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PAPERLINX 2013 INTERIM RESULTS

PaperlinX Limited (PaperlinX) today announced a statutory loss after tax of $57.3 million for the 6 months to 31 December 2012. This includes an impairment charge of $24.7 million and compares to a loss of $60.9 million for the prior corresponding period (pcp).

The key features of this result are:

- Continuing revenue was $1.44 billion, down from $1.73 billion for pcp due to weak market conditions and to a lesser extent market share loss (10% decline at constant currency rates)
- Underlying loss for the period is $24.3m compared to $18.7m pcp
- Impairment of computer software and proprietary brands in Europe of $24.7 million after tax
- Restructuring costs of $6.4 million after tax
- Negative operating cash flow of $61 million was unfavourable to $49 million for pcp following deterioration in trading results and adverse working capital movements
- Strong performances in Canada and the Australia, New Zealand & Asia (ANZA) region
- Proceeds from divestments have assisted in reducing net debt but largely offset by trading losses and unfavourable working capital movements
- The Company's largest funding facility was extended to 30 September 2014
- Evolving our operating model, both by developing strategy through product-based business units rather than being limited by country-based structures, and consolidation of several operating companies
- Investing in growing Packaging and Sign & Display divisions
- Significant opportunities identified to turnaround the Netherlands business

Commenting on the result, Dave Allen, Chief Executive Officer said, "Although the loss is significant given the impairment charge, actions taken during the half have laid the foundations for PaperlinX to return to profitability in 2014. Canada and ANZA continue to be our strongest performers and we will take the learnings from these regions regarding a single brand to market to Europe and the UK. Combined with the significant restructuring well underway in Europe and the UK and the investment for growth in Packaging and Sign and Display across all regions, this positions PaperlinX for a turnaround in financial performance".

RESULTS FOR THE SIX MONTHS TO 31 DECEMBER 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 earnings. The difference between statutory results and underlying results is the loss on sale of businesses, impairment of non-current assets, restructuring costs, the write back of provisions relating to the closure of the Tasmanian operations and in the pcp, the valuation impact of the currency option.

	Earnings		Sales Revenue	
For the half-year ended 31 December	**2012**	**2011**	**2012**	**2011**
	$m	**$m**	**$m**	**$m**
Europe	(19.5)	(5.8)	1,018.8	1,264.0
Canada	5.0	3.6	205.1	222.1
Australia, New Zealand and Asia	7.8	5.7	218.4	251.6
Unallocated	(6.6)	(9.8)	(2.2)	(2.8)
Total continuing operations	(13.3)	(6.3)	1,440.1	1,734.9
Discontinued operations	0.2	5.4	27.4	449.0
Loss before net finance costs, tax, interest and significant items	**(13.1)**	**(0.9)**		
Net other finance costs	(0.4)	(3.7)		
Loss before interest, tax and significant items	**(13.5)**	**(4.6)**		
Significant items (pre-tax)	(33.0)	(42.4)		
Loss before interest and tax	**(46.5)**	**(47.0)**		
Net interest	(6.6)	(9.4)		
Loss before tax	(53.1)	(56.4)		
Tax relating to pre-significant items	(4.2)	(4.7)		
Tax relating to significant items	-	0.2		
Tax expense	(4.2)	(4.5)		
Group eliminations			-	-
Statutory loss for the period / Total Revenue	**(57.3)**	**(60.9)**	**1,467.5**	**2,183.9**
Adjust for following (gains)/losses included in statutory profit:				
Loss on the sale of controlled entities	3.4	-		
Impairment of property, plant and equipment	-	3.7		
Impairment of intangible assets	24.7	35.7		
Restructuring costs	6.4	3.0		
Net benefit related to closure of Tas operations	(1.5)	-		
Currency option	-	(0.2)		
Underlying loss for the period	**(24.3)**	**(18.7)**		
Net interest	6.6	9.4		
Tax relating to pre-significant items	4.2	4.7		
Underlying EBIT	**(13.5)**	**(4.6)**		
Less:				
Discontinued underlying EBIT	0.2	5.0		
Continuing underlying EBIT	**(13.7)**	**(9.6)**		

Refer to Appendix for a detailed reconciliation of 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 31 December 2012	As at 30 June 2012	As at 31 December 2011
Current assets	$m	1,022	1,104	1,458
Non current assets	$m	163	195	340
Total assets	$m	1,186	1,299	1,798
Current liabilities	$m	586	675	940
Non current liabilities	$m	225	177	219
Total liabilities	$m	811	852	1,159
Shareholders equity	$m	374	447	639
Key ratios				
Funds employed (net debt + net assets)	$m	513	595	853
Gross debt	$m	241	228	330
Net debt	$m	139	148	214
Net debt / net debt & equity	%	27.0	24.8	25.1
Net tangible assets per share	$	(0.02)	0.06	0.18

Financial position

Funds employed of $513 million reduced from $595 at June 2012 and average funds employed of $579 million reduced from $914 million at June 2012. This result was due to the disposal of businesses in Eastern Europe and South Africa, the collection of the Italy and US sale proceeds booked in June 2012, impairment charges and restructuring costs offset by the impact of a weaker Australian dollar.

The total cash inflow on a net debt basis of $14 million was favourable compared to the $60 million outflow for the pcp largely due to $79 million proceeds from the disposal of US, Italy, Eastern Europe, and South Africa businesses. Operating cash outflow was $61 million which was $12 million adverse to the $49 million outflow for the pcp due to a deterioration in trading results and unfavourable working capital movements.

Net debt of $139 million decreased from $148 million at June 2012 and $214 million at December 2011 due to repayment of debt as a result of the cash inflows described above. Net debt increases during the month as supplier payments are made, and then reduces in the last week of the month as customer payments are received. Average daily gross debt approximated $252 million compared to $400m at June 2012.

Interest cost of $6.6 million was $2.8m lower than pcp of $9.4 million and reflects a lower average gross debt balance in the current period.

Capital expenditure for the period was $6 million compared to $8 million for the pcp. Depreciation and amortisation was $7 million compared with $10 million for the pcp.

Dividend

There will be no dividend on the Ordinary Shares for the six months to December 2012.

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Appendix – Detailed reconciliation of underlying profit

For the half-year ended 31 December	2012					
		Less: Adjustments				
	Statutory Loss	Loss on sale of controlled entities	Impairment of intangibles	Restructuring costs	Write-back of provisions re closure of Tas operations	Under-lying Loss
	$m	$m	$m	$m	$m	$m
Total continuing operations	(13.3)					(13.3)
Continuing net other finance costs	(0.4)					(0.4)
Continuing underlying EBIT	**(13.7)**					**(13.7)**
Discontinued operations	0.2					0.2
Discontinued net other finance costs	-					-
Discontinued underlying EBIT	**0.2**					**0.2**
Loss before interest, tax and significant items	**(13.5)**	**-**	**-**	**-**	**-**	**(13.5)**
Significant items (pre-tax)	(33.0)	3.4	24.7	6.4	(1.5)	-
Loss before interest and tax	**(46.5)**	**3.4**	**24.7**	**6.4**	**(1.5)**	**(13.5)**
Net interest	(6.6)					(6.6)
Loss before tax	(53.1)	3.4	24.7	6.4	(1.5)	(20.1)
Tax relating to pre-significant items	(4.2)					(4.2)
Tax relating to significant items	-	-	-	-	-	-
Tax expense	(4.2)	-	-	-	-	(4.2)
Loss for the period	**(57.3)**	**3.4**	**24.7**	**6.4**	**(1.5)**	**(24.3)**

For the half-year ended 31 December	2011					
		Less: Adjustments				
	Statutory Loss	Impairment of property, plant and equipment	Impairment of intangible assets	Restructuring costs	Currency option	Under-lying Loss
	$m	$m	$m	$m	$m	$m
Total continuing operations	(6.3)					(6.3)
Continuing net other finance costs	(3.3)					(3.3)
Continuing underlying EBIT	**(9.6)**					**(9.6)**
Discontinued operations	5.4					5.4
Discontinued net other finance costs	(0.4)					(0.4)
Discontinued underlying EBIT	**5.0**					**5.0**
Loss before interest, tax and significant items	**(4.6)**	**-**	**-**	**-**	**-**	**(4.6)**
Significant items (pre-tax)	(42.4)	3.7	35.7	3.2	(0.2)	-
Loss before interest and tax	**(47.0)**	**3.7**	**35.7**	**3.2**	**(0.2)**	**(4.6)**
Net interest	(9.4)					(9.4)
Loss before tax	(56.4)	3.7	35.7	3.2	(0.2)	(14.0)
Tax relating to pre-significant items	(4.7)					(4.7)
Tax relating to significant items	0.2	-	-	(0.2)	-	-
Tax expense	(4.5)	-	-	(0.2)	-	(4.7)
Loss for the period	**(60.9)**	**3.7**	**35.7**	**3.0**	**(0.2)**	**(18.7)**

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 controlled entities, restructuring costs, write-back of provisions relating to the discontinued Tasmanian operations and, in the pcp, 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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