ASX RELEASE

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## SALE OF SPICERS CANADA, UPDATE ON STRATEGIC REVIEW AND IMPACT ON FINANCIAL PERFORMANCE

### Sale of Canadian operations

Further to the Company release of 22nd December 2014, PaperlinX announces that it has entered into an agreement to sell its Canadian operations (Spicers Canada) to Central National-Gottesman Inc. (CNG) for C$63million, subject to a customary post-completion working capital adjustment. Completion of the transaction remains subject to the satisfaction of certain conditions including Canadian Competition Act approval which is anticipated to occur by late February.

PaperlinX and local management have worked hard to reposition Spicers Canada into a highly respected and successful business and have grown Underlying EBIT[1] from less than C$5m in 2010 to C$15.5m in 2014 despite declining industry volumes. However, the business has reached an inflection point in relation to its earnings potential unless significant additional capital is invested to preserve and enhance value. PaperlinX therefore believes CNG is a better partner to help grow the business moving forward.

### Update on strategic review

PaperlinX continues to evaluate all strategic options in relation to Paper Associates Pty Ltd, the holding company for its European and Asian operations. Conditions in the European market remain challenging and the Company is continuing its work with Moelis & Company and Deloitte (Europe) to assess its strategic options. The Company is in discussions with several interested parties which may or may not result in the sale or restructure of part or all of its European operations. PaperlinX will continue to update shareholders on the outcome of these discussions.

PaperlinX is encouraged by the performance of its Australian and New Zealand operations. The Company is focused on investing in and growing its businesses beyond paper merchanting and into visual technology solutions, packaging and 3D printing.

### Financial impact of the sale of the Canadian operations

The Spicers Canada's Underlying EBIT[1] contribution in the first half of FY15 is expected to be marginally favourable to the prior corresponding period (subject to finalisation and audit review). Given today's announcement, this business will be reclassified as discontinued in the FY15 financial results.

After excluding the Underlying EBIT[1] contribution from Spicers Canada, the pro forma FY14 Group Underlying EBIT[1] loss would have been A$17.0m in the 1H FY14 and a full year loss of A$22.7m as shown in the table below.

*Pro forma Underlying EBIT[1] after excluding Spicers Canada from FY14*

| Underlying EBIT[1] (A$m) | 1HFY 14 | 2HFY 14 | FY14 |
|---|---|---|---|
| As reported | -9.6 | 2.6 | -7.0 |
| Less Canada | 7.4 | 8.3 | 15.7 |
| Pro forma | -17.0 | -5.7 | -22.7 |

Proceeds from the sale will be used to repay external debt and inter-company loans, as well as provide the Group with liquidity and be available to assist with restructuring PaperlinX's European operations. Accordingly, the sale of Spicers Canada is expected to improve the Group's financial position.

In the 1H FY15 results, PaperlinX will report as a significant item a loss on the sale (impairment) of Spicers Canada of approximately A$33m against the carrying value of the Canadian assets.

In addition to the book loss on the carrying value of the Canadian assets, the Foreign Currency Translation Reserve (FCTR) in the Group's accounts includes an estimated loss of $25m (at current A$:C$ exchange rates) relating to the Canadian operations. As required under accounting standards, this reserve will be written off at completion and reported as a significant item in PaperlinX's 2H FY15 results. This reflects the substantially stronger A$ today compared with when the Spicers Canada businesses were acquired. The final quantum of the loss on sale will be subject to the exchange rate at completion as well as any post completion working capital adjustment.

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*Notes:*
*[1] Non IFRS Measure. Underlying EBIT is defined as statutory profit/(loss) before interest and tax (EBIT) and before impairment of non-current assets, loss on sale of controlled entities and restructuring costs.*