings, growth prospects and relative business risk.

The choice between the parameters is usually not critical and should give a similar result. All are commonly used in the valuation of industrial businesses. EBITDA can be preferable if depreciation or non-cash charges distort earnings or make comparisons between companies difficult but care needs to be exercised to ensure that proper account is taken of factors such as the level of capital expenditure needed for the business and whether or not any amortisation costs also relate to ongoing cash costs. EBITA avoids the distortions of goodwill amortisation. EBIT can better adjust for differences in relative capital intensity.

Determination of the appropriate earnings multiple is usually the most judgemental element of a valuation. Definitive or even indicative offers for a particular asset or business can provide the most reliable support for selection of an appropriate earnings multiple. In the absence of meaningful offers, it is necessary to infer the appropriate multiple from other evidence.

The usual approach is to determine the multiple that other buyers have been prepared to pay for similar businesses in the recent past. However, each transaction will be the product of a unique combination of factors. A pattern may emerge from transactions involving similar businesses with sales typically taking place at prices corresponding to earnings multiples within a particular range. This range will generally reflect the growth prospects and risks of those businesses. Mature, low growth businesses will, in the absence of other factors, attract lower multiples than those businesses with potential for significant growth in earnings.

An alternative approach used in valuing businesses is to review the multiples at which shares in listed companies in the same industry sector trade on the share market. This gives an indication of the price levels at which portfolio investors are prepared to invest in these businesses. Share prices reflect trades in small parcels of shares (portfolio interests) rather than whole companies and it is necessary to adjust for this factor.

The analysis of comparable transactions and share market prices for comparable companies will not always lead to an obvious conclusion as to which multiple or range of multiples will apply. There will often be a wide spread of multiples and the application of judgement becomes critical. Moreover, it is necessary to consider the particular attributes of the business being valued and decide whether it warrants a higher or lower multiple than the comparable companies. This assessment is essentially a judgement.

2. Discounted Cash Flow

Discounting of projected cash flows has a strong theoretical basis. It is the most commonly used method for valuation in a number of industries and for the valuation of start-up projects where earnings during the first few years can be negative. DCF valuations involve calculating the net present value of projected cash flows. This methodology is able to explicitly capture the effect of a turnaround in the business, the ramp up to maturity or significant changes expected in capital expenditure patterns. The cash flows are discounted using a discount rate, which reflects the risk associated with the cash flow stream. Considerable judgement is required in estimating future cash flows and it is generally necessary to place great reliance on medium to long-term projections prepared by management. The discount rate is also not an observable number and must be inferred from other data (usually only historical). None of this data is particularly reliable so estimates of the discount rate necessarily involve a substantial element of judgment. In addition, even where cash flow forecasts are available the terminal or continuing value is usually a high proportion of value. Accordingly, the multiple used in assessing this terminal value becomes the critical determinant in the valuation (i.e. it is a “de facto” cash flow capitalisation valuation). The net present value is typically extremely sensitive to relatively small changes in underlying assumptions, few of which are capable of being predicted with accuracy, particularly beyond the first two or three years. The arbitrary assumptions that need to be made and the width of any value range mean the results are often not meaningful or reliable. Notwithstanding these limitations, DCF valuations are commonly used and can at least play a role in providing a check on alternative methodologies, not least because explicit and relatively detailed assumptions need to be made as to the expected future performance of the business operations.

3. Realisation of Assets

Valuations based on an estimate of the aggregate proceeds from an orderly realisation of assets are commonly applied to businesses that are not going concerns. They effectively reflect liquidation values and typically attribute no value to any goodwill associated with ongoing trading. Such an approach is not appropriate in Nuplex’s case.

4. Industry Rules of Thumb

Industry rules of thumb are commonly used in some industries. These are generally used by a valuer as a “cross check” of the result determined by a capitalised earnings valuation or by discounting cash flows, but in some industries rules of thumb can be the primary basis on which buyers determine prices. Grant Samuel is not aware of any commonly used rules of thumb that would be appropriate to value Nuplex. In any case, it should be recognised that rules of thumb are usually relatively crude and prone to misinterpretation.

Appendix D – Interpretation of Multiples

Earnings multiples are normally benchmarked against two primary sets of reference points:

- the multiples implied by the share prices of listed peer group companies; and
- the multiples implied by the prices paid in acquisitions of other companies in the same industry.

In interpreting and evaluating such data it is necessary to recognise that:

- multiples based on listed company share prices do not include a premium for control and are therefore often (but not always) less than multiples that would apply to acquisitions of controlling interests in similar companies. However, while the premium paid to obtain control in takeovers is observable (typically in the range 20-35%) it is inappropriate to simply add a premium to listed multiples. The premium for control is an outcome of the valuation process, not a determinant of value. Premiums are paid for reasons that vary from case to case and may be substantial due to synergy or other benefits available to the acquirer. In other situations premiums may be minimal or even zero. There are transactions where no corporate buyer is prepared to pay a price in excess of the prices paid by share market investors;
- acquisition multiples from comparable transactions are therefore usually seen as a better guide when valuing 100% of a business but the data tends to be less transparent and information on forecast earnings is often unavailable;
- the analysis will give a range of outcomes from which averages or medians can be determined but it is not appropriate to simply apply such measures to the company being valued. The most important part of valuation is to evaluate the attributes of the specific company being valued and to distinguish it from its peers so as to form a judgement as to where on the spectrum it belongs;
- acquisition multiples are a product of the economic and other circumstances at the time of the transaction. However, each transaction will be the product of a unique combination of factors, including:
  - economic factors (e.g. economic growth, inflation, interest rates) affecting the markets in which the company operates;
  - strategic attractions of the business – its particular strengths and weaknesses, market position of the business, strength of competition and barriers to entry;
  - the company's own performance and growth trajectory;
  - rationalisation or synergy benefits available to the acquirer;
  - the structural and regulatory framework;
  - investment and share market conditions at the time; and
  - the number of competing buyers for a business.
- acquisitions and listed companies in different countries can be analysed for comparative purposes, but it is necessary to give consideration to differences in overall share market levels and rating between countries, economic factors (economic growth, inflation, interest rates), market structure (competition etc) and the regulatory framework. It is not appropriate to adjust multiples in a mechanistic way for differences in interest rates or share market levels;
- acquisition multiples are based on the target's earnings but the price paid normally reflects the fact that there were cost reduction opportunities or synergies available to the acquirer (at least if the acquirer is a "trade buyer" with existing businesses in the same or a related industry). If the target's earnings were adjusted for these cost reductions and/or synergies the effective multiple paid by the acquirer would be lower than that calculated on the target's earnings;
- while EBITDA multiples are commonly used benchmarks they are an incomplete measure of cash flow. The appropriate multiple is affected by, among other things, the level of capital expenditure (and working capital investment) relative to EBITDA. In this respect:

- EBIT multiples can in some circumstances be a better guide because (assuming depreciation is a reasonable proxy for capital expenditure) they effectively adjust for relative capital intensity and present a better approximation of free cash flow. However, capital expenditure is lumpy and depreciation expense may not be a reliable guide. In addition, there can be differences between companies in the basis of calculation of depreciation; and
- businesses that generate higher EBITDA margins than their peer group companies will, all other things being equal, warrant higher EBITDA multiples because free cash flow will, in relative terms, be higher (as capital expenditure is a smaller proportion of earnings).

Appendix E – Qualifications, Declarations and Consents

1. Qualifications

The Grant Samuel group of companies provides corporate advisory services in relation to mergers and acquisitions, capital raisings, corporate restructuring and financial matters generally. One of the primary activities of Grant Samuel is the preparation of corporate and business valuations and the provision of independent advice and expert's reports in connection with mergers and acquisitions, takeovers and capital reconstructions. Since inception in 1988, Grant Samuel and its related companies have prepared more than 400 public expert and appraisal reports.

The persons responsible for preparing this report on behalf of Grant Samuel are Michael Lorimer, BCA, Simon Cotter, BCom, MAppFin, F Fin, and Christopher Smith, BCom, MAppFin. Each has a significant number of years of experience in relevant corporate advisory matters.

2. Limitations and Reliance on Information

Grant Samuel's opinion is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time. The report is based upon financial and other information provided by the directors, management and advisers of Nuplex. Grant Samuel has considered and relied upon this information. Grant Samuel believes that the information provided was reliable, complete and not misleading and has no reason to believe that any material facts have been withheld.

The information provided has been evaluated through analysis, enquiry, and review for the purposes of forming an opinion as to the underlying value of Nuplex. However in such assignments time is limited and Grant Samuel does not warrant that these inquiries have identified or verified all of the matters which an audit, extensive examination or "due diligence" investigation might disclose.

Grant Samuel has not undertaken a due diligence investigation of Nuplex. In addition, preparation of this report does not imply that Grant Samuel has audited in any way the management accounts or other records of Nuplex. It is understood that, where appropriate, the accounting information provided to Grant Samuel was prepared in accordance with generally accepted accounting practice and in a manner consistent with methods of accounting used in previous years.

An important part of the information base used in forming an opinion of the kind expressed in this report is the opinions and judgement of the management of the relevant enterprise. That information was also evaluated through analysis, enquiry and review to the extent practicable. However, it must be recognised that such information is not always capable of external verification or validation.

The information provided to Grant Samuel included projections of future revenues, expenditures, profits and cash flows of Nuplex prepared by the management of Nuplex. Grant Samuel has used these projections for the purpose of its analysis. Grant Samuel has assumed that these projections were prepared accurately, fairly and honestly based on information available to management at the time and within the practical constraints and limitations of such projections. It is assumed that the projections do not reflect any material bias, either positive or negative. Grant Samuel has no reason to believe otherwise.

However, Grant Samuel in no way guarantees or otherwise warrants the achievability of the projections of future profits and cash flows for Nuplex. Projections are inherently uncertain. Projections are predictions of future events that cannot be assured and are necessarily based on assumptions, many of which are beyond the control of management. The actual future results may be significantly more or less favourable.

To the extent that there are legal issues relating to assets, properties, or business interests or issues relating to compliance with applicable laws, regulations, and policies, Grant Samuel assumes no responsibility and offers no legal opinion or interpretation on any issue. In forming its opinion, Grant Samuel has assumed, except as specifically advised to it, that:

- the title to all such assets, properties, or business interests purportedly owned by Nuplex is good and marketable in all material respects, and there are no material adverse interests, encumbrances, engineering, environmental, zoning, planning or related issues associated with these interests, and that the subject assets, properties, or business interests are free and clear of any and all material liens, encumbrances or encroachments;
- there is compliance in all material respects with all applicable national and local regulations and laws, as well as the policies of all applicable regulators other than as publicly disclosed, and that all required licences, rights, consents, or legislative or administrative authorities from any government, private entity, regulatory agency or organisation have been or can be obtained or renewed for the operation of the business of Nuplex, other than as publicly disclosed;
- various contracts in place and their respective contractual terms will continue and will not be materially and adversely influenced by potential changes in control; and
- there are no material legal proceedings regarding the business, assets or affairs of Nuplex, other than as publicly disclosed.

3. Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than as an expression of Grant Samuel's opinion as to the merits of the Proposed Scheme. Grant Samuel expressly disclaims any liability to any Nuplex security holder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

This report has been prepared by Grant Samuel with care and diligence and the statements and opinions given by Grant Samuel in this report are given in good faith and in the belief on reasonable grounds that such statements and opinions are correct and not misleading. However, no responsibility is accepted by Grant Samuel or any of its officers or employees for errors or omissions however arising in the preparation of this report, provided that this shall not absolve Grant Samuel from liability arising from an opinion expressed recklessly or in bad faith.

Grant Samuel has had no involvement in the preparation of the Notice of Meeting issued by Nuplex and has not verified or approved any of the contents of the Notice of Meeting. Grant Samuel does not accept any responsibility for the contents of the Notice of Meeting (except for this report).

4. Independence

Grant Samuel and its related entities do not have any shareholding in or other relationship or conflict of interest with Nuplex or Allnex that could affect its ability to provide an unbiased opinion in relation to the Proposed Scheme. Grant Samuel had no part in the formulation of the Proposed Scheme. Its only role has been the preparation of this report. Grant Samuel will receive a fixed fee for the preparation of this report. This fee is not contingent on the outcome of the Proposed Scheme. Grant Samuel will receive no other benefit for the preparation of this report. Grant Samuel considers itself to be independent for the purposes of the Takeovers Code.

5. Information

Grant Samuel has obtained all the information that it believes is desirable for the purposes of preparing this report, including all relevant information which is or should have been known to any Director of Nuplex and made available to the Directors. Grant Samuel confirms that in its opinion the information provided by Nuplex and contained within this report is sufficient to enable Nuplex security holders to understand all relevant factors and make an informed decision in respect of the Proposed Scheme. The following information was used and relied upon in preparing this report:

5.1 Publicly Available Information

- Nuplex Annual Reports for the financial year ending 30 June 2012, 2013, 2014 and 2015;
- Nuplex Interim Report for the period ended 31 December 2015;
- Various Broker Reports on Nuplex and comparable companies;

- Various Industry Reports; and
- The Scheme Implementation Agreement dated 9 April 2016.

5.2 Non Public Information

- Nuplex Management Accounts for the 12 month period ended 30 June 2012, 2013, 2014 and 2015;
- Year to date Nuplex monthly Management Accounts for the financial year ending 30 June 2016;
- Nuplex's forecast for the financial year ending 30 June 2016;
- Nuplex's strategic forecast for the financial years ended 30 June 2017 through 2019;
- Nuplex's Management Presentations to Allnex dated February 2016;
- Nuplex's technology forecast until 30 June 2025; and
- An overview of Nuplex's management performance rights.

6. Declarations

Nuplex has agreed that it will indemnify Grant Samuel and its employees and officers in respect of any liability suffered or incurred as a result of or in connection with the preparation of the report. This indemnity will not apply in respect of the proportion of any liability found by a Court to be primarily caused by any conduct involving gross negligence or wilful misconduct by Grant Samuel. Nuplex has also agreed to indemnify Grant Samuel and its employees and officers for time spent and reasonable legal costs and expenses incurred in relation to any inquiry or proceeding initiated by any person. Where Grant Samuel or its employees and officers are found to have been grossly negligent or engaged in wilful misconduct Grant Samuel shall bear the proportion of such costs caused by its action. Any claims by Nuplex are limited to an amount equal to the fees paid to Grant Samuel.

Advance drafts of this report were provided to the directors and executive management of Nuplex. Certain changes were made to the drafting of the report as a result of the circulation of the draft report. There was no alteration to the methodology, evaluation or conclusions as a result of issuing the drafts.

7. Consents

Grant Samuel consents to the issuing of this report in the form and context in which it is to be included in the Notice of Meeting to be sent to security holders of Nuplex. Neither the whole nor any part of this report nor any reference thereto may be included in any other document without the prior written consent of Grant Samuel as to the form and context in which it appears.