2013 Interim Results - Analyst Briefing

21st February 2013

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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.

Key messages

- Poor results reflect legacy operating structures in Europe, which are now being addressed
- Board and senior management changes to support far-reaching restructuring initiatives
- Funding in place: ING facility extended 12 months, support from key suppliers and expected working capital improvements
- Cost-focused restructuring progressing with a goal of achieving a step change. More initiatives will be implemented over the coming months
- Not just a cost out strategy. Business model reorganisation to lay foundation for medium-term growth
- More value in turning Netherlands around than selling
- Strong performances in Canada and ANZA
- Key medium-term remaining problem areas are Germany, Dutch envelope business and Belgium
- Expecting to return to profitability in FY14

Interim results summary

- Statutory loss after tax of $57.3m vs prior of $60.9m
- Continuing Underlying EBIT[1] loss of $13.7m vs prior loss of $9.6m is largely due to the UK & Europe
- Restructuring charges pre tax of $6.4m
- Impairment charges for intangibles of $24.7m relating to ERP software and proprietary paper brands
- Net debt down from $148m in June to $139m. Excluding divestments it increased by $70m due to a combination of trading loss and capex of approximately $30m and working capital $41m
- Corporate cost run rate less than $10m p.a., down from $14m in FY12

(1) Non-IFRS measure

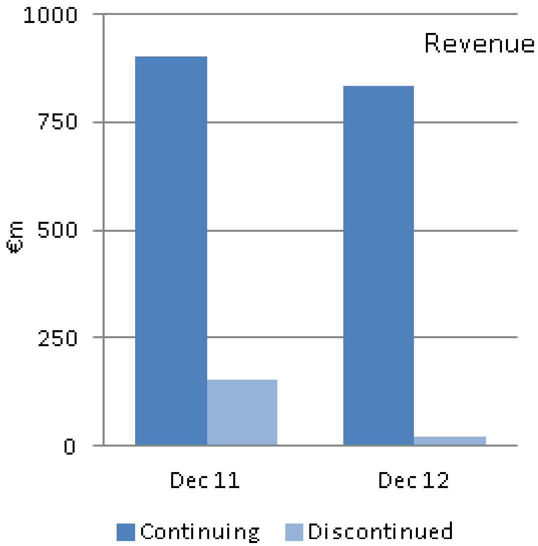
2013 interim financial results

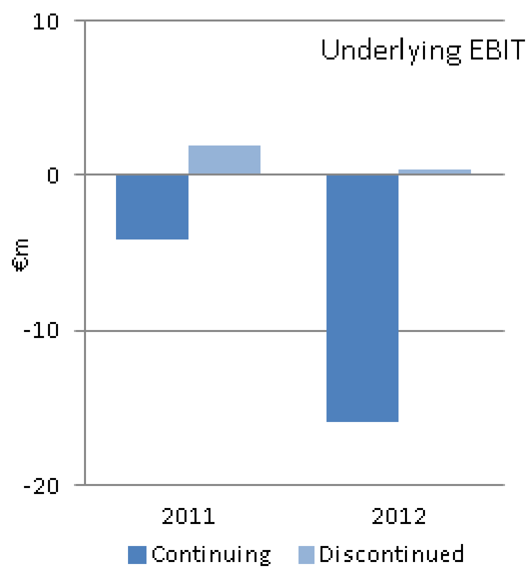
		6 months to Dec 12	6 months to Dec 11	% change
Continuing sales revenue	$m	**1,440**	1,735	(17)
Continuing sales revenue - constant currency (1)	$m	**1,562**	1,735	(10)
Continuing underlying EBIT (2)	$m	**(13.7)**	(9.6)	
Group underlying EBIT (2)	$m	**(13.5)**	(4.6)	
Underlying loss after tax (2)	$m	**(24.3)**	(18.7)	
Statutory loss after tax	$m	**(57.3)**	(60.9)	

(1) Non-IFRS measure
(2) Non-IFRS measure, prior year numbers restated.

Regional results overview

Europe





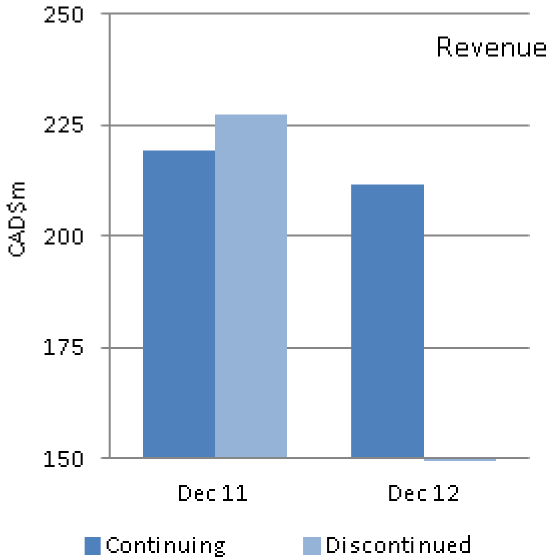
Continuing:

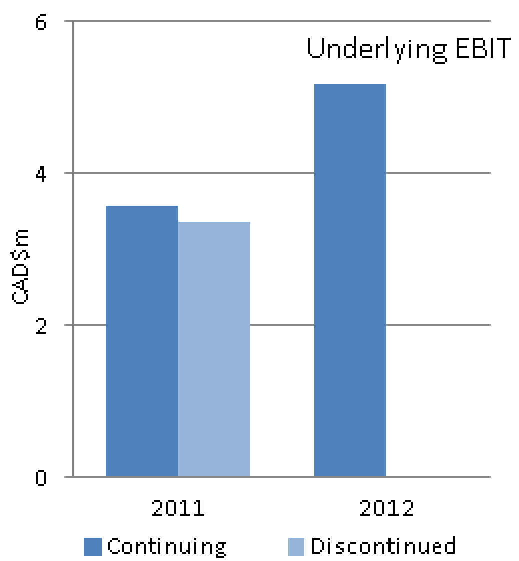
- Underlying EBIT loss €(15.9)m vs loss €(4.1)m pcp
- Revenue down 8% - due to market decline in paper, and loss of market share in some markets
- Majority of the loss is related to Benelux and to a lesser extent Germany
- UK performance down on prior year due to market decline and loss of market share

Discontinued:

- Underlying EBIT of €0.3m vs €1.7m pcp
- Includes Croatia, Hungary, Italy, Serbia, Slovakia, Slovenia and South Africa operations

Canada





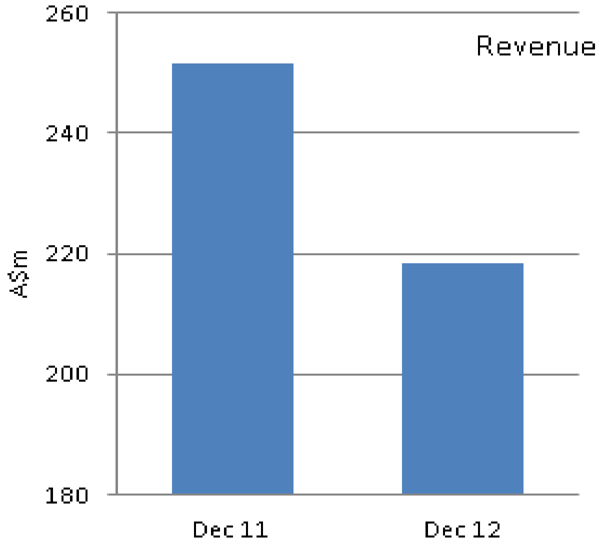
Continuing:

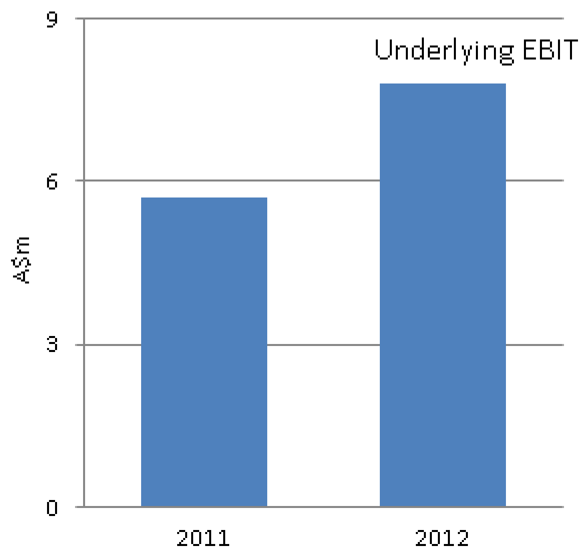
- Previously North America, now Canadian operations only following sale of US businesses in 2012
- Underlying EBIT of CAD$5.2m vs CAD$3.6m pcp
- 2012 brand consolidation produced improvement within both cost and working capital management
- Continued market share growth within multiple provinces
- Commitment to creating value through commercial print supply chain including suppliers, customers and the company itself
- Revenue opportunities emerging within both core and diversified segments

Discontinued:

- Includes all US operations
- Underlying EBIT of CAD$nil vs CAD$3.2m pcp

Australia, New Zealand, Asia





- Underlying EBIT of $7.8m vs $5.7m pcp
- Overall volumes down 13% on pcp
- Strong margin and expense control in Australia and New Zealand more than offset volume shortfall
- Asia selling prices and margins under pressure offset by expense control
- Continuing to align business and costs to size of markets
- Taking these learnings to Europe

Financial results

Financial summary

		6 months to Dec 12	6 months to Dec 11	% change
Sales revenue - continuing	$m	**1,440**	1,735	(17)
Continuing underlying EBIT	$m	**(13.7)**	(9.6)	
Discontinued underlying EBIT	$m	**0.2**	5.0	
Underlying EBIT	$m	**(13.5)**	(4.6)	
Continuing statutory loss after tax	$m	**(54.8)**	(43.4)	
Discontinued statutory loss after tax	$m	**(2.5)**	(17.5)	
Statutory loss after tax	$m	**(57.3)**	(60.9)	
Working capital - continuing	$m	**528**	489	(8)
Operating cashflow	$m	**(61)**	(49)	(24)
Net debt	$m	**139**	214	35
NTA per share	cents	**(2)**	18	(112)
Gross profit / sales - continuing	%	**19.5**	19.1	40 bpts
Expense / sales - continuing	%	**20.7**	19.7	(100) bpts

Underlying EBIT reconciliation

$m	6 months to Dec 12	6 months to Dec 11
Continuing underlying EBIT (1)	**(13.7)**	(9.6)
Discontinued underlying EBIT (1)	**0.2**	5.0
Underlying EBIT (1)	**(13.5)**	(4.6)
Interest expense	**(6.6)**	(9.4)
Tax expense - pre significant items	**(4.2)**	(4.7)
Underlying loss after tax (1)	**(24.3)**	(18.7)
Adjust for significant items post tax		
Loss on sale of controlled entities	**(3.4)**	-
Impairment of non current assets	**(24.7)**	(39.4)
Restructuring costs	**(6.4)**	(3.0)
Other (2)	**1.5**	0.2
Statutory loss after tax	**(57.3)**	(60.9)

(1) Non-IFRS measure, restated in the prior year

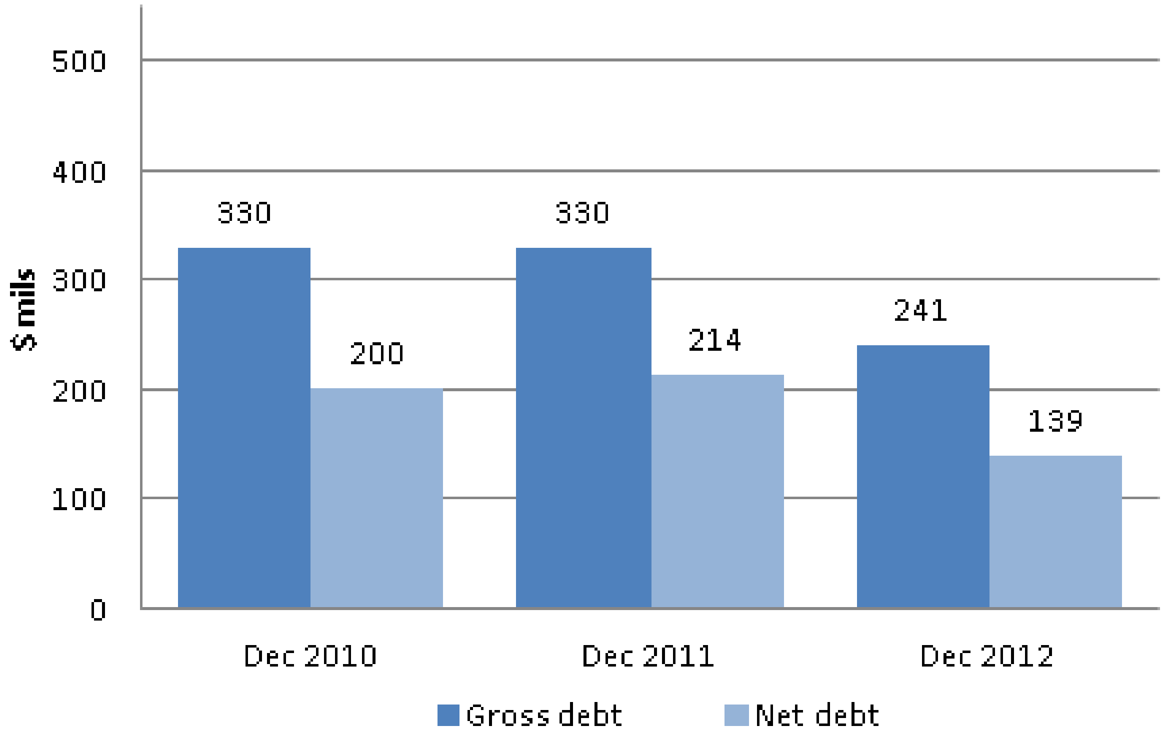
(2) Includes write-back of provisions re Tasmanian closure costs

Cash flow

$m	6 months to Dec 12	6 months to Dec 11	% change
Operating cash flow excl working capital	**(20)**	(13)	(54)
Working capital movement	**(41)**	(36)	(14)
Operating cash flow	**(61)**	(49)	(24)
Capital expenditure	**(7)**	(8)	13
Proceeds from sale of assets & businesses	**86**	-	-
Tas Paper closure	**(4)**	(2)	(75)
Currency option & CF hedges	**-**	(1)	100
Net cash flow on a net debt basis	**14**	(60)	124

- Negative operating cash flow excluding working capital, compared to pcp, reflects poor trading results
- Increase in working capital due to changes in trading terms, delayed stock planning adjustments and increase in outstanding debtor days

Debt summary



- Proceeds from divestments received during the period totalled $79m. Of this, $49m related to the Italian and US asset sales and $30m related to CEE and South Africa asset sales

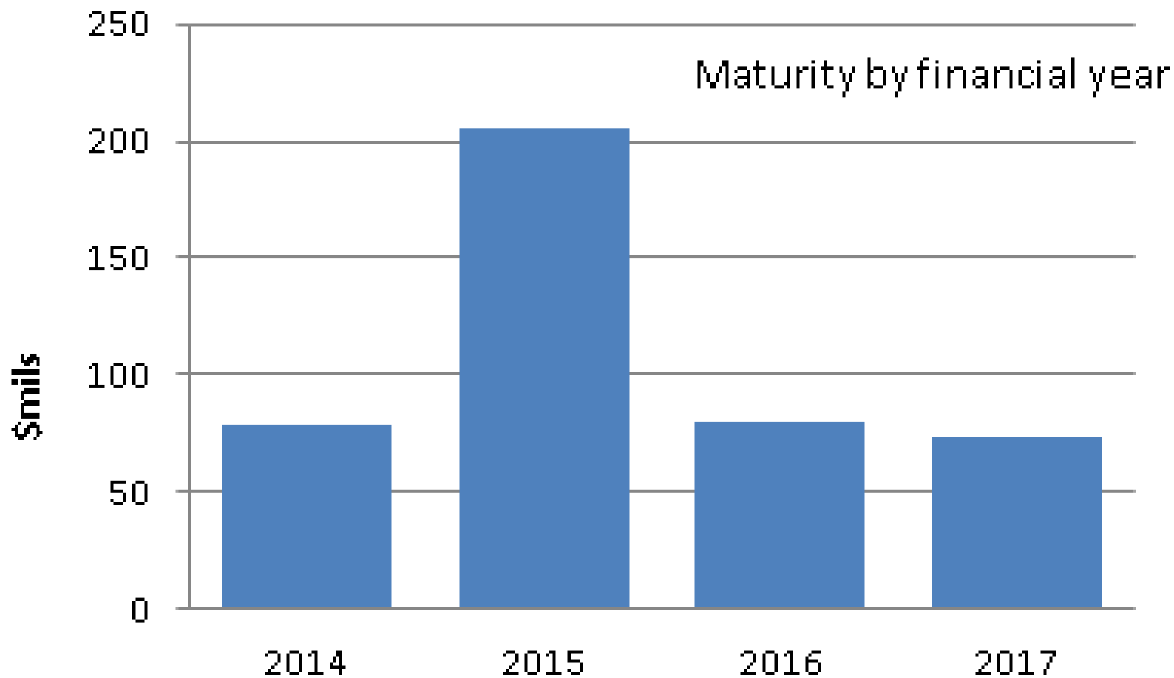
Debt & interest expense

Debt as at		Dec 12	June 12	Dec 11	% change
Gross debt	$m	**241**	228	330	27
Cash	$m	**102**	80	116	(12)
Net debt	$m	**139**	148	214	35
Avg daily gross debt	$m	**252**	400	405	

Interest expense		Dec 12	Dec 11	% change
Cash net interest on bank	$m	**5.8**	8.4	31
Non-cash interest	$m	**0.8**	1.0	20
Net interest expense	$m	**6.6**	9.4	30

- Average daily debt key measure due to favourable year end timing
- Lower average daily gross debt for 1H13 was $252m (pcp $405m) due to divestments
- Interest expense on bank debt is estimated at $11-13m p.a.

Facilities profile



- Total debt facilities are approximately $435m
- Facilities are regionally based
- Weighted average life of working capital facilities at balance date is 1.9 years from 2.4 years at June 2012
- European refinancing with ING – confirmation of extension until 30th September 2014. No material changes to the agreement

Funding 2H13

- Operating cash flow before working capital and restructuring charges expected to be better than 1H13
- Working capital improvements targeting $25-30m
  - Optimising inventory to match current conditions
  - A focus on improving debtor days outstanding
- Increased lending flexibility in Europe

Progress Update

Group restructuring initiatives

- Current restructuring plans are expected to cost $20-25m in FY13
- $35-40m FY14 expected cost savings from initiatives recently announced and further initiatives expected to be announced shortly
- Significant value in investing in a turnaround of UK and Benelux
- Consolidation of several operating companies will eliminate duplication of costs and inventories and lead to improved customer service
- Targeting a step change in cost base for Commercial Print
- New European paper procurement strategy involves supporting more mill brands and reducing focus on proprietary brands – improves marketing effectiveness, lowers inventory
- Realignment of thinking of country-based business units to product-based
    - Commercial Print
    - Packaging
    - Sign and Display
- Realignment will make it easier to:
    - Channel focus and capital into growth areas
    - realign cost base in areas facing structural decline

Product-based business units

Packaging

- 6% of total sales
- Transit packaging the primary focus, growing at double digit
- High growth potential over long-term
- Significant selling opportunities in traditional client base
- Web shop portal operating

Sign and Display

- 11% of total sales
- Tough underlying market conditions
- Significant opportunity to expand product portfolio e.g. Car Wrap Club
- Low-medium growth potential

Commercial Print

- Realignment of cost base to suit the "new normal" market conditions
- More than 30,000 clients is the value within this business
- Getting back to basics – focusing on adding value to clients

Progress – UK & Ireland

- Executing headcount reductions of approximately 200 (12%) in FY13. On track
- Expect 2H13 to be profitable versus loss in 1H13
- Consolidation of UK commercial print sales force completed
- Consolidation of operations underway to eliminate significant cost and inventory duplication
- Benchmarking logistics operation
- Opportunities to sell excess capacity through 3PL arrangements

Progress – Europe

- Benelux reorganisation
  - Market conditions remain tough, but we are planning for this as the ‘new normal’.
  - Subsequent review reveals more shareholder value in restructuring versus divesting
  - Over 150 FTE positions will be removed by end of FY13 in agreement with Works Council
  - Appointment of Chris Creighton, former head of PaperlinX North America, as a consultant to expedite the turnaround
  - Belgian business integrated into Dutch business with new financing arrangements in place
  - Winding back envelope manufacturing business in Netherlands – disproportionately contributing to losses
  - Realignment of sales force and consolidation of company brands underway
  - Introduction of new ERP system on track for April
  - Current initiatives being implemented to support return to profitability in FY14 for the Netherlands

Progress - Europe

- Germany – market relatively stable as are our volumes. Losses being contained.
  - Pressure being applied to take costs out of the business
  - Labour issues challenging and restricting ability to implement restructuring initiatives
  - No firm view at this stage on fix or sell

Progress - ANZA

- Increased focus on developing the packaging businesses
  - Canterbury Packaging acquisition in NZ – key integration goals achieved and performing in line with budget
  - Dedicated team members recruited to develop packaging product range and cross sell into existing customers in Australia
- Continuing to drive and reap benefits of the move to one operating company ‘Spicers’ in Australia and Asia
- Trialling new sales initiatives such as the Spicers Xpress van and online store
- Product and sales development of Digital Media offering including commercial inkjet and small format sheets
- Increasing Sign & Display hardware sales presence. Benefits are additional hardware and consumables sales.

Progress - Canada

- Recently announced restructuring to enhance performance in Eastern Canada
  - retrenchment of 50 positions including 9 temporary positions
- Investment into market share growth with expanded paper offerings
- Recent supply announcement represents immediate market share opportunity within Graphic Arts consumables
- Focus on growth in Sign & Display and Industrial Packaging segments
- Investment into technology and automation supports distribution excellence

Summary & Outlook

- Expect EBIT in FY14 to be positive based on:
  - current restructuring initiatives and further initiatives to be announced shortly
  - commercial print market declining 5-7%
- More restructuring required and will be actioned to achieve greater profitability
- Cost based restructuring only one part of the story
- Working capital initiatives and expansion of lending facilities will support investment in growth areas, which is the longer-term future of PaperlinX
- Andrew Price to remain in an executive role for a further period
- Key remaining problem areas:
  - German business, while stable, labour issues are more than challenging
  - Dutch envelope business
  - Business in Belgium

Questions

Appendix

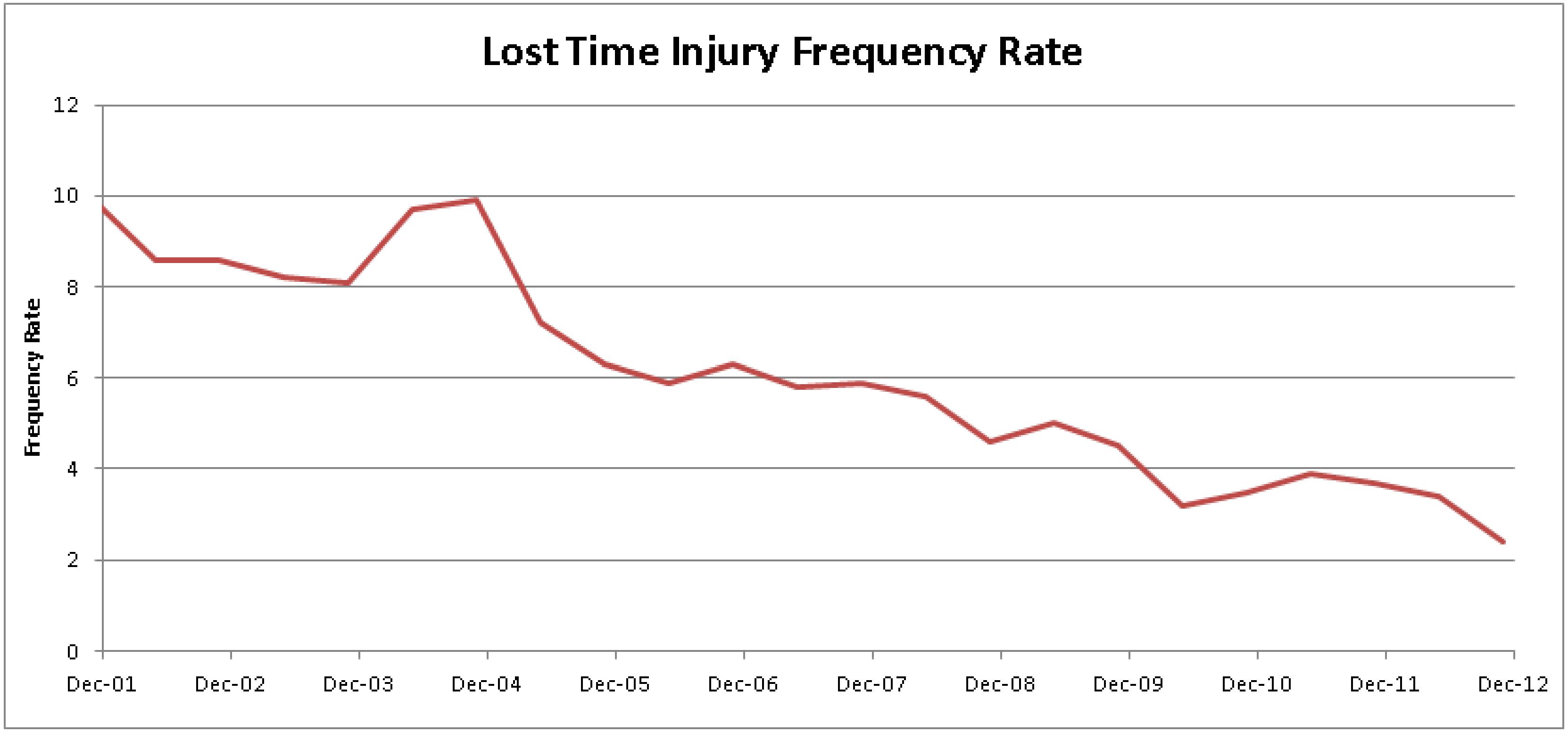
Non-IFRS measures

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 and underlying earnings before interest and tax. 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 measure used throughout the document are:

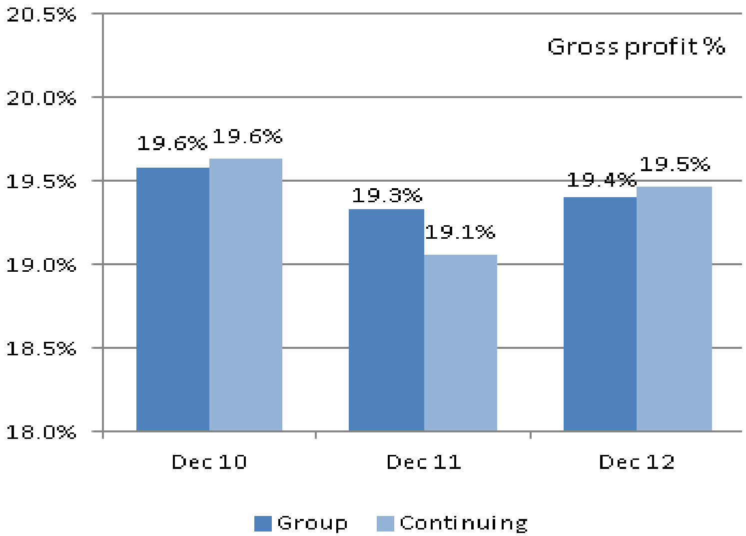
- *Underlying statutory profit / (loss) after tax:* statutory profit / (loss) after tax before impairment of non-current assets, loss on sale of assets, restructuring costs, Tasmanian closure benefits, Australian Paper transaction costs and valuation gain / (loss) on currency option.
- *Underlying Earnings 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.

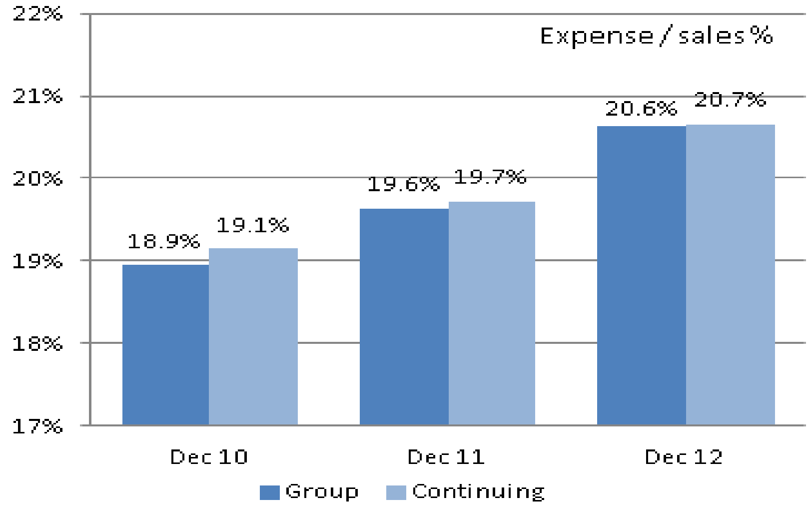
Safety

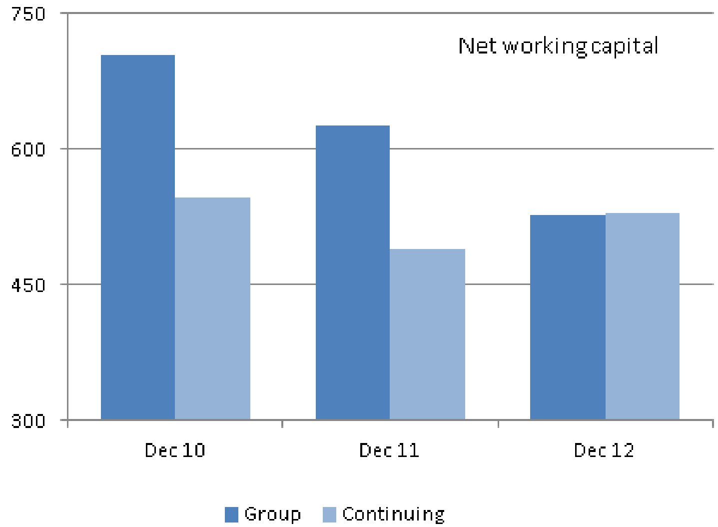


The Lost Time Injury Frequency Rate decreased from 3.9 to 2.4 and the Medically Treated Injury Frequency Rate decreased from 6.3 to 3.7. The number of Lost Time Injuries was 42.5% fewer.

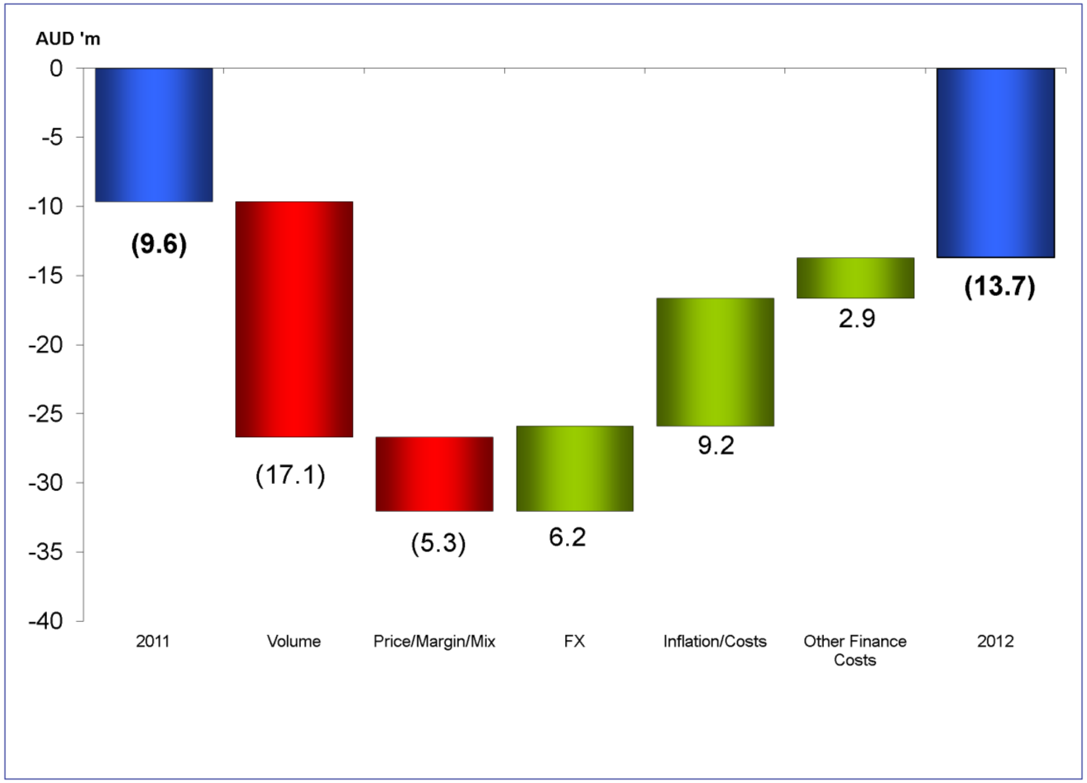
Scorecard


Gross profit %
20.5%
20.0%
19.5%
19.0%
18.5%
18.0%
19.6%
19.6%
19.3%
19.1%
19.4%
19.5%
Dec 10
Dec 11
Dec 12
Group
Continuing


Expense / sales %
22%
21%
20%
19%
18%
17%
18.9%
19.1%
19.6%
19.7%
20.6%
20.7%
Dec 10
Dec 11
Dec 12
Group
Continuing


Net working capital
750
600
450
300
Dec 10
Dec 11
Dec 12
Group
Continuing

Continuing underlying EBIT variances FY11 v FY12



Continuing underlying EBIT(1) (A$m):

	2012	**2011**	**Variance**
Europe	(19.5)	(5.8)	(13.7)
ANZA	7.8	5.7	2.1
Canada	5.0	3.6	1.4
Unallocated	(7.0)	(13.1)	6.1
Total	(13.7)	(9.6)	(4.1)

(1) Non-IFRS measure

Results summary in local currency

Continuing operations		6 months to Dec 12	6 months to Jun 12	6 months to Dec 11
Revenue:				
Europe	€m	**831.2**	858.4	900.1
ANZA	A$m	**218.4**	220.6	251.6
Canada	CAD$m	**211.6**	228.4	219.4
Unallocated	A$m	**(2.2)**	(2.1)	(2.8)
Total	**A$m**	**1,440.1**	**1,508.3**	**1,734.9**
Underlying EBIT [(1)]:				
Europe	€m	**(15.9)**	(13.7)	(4.1)
ANZA	A$m	**7.8**	5.2	5.7
Canada	CAD$m	**5.2**	4.8	3.6
Unallocated	A$m	**(7.0)**	(9.7)	(13.1)
Total	**A$m**	**(13.7)**	**(17.6)**	**(9.6)**
Restructuring charges:				
Europe	€m	**(5.0)**	(16.8)	(1.2)
ANZA	A$m	**-**	(0.6)	(0.2)
Canada	CAD$m	**-**	(1.5)	-
Unallocated	A$m	**(0.2)**	(3.3)	-
Total	**A$m**	**(6.4)**	**(27.5)**	**(1.9)**

(1) Non-IFRS measure

Europe results

		Contin-uing	Discon-tinued (1)	Total	Contin-uing	Discon-tinued (1)	Total	Total Dec 12 vs Dec 11
Sales revenue	€m	**831**	**22**	**854**	900	156	1,056	(19)
Underlying EBIT	€m	**(15.9)**	**0.3**	**(15.6)**	(4.1)	1.7	(2.4)	(550)
Underlying EBIT / sales revenue	%	**(1.9)**	**1.3**	**(1.8)**	(0.5)	1.1	(0.2)	(160) bpts
Expense / sales revenue	%	**21.0**	**15.2**	**20.9**	19.8	18.2	19.6	(130) bpts
Avg. working capital / sales revenue	%	**18.4**	**25.7**	**18.5**	15.8	22.2	16.8	170 bpts

(1) Discontinued comprises Italy, South Africa, Hungary, Slovakia, Slovenia, Croatia and Serbia

Canada results (1)

		Dec 12			Dec 11			% change Total Dec 12 vs Dec 11
		Contin-uing	Discon-tinued (2)	Total	Contin-uing	Discon-tinued (2)	Total	
Sales revenue	CAD$	**212**	**-**	**212**	219	227	446	(53)
Underlying EBIT	CAD$	**5.2**	**-**	**5.2**	3.6	3.2	6.8	(24)
Underlying EBIT / sales	%	**2.5**	**-**	**2.5**	1.6	1.4	1.5	100 bpts
Expense / sales revenue	%	**17.4**	**-**	**17.4**	17.1	19.9	18.5	(110) bpts
Average working capital / sales revenue	%	**12.5**	**-**	**12.5**	13.4	11.0	12.2	(30) bpts

(1) Previously North America
(2) Discontinued comprises USA operations (disclosed in CAD)

Australia, New Zealand and Asia results

		Dec 12	Dec 11	% change
Sales revenue	A$m	**218**	252	(13)
Underlying EBIT	A$m	**7.8**	5.7	37
Underlying EBIT / sales revenue	%	**3.6**	2.3	130 bpts
Expense / sales revenue	%	**18.9**	17.6	(130) bpts
Average working capital / sales revenue	%	**22.1**	21.2	(90) bpts

Unallocated results

Unallocated $m	Dec 12	Dec 11
Corporate and Other	**(6.6)**	(9.8)
Other net finance costs	**(0.4)**	(3.3)
Significant items	**(0.3)**	0.2
Statutory EBIT	**(7.3)**	(12.9)