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PAPERLINX 2012 FULL YEAR RESULTS

PaperlinX Limited (PaperlinX) today announced a statutory loss after tax of $(266.7) million for the year ended 30 June 2012 compared to a loss of $(108.0) million for the prior corresponding period (pcp).

This statutory loss is significantly increased from the $171 million expected loss announced on 26th June 2012, primarily due to the Board's decision to write-off all remaining goodwill on our European operations.

The key features of this result are:

- Revenue was $4.11 billion, down from $4.67 billion for pcp due to weaker sales and negative translation impact arising from the strength of the Australian dollar.
- Diversified revenue grew by 3.4% (constant FX) over pcp.
- Volumes of 2.44 million tonnes, down from 2.63 million tonnes for pcp reflecting a further deterioration in demand in our key markets, in particular Europe.
- Restructuring costs of $(31.1) million pre-tax in line with plans announced in June.
- Negative operating cash flow of $(62) million was unfavourable to $55 million for pcp following deterioration in trading results and adverse working capital movements.
- Impairment of goodwill and other non-current assets of $(125.9) million after tax, primarily in the Benelux and the UK.
- After tax loss on the sale of businesses in US and Italy of $(62.4) million.
- Currency option close-out, generated $39 million in cash.
- Lower net debt of $148 million vs. prior year of $172 million primarily reflects the repayment of debt, proceeds from the currency option, the stronger Australian dollar, partly offset by negative operating cashflow.

The Strategic Review resulted in:

- The sale of businesses in the US and Italy and both sales have now been closed. In addition, the sale of our businesses in South Eastern Europe and South Africa are expected to complete in the first half of FY13. Total net cash proceeds from these disposals are expected to be approximately $90 million.
- Extensive restructuring in the UK, Australia and Corporate. In June 2012, we announced the restructuring programme would be significantly expanded particularly in Europe, and the programme is now expected to generate ongoing benefits of $73 million p.a. by the end of FY14 for a total cost of $45 million.

Following the disposals described above, the Group now comprises ANZA, where continuing underlying EBIT of $10.9 million was slightly down from $11.4 million pcp, Canada, where continuing underlying EBIT was positive at US$8.4 million vs. US$6.0 million pcp and Europe, where continuing underlying EBIT was a loss of €(17.8) million vs. a profit of €2.5 million pcp.

Commenting on the result, PaperlinX Chairman, Harry Boon said, "These results reflect a company in transition as we respond to the reality of the continuing structural decline in paper demand, current weak market conditions and the continuing poor outlook in Europe. The implementation of the Strategic Review involved taking substantial measures to reshape the Company. Cash generated from asset disposals and the close out of the currency option have provided much needed liquidity, reduced debt and funded crucial restructuring. When completed, the expanded and accelerated restructuring programme will provide a significantly lower operating cost base."

Dave Allen, Interim Chief Executive Officer said, "While we have made significant progress over the year to transform PaperlinX, there is still much work to be done to return the Company to operating profitability. In the short term, my priority is to implement the strategy set by the Board to execute the restructuring plan and drive the growth and margin of our diversified products, particularly packaging. Our remaining businesses have significant positions in sizable markets, and with a lower cost base, we are now better positioned to become a successful broad based material supplier."

RESULTS FOR THE YEAR ENDED 30 JUNE 2012

The following table shows statutory earnings and sales revenue by region in Australian dollars. Segment results exclude significant items but include the benefits arising from restructuring activities. Included is a reconciliation of underlying sales revenue and earnings. The difference between statutory results and underlying results is the loss on sale of businesses, impairment of non-current assets, restructuring costs, valuation impact of the currency option, net benefits related to the closure of the Tasmanian operations and transaction costs related to the sale of Australian Paper.

	Earnings		Sales Revenue	
For the year ended 30 June	**2012**	**2011**	**2012**	**2011**
	$m	**$m**	**$m**	**$m**
Europe	(23.6)	3.6	2,333.8	2,698.5
Canada	8.3	6.2	442.1	463.8
Australia, New Zealand and Asia	10.9	11.4	472.2	515.7
Unallocated	(16.4)	(18.0)	(4.9)	(6.2)
Total continuing operations	(20.8)	3.2	3,243.2	3,671.8
Discontinued operations	8.6	17.7	870.0	1,003.1
(Loss)/profit before net finance costs, tax, interest and significant items	**(12.2)**	**20.9**		
Net other finance costs	(7.0)	(3.5)		
(Loss)/profit before interest, tax and significant items	**(19.2)**	**17.4**		
Significant items (pre-tax)	(214.0)	(109.3)		
Loss before interest and tax	**(233.2)**	**(91.9)**		
Net interest	(18.3)	(18.9)		
Loss before tax	(251.5)	(110.8)		
Tax relating to pre-significant items	(16.9)	(6.4)		
Tax relating to significant items	1.7	9.2		
Tax (expense)/benefit	(15.2)	2.8		
Group eliminations			(0.1)	(4.6)
Statutory loss for the period / Total Revenue	**(266.7)**	**(108.0)**	**4,113.1**	**4,670.3**

Adjust for following (gains)/losses included in statutory profit:		
Loss on the sale of controlled entities	62.4	-
Impairment of assets held for sale	1.7	-
Impairment of property, plant and equipment	4.9	-
Impairment of intangible assets	119.3	68.5
Restructuring costs	28.4	17.6
Net benefit related to closure of Tas operations	(1.4)	(5.9)
Currency option	(3.0)	15.4
Transaction costs related to sale of Aust Paper	-	4.5
Underlying loss for the period	**(54.4)**	**(7.9)**
Net interest	18.3	18.9
Tax relating to pre-significant items	16.9	6.4
Underlying EBIT	**(19.2)**	**17.4**
Less:		
Discontinued underlying EBIT	8.0	17.1
Continuing underlying EBIT	**(27.2)**	**0.3**

Refer to Appendix for a detailed reconciliation of underlying sales revenue and underlying earnings.

PaperlinX financial results are reported under International Financial Reporting Standards (IFRS). This presentation also includes certain non-IFRS measures including underlying statutory profit / (loss) after tax, underlying Earnings Before Interest and Tax (EBIT), continuing underlying EBIT, discontinued underlying EBIT and constant currency. These measures are presented to enable understanding of the underlying performance of the Company without non-trading items. Non-IFRS measures have not been subject to audit or review. The non-IFRS measures used throughout this document are defined in the appendix.

Balance sheet

		As at 30 June 2012	As at 31 December 2011	As at 30 June 2011
Current assets	$m	1,104	1,458	1,540
Non current assets	$m	195	340	390
Total assets	$m	1,299	1,798	1,930
Current liabilities	$m	675	940	846
Non current liabilities	$m	177	219	348
Total liabilities	$m	852	1,159	1,194
Shareholders equity	$m	447	639	736
Key ratios				
Funds employed (net debt + net assets)	$m	595	853	908
Gross debt	$m	228	330	297
Net debt	$m	148	214	172
Net debt / net debt & equity	%	24.8	25.1	18.9
Net tangible assets per share	$	0.06	0.18	0.27

Financial position

Funds employed of $595 million reduced from $908 million at June 2011 and average funds employed of $914 million reduced from $1,110 million for the pcp. This result was due to losses on the disposal of businesses in the US and Italy, impairment charges and restructuring costs and the impact of a stronger Australian dollar.

The total cash outflow of $43 million was unfavourable compared to the $11 million outflow for the pcp. Operating cash outflow was $62 million. This compares to $55 million inflow for the pcp which had benefited from $26 million inflows on the closure of the discontinued Tasmanian operations, whilst in 2012, underlying EBIT was $36 million lower and the impact of less favourable supplier terms at year end was approximately $65 million.

Net debt of $148 million decreased from $172 million at June 2011 and $214 million at December 2011 due to repayment of debt and the impact of a stronger Australian dollar, partly offset by the cash outflow described above. Net debt increases during the month as supplier payments are made, and then reduces in the last week of the month as customers payments are received. Average daily net debt approximated $368 million.

Interest costs of $18.3 million were in line with the pcp of $18.9 million and reflect a similar average gross debt balance in both periods.

Capital expenditure for the period was $14 million compared with $18 million for the pcp. Depreciation and amortisation was $20 million compared with $23 million for the pcp.

Dividend

There will be no dividend on the Ordinary Shares for the year ended 30 June 2012.

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Appendix – Detailed reconciliation of underlying profit

For the year ended 30 June	2012								
		Less: Adjustments							
	Statutory Loss	Loss on sale of controlled entities	Impairment of assets held for sale	Impairment of property, plant and equipment	Impairment of intangibles	Restructuring costs	Net benefit related to closure of Tas operations	Currency option	Under-lying Loss
	$m	$m	$m	$m	$m	$m	$m	$m	$m
Total continuing operations	(20.8)								(20.8)
Continuing net other finance costs	(6.4)								(6.4)
Continuing underlying EBIT	**(27.2)**								**(27.2)**
Discontinued operations	8.6								8.6
Discontinued net other finance costs	(0.6)								(0.6)
Discontinued underlying EBIT	**8.0**								**8.0**
Loss before interest, tax and significant items	**(19.2)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(19.2)**
Significant items (pre-tax)	(214.0)	62.4	1.7	4.9	119.3	31.1	(1.4)	(4.0)	-
Loss before interest and tax	**(233.2)**	**62.4**	**1.7**	**4.9**	**119.3**	**31.1**	**(1.4)**	**(4.0)**	**(19.2)**
Net interest	(18.3)								(18.3)
Loss before tax	(251.5)	62.4	1.7	4.9	119.3	31.1	(1.4)	(4.0)	(37.5)
Tax relating to pre-significant items	(16.9)								(16.9)
Tax relating to significant items	1.7					(2.7)		1.0	-
Tax benefit/(expense)	(15.2)	-	-	-	-	(2.7)	-	1.0	(16.9)
Loss for the period	**(266.7)**	**62.4**	**1.7**	**4.9**	**119.3**	**28.4**	**(1.4)**	**(3.0)**	**(54.4)**

For the year ended 30 June	2011						
		Less: Adjustments					
	Statutory Loss	Impairment of intangible assets	Restructuring costs	Net benefit related to closure of Tas operations	Currency option	Costs related to sale of Aust Paper	Under-lying Loss
	$m	$m	$m	$m	$m	$m	$m
Total continuing operations	3.2						3.2
Continuing net other finance costs	(2.9)						(2.9)
Continuing underlying EBIT	**0.3**						**0.3**
Discontinued operations	17.7						17.7
Discontinued net other finance costs	(0.6)						(0.6)
Discontinued underlying EBIT	**17.1**						**17.1**
Profit before interest, tax and significant items	**17.4**	**-**	**-**	**-**	**-**	**-**	**17.4**
Significant items (pre-tax)	(109.3)	68.5	21.4	(5.9)	20.8	4.5	-
(Loss)/profit before interest and tax	**(91.9)**	**68.5**	**21.4**	**(5.9)**	**20.8**	**4.5**	**17.4**
Net interest	(18.9)	-	-	-	-	-	(18.9)
Loss before tax	(110.8)	68.5	21.4	(5.9)	20.8	4.5	(1.5)
Tax relating to pre-significant items	(6.4)						(6.4)
Tax relating to significant items	9.2		(3.8)		(5.4)		-
Tax (expense)/benefit	2.8	-	(3.8)	-	(5.4)	-	(6.4)
Loss for the period	**(108.0)**	**68.5**	**17.6**	**(5.9)**	**15.4**	**4.5**	**(7.9)**

The non-IFRS measures used throughout the document are:

- *Underlying statutory profit / (loss) after tax*: statutory profit / (loss) after tax before impairment of non-current assets, loss on sale of assets, restructuring costs, Tasmanian closure benefits, Australian Paper transaction costs and valuation gain / (loss) on currency option.
- *Underlying Earnings Before Interest and Tax (EBIT):* Underlying statutory profit / (loss) before interest and tax.
- *Continuing Underlying EBIT:* Underlying statutory profit / (loss) before interest and tax for the continuing operations.
- *Discontinued Underlying EBIT:* Underlying statutory profit / (loss) before interest and tax for the discontinued operations.
- *Constant currency*: throughout this presentation, constant currency assumes current and prior period earnings of foreign operations are translated at prior year exchange rates.

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