



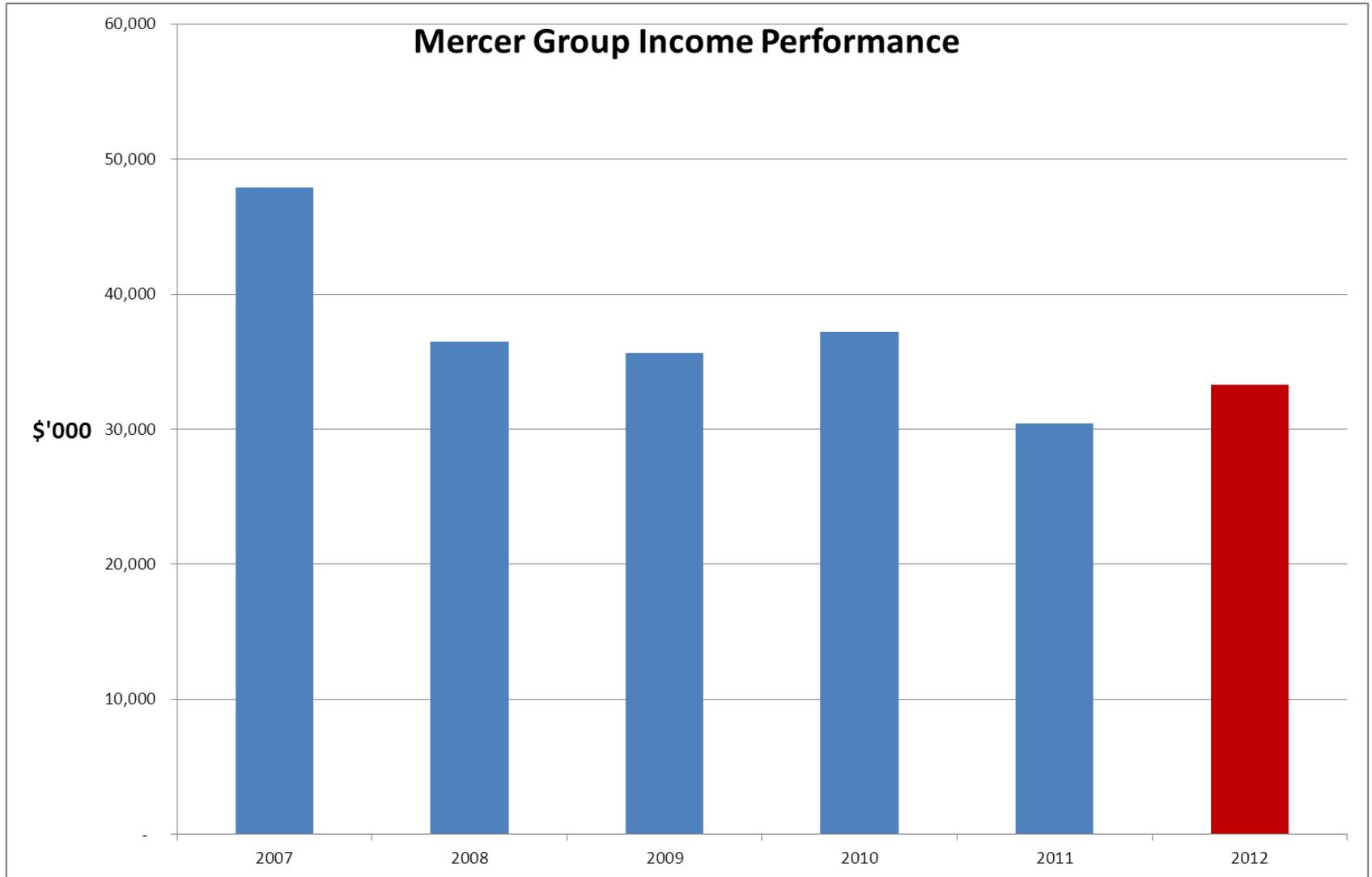
Mercer Group Limited



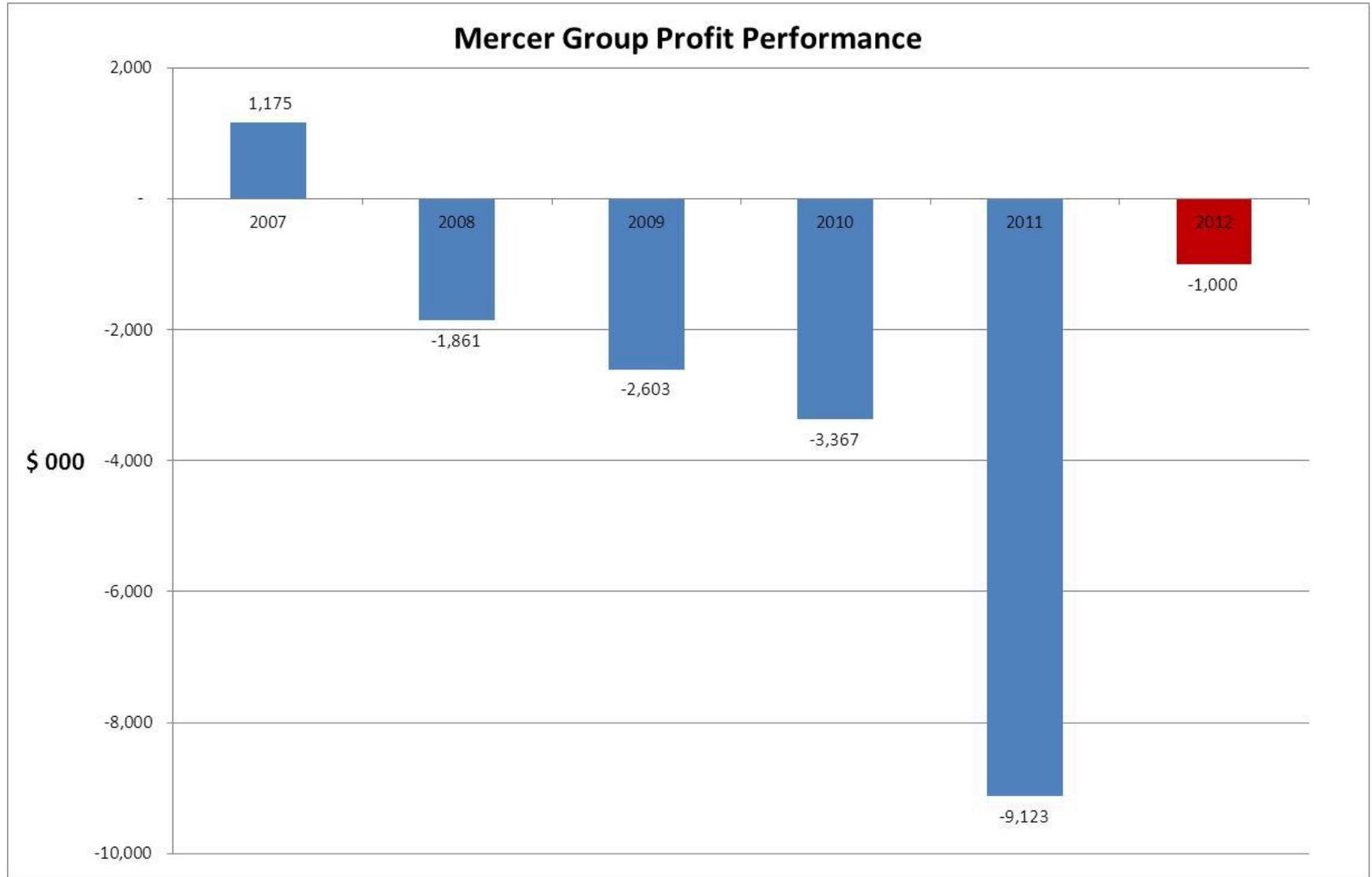
Annual General Meeting
29 November 2012



2012 performance



2012 performance





Mercer Group Limited



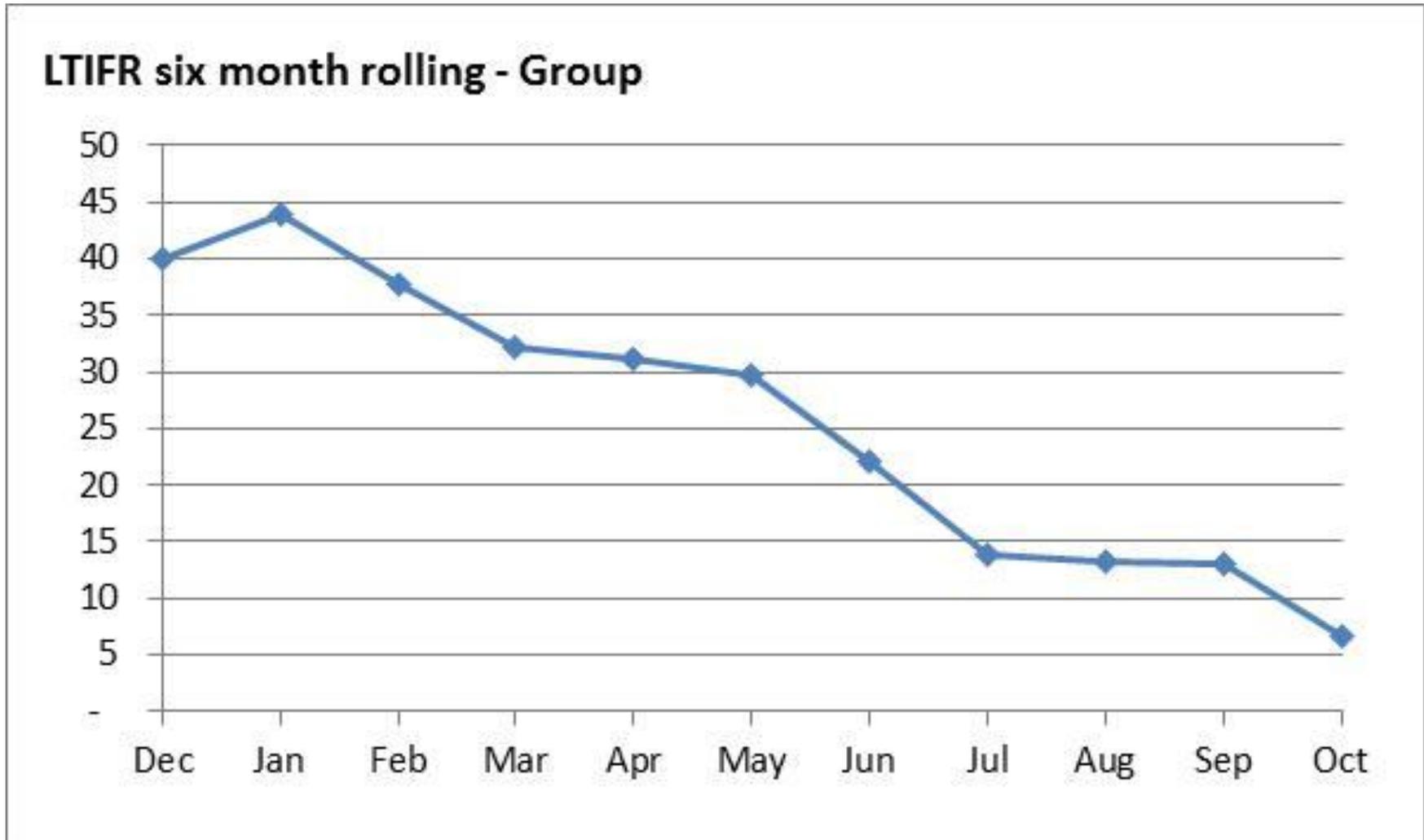
Annual General Meeting
29 November 2012
Chief Executive's report



2012 objectives largely met

Achieve a cash operating profit (EBITDA) of positive \$1m	✓	EBITDA of \$1.1m
Achieve positive cash flow (EBITDA less capex less interest) pre restructuring	✓	Positive cash flow of \$0.2m
Commercialise at least one R&D project	✗	Not achieved
Stainless Australian breakeven	✓	Currently running around break-even
Conclude arrangements with distributor to ensure Interiors Australia is EBITDA positive	✓	Achieved
Meet new BNZ banking covenants	✓	Achieved
LTIFR below 20 and tracking downwards	✓	Achieved

Our safety record is improving



2011/12 Year Financial Performance was the start of a turnaround

Segment	2012 1 st Half Underlying	2012 2 nd Half Actual	2011 Last Year 2 nd Half
Mercer Stainless	0.5	0.8	(4.1)
Mercer Interiors	(0.1)	0.0	(0.3)
Mercer Medical	(0.0)	0.1	(0.1)
Corporate	<u>(0.4)</u>	<u>(0.6)</u>	<u>(0.1)</u>
Normalised EBIT	<u>(0.0)</u>	<u>0.3</u>	<u>(4.6)</u>

The second half produced a profit

- A company struggling and in breach of banking covenants has been turned into one that is profitable and compliant with BNZ covenants
- New management recruited with customer orientation to support the engineering strength
- New branding, logo, website and marketing. Greater market presence
- New office and distribution centre in Onehunga, Auckland
- Review and prioritisation of growth options and capital projects for future years
- New confidence to expand internationally
- A company actively looking for acquisitions

Mercer core = New Zealand expertise and best practice

Stainless Steel
Fabrication

Food Processing
Equipment

Sinkware

Medical
Sterilisation

Research and
Development

Finance



From this core expertise, Mercer generates World leading products and solutions to sell globally
Vision: to provide innovative and high quality Stainless, Interior and Medical solutions to the world

TITAN
by Mercer

BETAVAC
by Mercer

PV VALVE
by Mercer

SINKWARE
by Mercer

S CLAVE
by Mercer

**MERCER
CONCENTRATOR**

Developing solutions to international markets



- Business currently trading better than last year
- Strong order book through Q3 and beyond
- Darfield Stage 2 providing solid base work for Christchurch site
- New Plymouth performing very strongly with Betavac and AiCO machinery sales improving
- Moving into apple sector with Carter Holt Harvey and have developed new packaging machinery for this sector
- Titan machines now being made in Christchurch



- Titan has developed world leading slicing technology
- Mercer paid \$1m for 75% of Titan in July 2012
- Titan and Mercer then secured a \$5m order from Maple Leaf Foods (MLF) to install 4 slicing lines, which is currently underway
- Ensuring the MLF installation is totally successful is absolutely paramount for the business and for future growth
- There is an expected market demand of 1,400 slicers in North America over the next 10 years
- We have appointed a Canadian agent and are hiring a sales person for North America



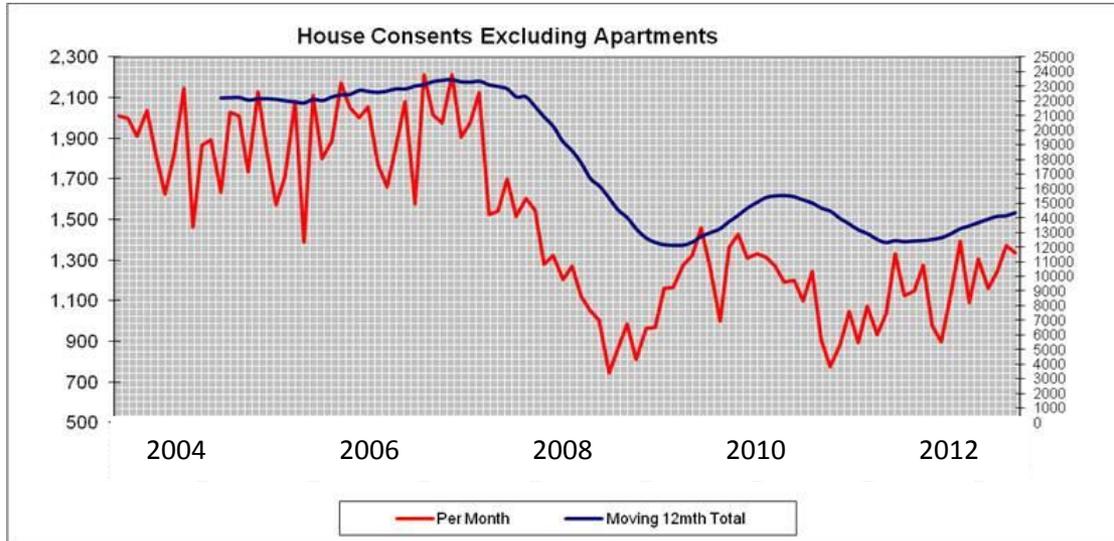
- Signed two year contract with MMM and BHT for NZ exclusive supply as replacement for Belimed. Finding it difficult to get orders underway with the DHBs being very conservative to change



- We have strengthened our Service Department, and turned it into a profit centre (more akin to automotive industry). This is going very well and we have many long-term contracts. Consumables sales are also building nicely
- We expect 2013 will bring a number of capital sales as our new brands become accepted in the market



- Building market slowly rising as residential consents (leading indicator) are slowly increasing



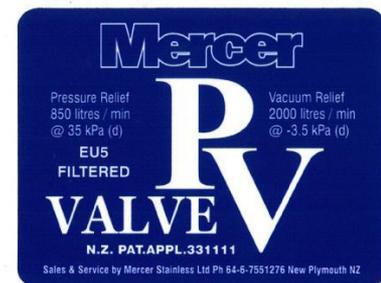
- Mercer pressed bowls gaining market share (Burns & Ferrell closed their NZ plant last year)
- We are in the midst of developing new squarer tight radius bowls that should grow our share of the NZ market



- We continue to import “high end” Reginox series from Europe and bringing in lower cost Chinese product where necessary
- Securing the WilsonArt laminate representation means that we are No.2 in the High Pressure Laminate sector. We are re-launching the brand in NZ and getting a good reception from the market
- We are strengthening the Mercer brand with better marketing and NZ made logo. Julie Seymour is the ambassador for Mercer in Christchurch market
- Starting to see some lift in sinkware and laminate sales in NZ, and we expect this growth to continue
- The Australian building sector struggling, but we continue to build channels to market and expect growth in 2013



- Historically Mercer has had little progress converting R & D projects into revenue opportunities. We are putting renewed energy into the Technologies Division
- We believe commercialising R & D projects is a substantial opportunity for Mercer and Alan Dowman has been hired as General Manager to implement our plans
- Key projects underway include:
 - Milk/Juice Concentrator
 - S-clave
 - Benchtop Autoclave
 - Leak Detector
 - PV valve for the USA



2013 objectives

- Achieve trading EBITDA of at least \$3m
- Meet Banking covenants
- LTIFR tracking below 10
- Commercialise an R & D project
- Revenue growth of at least \$10m in 2013 v 2012

Building on the sound foundation established in 2012