August 29, 2012

News Release

Mercer back in black

Mercer generated a profit in the six months to 30th June 2012 and is forecasting strong profit growth for the year ending 30th June 2013.

The unaudited results for the full year to 30th June 2012 show the following:

- $1.0m loss for the year, comprising a loss of $1.1m in the first half and a profit of $0.1m in the second half.
- EBITDA (operating earnings before interest, tax, depreciation and amortisation) from the on-going business for the year of $1.2m against a target of $1.0m (excluding abnormals).
- Positive cash flows from operations and investing activities of $1.5m after capital expenditure of $0.5m and interest costs of $0.4m.
- Shareholders' equity of $16.4m.

Chief Executive Rodger Shepherd says "the company has substantially completed its restructuring and is now concentrating on continuous improvement in its operating divisions as well as searching for adjacent growth opportunities. In July we acquired 75% of Titan Slicers, a designer and manufacturer of world leading industrial slicing equipment. Titan is close to finalising a substantial order from a large North American food manufacturer which will have a positive impact on our bottom line".

During the last six months, Mercer has been rebranded and its financial systems upgraded. Offices and distribution centres in the North Island have been moved to new headquarters in Onehunga, Auckland.

Mercer believes its EBITDA for the financial year ended June 30th, 2013 should be in the range of $3 – 4m. The company is forecasting capital expenditure of $0.7m and interest expense of $0.3m for the period.

DIVISIONAL PERFORMANCE:

The following table illustrates the improvement in performance against 2011 and the improvement in the second half of the year against the first half:

$ Millions	Second Half	First Half	June 2012 12 months	June 2011 12 months
Sales				
Stainless Fabrication	10.8	10.3	21.1	18.3
Mercer Interiors	4.1	4.5	8.6	9.1
Mercer Medical	1.8	2.1	3.9	3.3
Intersegment eliminations	0.0	(0.3)	(0.3)	(0.2)
	16.6	16.6	33.3	30.5
Segment result (EBIT)				
Stainless Fabrication	0.9	(0.1)	0.8	(7.2)
Mercer Interiors	0.0	(0.3)	(0.3)	(0.8)
Mercer Medical	0.2	(0.0)	0.1	(0.1)
Corporate	(0.8)	(0.6)	(1.4)	(1.3)
	0.3	(1.0)	(0.7)	(9.4)
Add back normalising adjustments:				
Australia losses pre restructure		0.6	0.6	
Restrucutre costs and other one offs		0.4	0.4	(6.0)
Normalised EBIT	0.3	(0.0)	0.3	(3.4)
Depreciation	0.4	0.4	0.8	1.2
Normalised EBITDA	0.7	0.4	1.1	(2.2)

- Stainless Division

The Stainless division comprises fabrication workshops in Christchurch, New Plymouth and a branch in Brisbane.

The business had a solid year with the Fonterra dairy plant in Darfield providing the backbone of work together with the greenfield Guardians Balclutha plant, a Primo conveyer project in Australia and a large Acid tower for Ravensdown.

Mercer has retained a sales and project management office in Australia that is sourcing opportunities for our NZ workshops.

The current Stainless order book is strong with Mercer successfully signing up further work for Stage 2 of the Fonterra plant at Darfield. With continued growth in sales of Mercer owned equipment and with the Titan forward order book looking strong, we expect this division to produce an improved result in the year ending 30th June 2013.

- Interiors Division

The Interiors division manufactures sinks in Christchurch and supplies imported sinks, basins, tubs, toilets, laminate, solid surface material and other similar products to joiners, merchants, fabricators and other manufacturers in New Zealand. During the period, Mercer was successful in attaining representation for Wilsonart laminates, which is one of the largest laminate producers in the world. This is proving to be complementary to our sinkware offering.

The New Zealand business continues to be affected by the downturn in residential building activity and delays in the Christchurch rebuild. We recruited a new General Manager, to lead the change needed in this division, and progress is being made.

In Australia, Mercer signed a distribution agreement with Bathroom and Kitchen Supplies Pty Ltd (trading as Imperialware). Mercer is finding Australia a tough market to penetrate but we continue to believe there is an opportunity to market our high quality NZ manufactured product in this market.

We are forecasting sales in this division to increase next year, as a result of the Wilsonart representation and some growth in the NZ building sector, particularly in Christchurch.

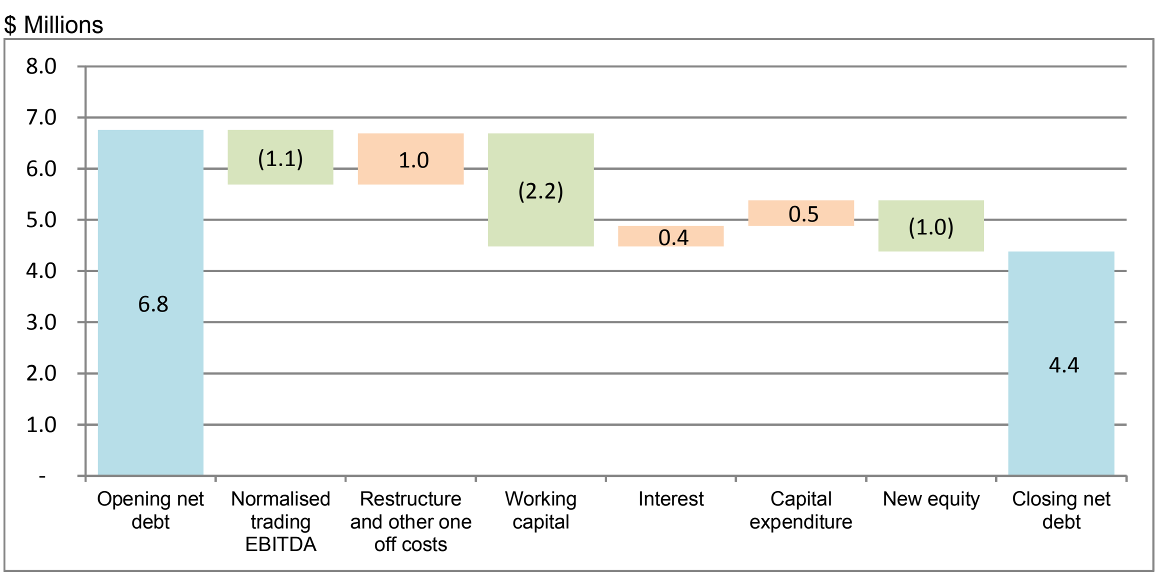
- <u>Medical Division</u>

  Mercer Medical is a division supplying equipment and related products and services for sterilisation, washing and disinfection. During the year Mercer signed new distribution agreements with leading overseas principals, including MMM Group, BHT and Dr Weigert. We have developed more focus on our servicing capability, which is now the backbone of this division, along with selling consumables.

FUNDING AND CASH FLOW:

During the year the company successfully negotiated new bank facilities with BNZ, and is now covenant compliant. Rodger Shepherd exercised $1m of his options. These funds were used to strengthen the company's working capital position. All shareholder loans have been repaid and bank debt is being reduced by $50,000 per month.

The following chart shows the flow of cash against debt balances and highlights the improving net debt position.



DIVIDEND:

The Directors have determined that it is not appropriate to pay a dividend this year.

Garry Diack
Chairman

Rodger Shepherd
CEO

For further information, please contact Rodger Shepherd, Group CEO on +649 836 9778