2013 Full Year Results - Analyst Briefing

21st August 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.

Overview

- Turnaround strategy progressing, with significant restructuring initiatives undertaken, particularly in Europe
  - anticipated recurring cost savings of $35-40m from FY14
  - total FTE reduced by 11.8% across the Group for FY13 (4,600 to 4,000)
- Funding in place: extension of lending arrangements in Europe and New Zealand and new facilities implemented in Europe to assist liquidity and improve flexibility
- Initiatives to grow diversified products progressing. Realigned business structures to enable a focus on packaging and sign & display/VTS
- Trading conditions extremely challenging. As expected, results reflect a continuation of a fall in volumes in major markets, and pricing in key markets reflects strong competition due to weak demand
- Key markets in Benelux, Germany and UK delivered unsatisfactory results and we are continuing to take steps to improve performance. Delivered strong performances in Canada, Australia and New Zealand
- In order to unlock value for both ordinary shareholders and hybrid security holders, the Company has been exploring the possibility of a transaction, such as a potential share swap, between the Company and the PaperlinX SPS Trust.

Financial year results summary

- Statutory loss after tax of $90.2m ($266.7m loss pcp)
- Improvement of Continuing Underlying EBIT[(1)] loss of $21.4m ($27.2m loss pcp)
  - Continuing Underlying EBIT loss of $7.7m for 2H FY13 ($17.6m loss pcp)
  - This is due to significantly improved results in Australia, Canada and New Zealand
- Significant charges include
  - Restructuring post tax of $26.0m
  - Impairment of $25.1m relating to non-current European assets (reported 1H)
- Net debt reduced by 17% from $148m to $123m through improved working capital and asset sales, offset partially by trading losses and restructuring costs
- Net working capital[(2)] has improved by 9.2% since Dec ’12 reflecting continued focus on inventory levels

(1) Non-IFRS measure

(2) In constant currency, which is non-IFRS measure

Financial results

Financial summary

		Jun 13	Jun 12	% change
Sales revenue - continuing	$m	**2,778**	3,243	(14)
Continuing sales revenue - constant currency [(1)]	$m	**2,863**	3,243	(12)
Continuing underlying EBIT [(1)]	$m	**(21.4)**	(27.2)	21
Continuing statutory loss after tax	$m	**(91.6)**	(187.4)	51
Discontinued statutory profit/(loss) after tax [(2)]	$m	**1.4**	(79.3)	n/m
Statutory loss after tax	$m	**(90.2)**	(266.7)	66
Net working capital - continuing	$m	**504**	479	(5)
Net operating cashflow	$m	**(42)**	(62)	32
Net debt	$m	**123**	148	17
Net tangible assets	$m	**251**	312	(19)
Gross profit / sales - continuing	%	**19.6**	19.2	40 bpts
Expense / sales - continuing	%	**20.7**	20.2	50 bpts

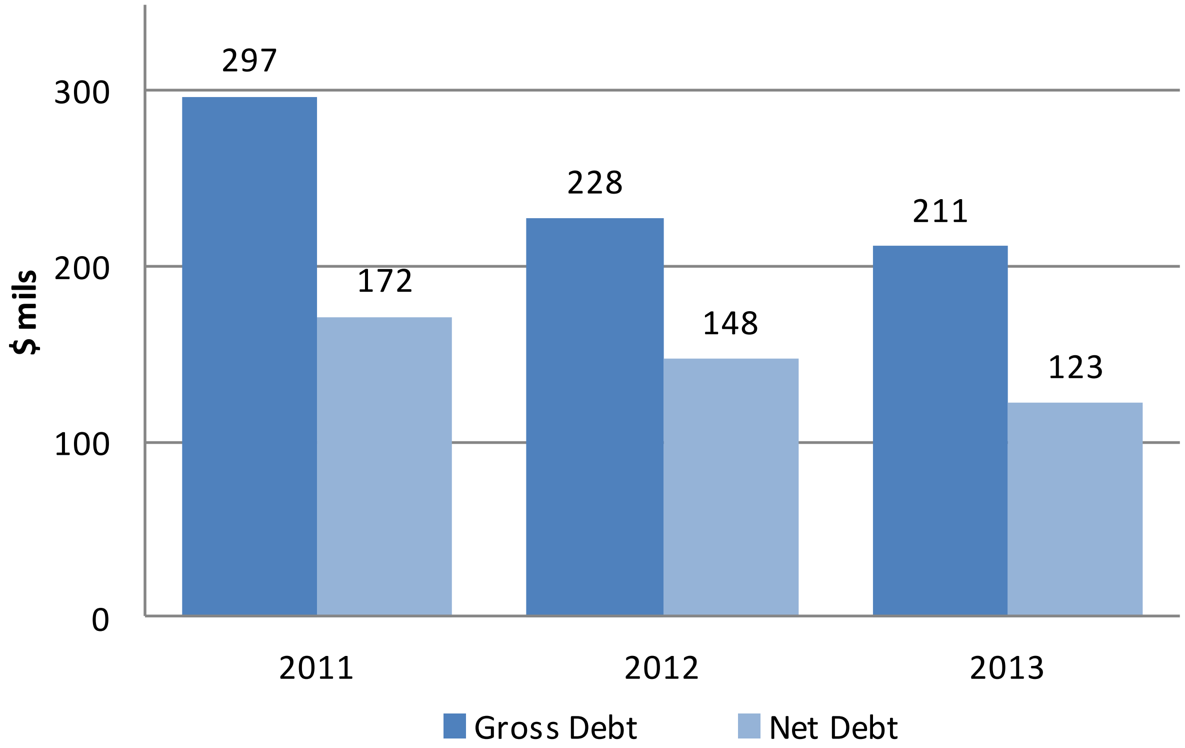
(1) Non-IFRS measure
(2) Discontinued operations reflect the US and Italy operations sold in FY12, the South Africa, Croatia, Hungary, Serbia, Slovakia and Slovenia operations sold in FY13 and the closure costs associated with Tas Paper operations, including the remaining remediation costs and realisation on asset sales.

Cash flow

$m	1H FY13	2H FY13	Jun 13	Jun 12
Operating cash flow excl working capital	(20)	(45)	**(65)**	(49)
Working capital movement	(41)	64	**23**	(13)
Operating cash flow	(61)	19	**(42)**	(62)
Capital expenditure	(7)	(5)	**(12)**	(14)
Proceeds from sale of assets & businesses sales	87	11	**98**	(4)
Borrowing costs paid	(0)	(1)	**(1)**	(0)
Tas Paper closure	(5)	2	**(3)**	(6)
Currency option & CF hedges	-	-	**-**	39
Net cash flow on a net debt basis	14	25	**39**	(48)

- Negative operating cash flow excluding working capital, reflects poor trading results, mainly in Europe, partially offset by positive inflows in other regions. Included is $28.6m restructuring cost outflow.
- Improved working capital management in 2H, against a broader market backdrop of limited supplier credit insurance

Debt summary



- Net debt reduced
- Proceeds of asset sales have been used to accelerate restructuring programmes in Europe

Debt & interest expense

Debt as at		Jun 13	Dec 12	June 12	Jun 13 v Jun 12 % change
Gross debt	$m	**211**	241	228	(7)
Cash	$m	**88**	102	80	10
Net debt	$m	**123**	139	148	(17)
Avg daily gross debt	$m	**241**	252	400	

Interest expense		Jun 13	June 12	% change
Cash net interest on bank debt	$m	**11.0**	16.5	34
Non-cash interest	$m	**1.3**	1.8	25
Net interest expense	$m	**12.3**	18.3	33

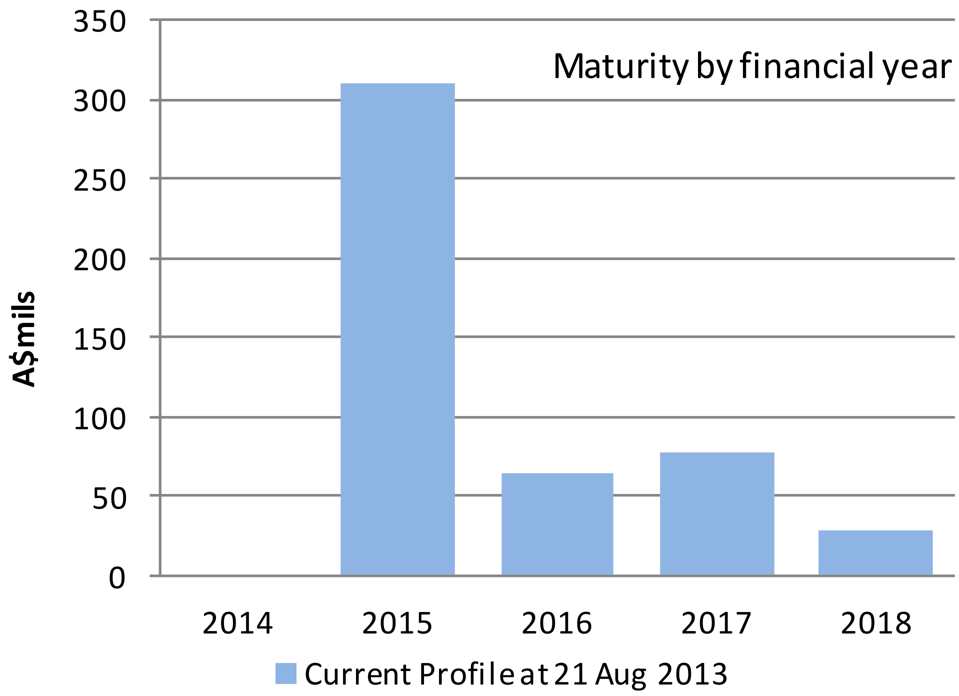
- Average daily debt is higher than end of month positions due to fluctuations in working capital
- Reduced gross debt by $17m compared to pcp
- Cash interest was at the lower of end of our forecast
- Net interest expense on bank debt is estimated at $12.5-14.5m for FY14

Funding update

- Extension and introduction of new funding facilities
  - UK facility extended to May 2015, no other material changes
  - UK / Netherlands facility amended to provide flexibility, no other material changes
  - New facilities in Continental Europe increasing liquidity and lending flexibility in Germany, Poland, Austria, Denmark & Czech Republic
  - New Zealand facility extended to July 2017 on favourable terms and pricing

- Defined benefit pensions plan deficit, primarily in the UK, increased by $20m to $126m, with the majority of the increase in 1H. Cash commitments for FY14 are largely in line with prior year.

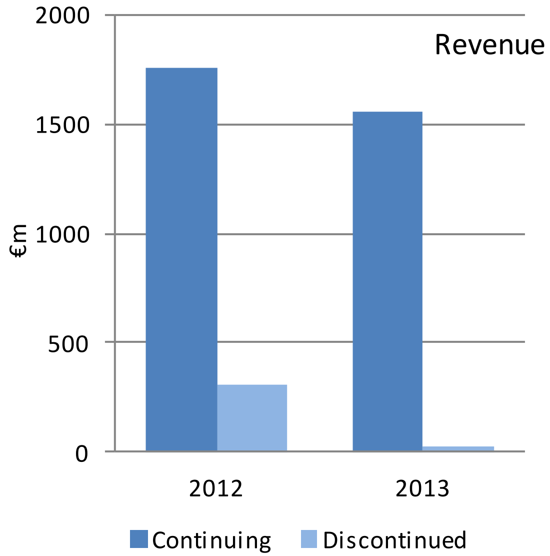
Facilities profile

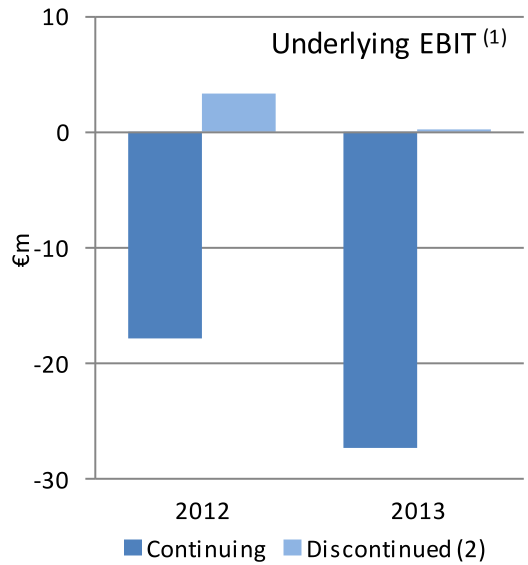


- Primary funding facilities are approximately $443m
- Facilities are regionally based
- Weighted average life of working capital facilities is 2.0 years

Regional Update

Europe





Continuing operations:

- Underlying EBIT[(1)] loss €27.3m (€17.8m loss pcp)
- Continuing revenue down 12% in local currency - due to market decline in paper, and loss of market anticipated due to significant sales force restructuring
- Trading conditions in key markets still remain weak, particularly UK, Benelux and Germany
- Restructuring continued – 12% (400 FTE) reduction, with full benefits flowing to FY14. Post year end further reductions of 95 FTE
- Sign & Display/VTS sales down slightly due to impact of retail downturn and a shift in focus to more profitable segments
- Acquisition of Cadorit business in Sweden under the management of Danish VTS business
- Packaging sales exhibited strong organic growth in UK, Poland and Spain, partially offset by declines in established markets of Benelux and Denmark

(1) Non-IFRS measure

(2) Discontinued operations reflect the Italy operations sold in FY12 and the South Africa, Croatia, Hungary, Serbia, Slovakia and Slovenia operations sold in FY13

Progress - Europe

- Pan Europe initiatives
  - Consolidated company brands into one brand – all European operating companies branded PaperlinX from 1 July – simplifies complexity for customers, eliminates duplication of costs, and drives culture change
  - Consolidated multiple operating companies into a single face to market in Benelux and UK, eliminating duplication of costs and inventories and targeting improved customer service
  - In UK & Europe, country-based business units are being re-aligned to product-based divisions to channel focus and capital into growth areas, and change cost base in areas of structural decline. Removes borders/limitations. Structure will be effective 1 January 2014
    - Commercial Print
    - Packaging
    - Visual Technology Solutions (Sign and Display)
  - New European paper procurement strategy to use mill brands and reduce proprietary brands – has improved marketing effectiveness, lowered inventory. Launched new online indent desk in UK and extended into Europe in June

Progress – Europe

- UK and Ireland
  - Consolidation of UK operations progressing and as of 1 July, all branded PaperlinX
  - Logistics operation reviews in progress
  - Integration of UK commercial print sales force completed – new customer-centric unified account management approach with one point of contact for entire product portfolio
  - Launched new bespoke printers webstore – white label storefront printers can add to their website that offers PaperlinX products
  - Car Wrap Club expanded

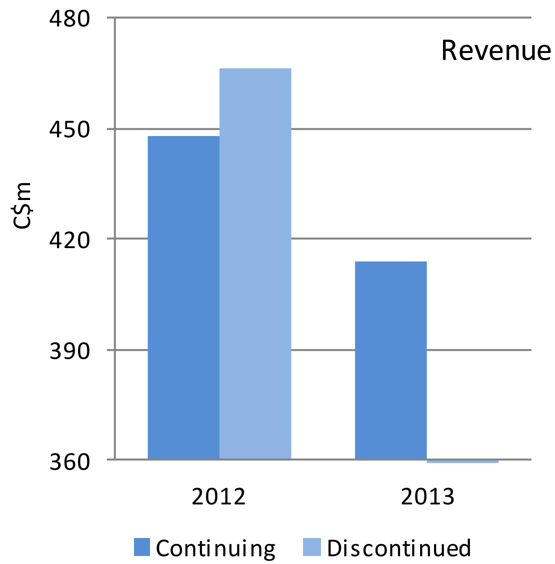
Progress – Europe

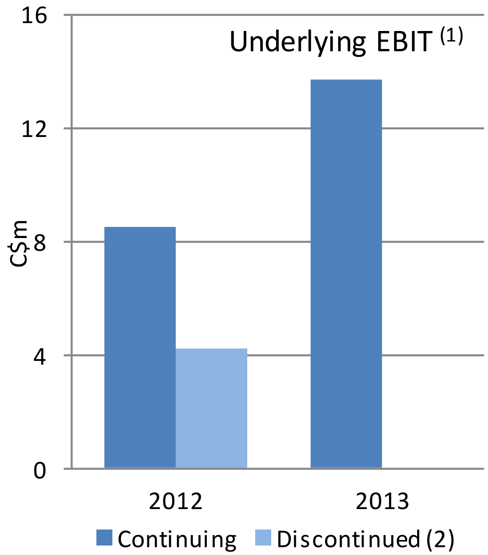
- Benelux
  - Four trading brands now consolidated under the PaperlinX brand effective 1 July and integrated across Netherlands and Belgium
  - New management appointments have been made, customer facing functions have been redesigned and new ERP system implementation on track
  - Viability of envelope manufacturing business in Netherlands under analysis
  - Current initiatives being implemented will substantially reduce losses in FY14

Progress - Europe

- Germany
  - Market showing more weakness in H2 FY13, intensifying competitive pressures
  - We have evaluated both fix and sell options for the German business in conjunction with an advisory firm, and have decided to retain the business, raise liquidity and drive additional restructuring to reduce its losses
  - Comprehensive restructuring of both sales force and logistics has been implemented in H2 FY13.

Canada





Continuing operations:

- First full year of trading as Canadian operations only, following sale of US businesses in 2012
- Underlying EBIT[(1)] of C$13.6m vs C$8.4m pcp
- Continuing revenue down 8% in local currency - continued market share gains in multiple regions against contracting market demand and shifting commercial landscape
- Trading EBIT / Sales ratio increased to 3.3% from 1.8% pcp
- Results improved due to increased margin management, pricing stability and reducing costs
- Restructuring in H2 FY13 reduced by 50 FTEs with full benefits in FY14
- Working capital improvement via inventory control and stabilising debtor position
- Roll-out of new telecoms system enabling call re-routing across customer service centres

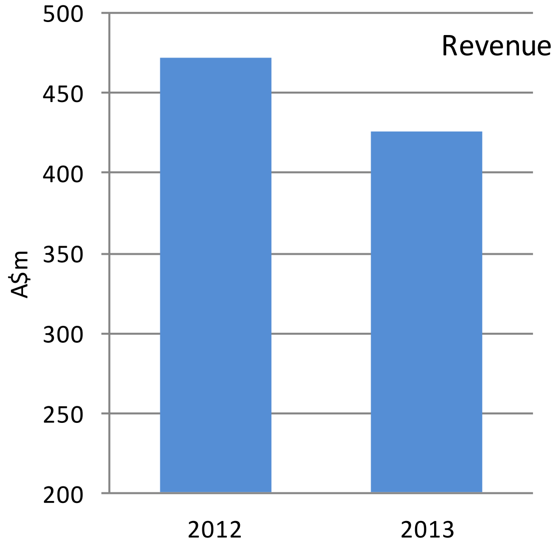
(1) Non-IFRS measure

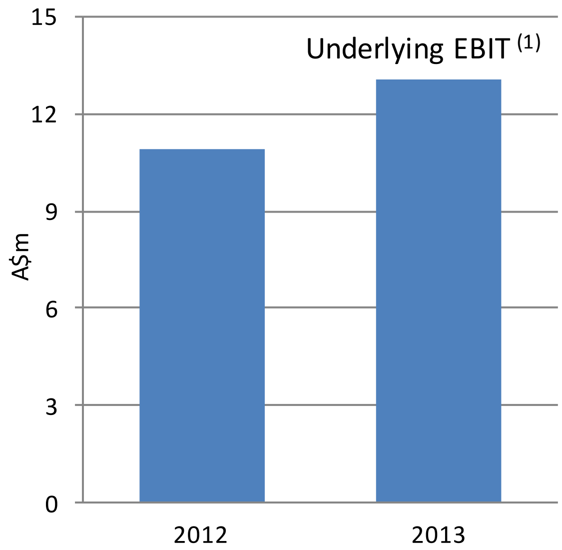
(2) Discontinued operations reflect the US operations sold in FY12

Progress - Canada

- Investment into strategic supply partnerships producing immediate market share opportunities, notably within Graphic Arts Consumables
- Paper product introductions creating core growth opportunities
- Growth within Sign & Display and Industrial Packaging expected through ongoing strategies
- Infrastructure initiatives identified to further enhance logistics excellence
- Continued core growth within non-commercial print activity including reseller and retail platforms
- Balanced product strategy enhances product mix while satisfying supplier's strategic initiatives

Australia, New Zealand, Asia





- Underlying EBIT[(1)] of $13.0m vs $10.9m pcp
- Extremely tough trading conditions
- Strong margin and expense control in Australia and New Zealand more than offset volume shortfall
- Asian market saw a significant drop in demand
- Will continue to align business and costs to size of markets – reduction of 54 FTE
- Diversified segment growing (Sign & Display and packaging) with total margin increasing by 29%, off a low base
- Established team in Shanghai, China to focus on sales and global procurement

(1) Non-IFRS measure

Progress - ANZA

- Continued focus on developing the packaging businesses
    - Canterbury Packaging acquisition in NZ performing in line with budget
    - Dedicated team members recruited to develop packaging product range and cross sell to existing and new customers in Australia, NZ and Asia
- Continuing to drive and reap benefits of the move to one operating company ‘Spicers’ across all territories
- Xpress van initiative reporting strong successes in multiple locations in ANZA
- Online solutions gathering significant momentum, with the scope for E-commerce now enhanced with new ‘app’ based internal and external interaction (the Virtual merchant)
- Cost alignment strategies continuing to deliver much needed support to declining core revenues, with first Distribution Centre right-sizing in Western Australia complete
- Expansion of the Asian network to include China will provide local trading revenues and add value to wider PPX global network with procurement services

Diversified Update

Diversified progress

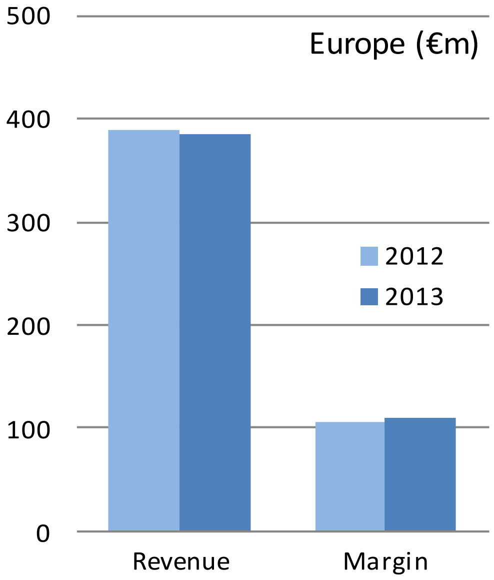
Packaging

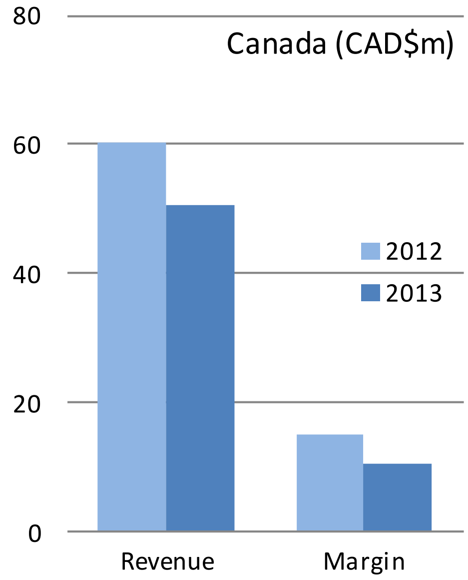
- 7.7% total sales
- Transit packaging focus
- High growth potential over long-term
- Significant selling opportunity to existing print customer base in addition to new sectors

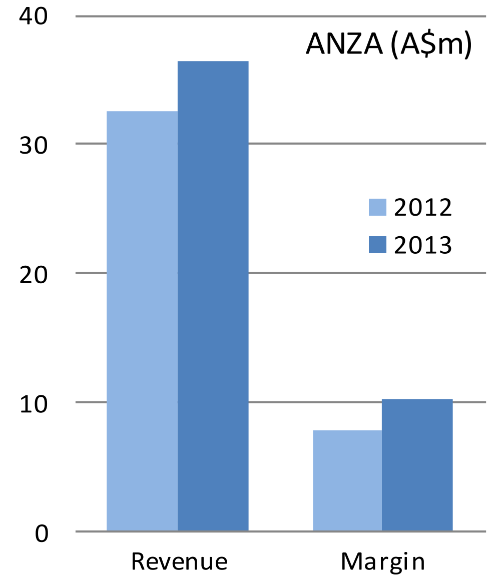
Sign and Display (Visual Technology Solutions/VTS)

- 11.6% of total sales
- Tough market conditions continue particularly in ‘in-store’ retail
- Opportunities in developing sectors such as vehicle wrapping – the Car Wrap Club in Europe
- Display market typically underperforms relative to GDP growth
- Signage market expected to outperform GDP growth

Diversified highlights







- Continuing: Diversified GM / total GM increased to 32.7% from 29.4% pcp
- Total diversified sales decreased in constant currency(1) by 3%
- Europe: Diversified GM increased by 2.4% due primarily to growth in packaging
- Canada: Diversified GM decreased by 11% due to a narrowed product portfolio to concentrate on higher margin products.
- ANZA: Diversified GM increased by 29% with growth predominantly from Sign & Display, and packaging improved off a low base with acquisition of Canterbury Packaging in New Zealand in FY13

(1) Non-IFRS measure

Capital Structure Update

Capital Structure Update

- Working committee convened in Nov 2012
- Having reviewed a number of alternatives, and are now exploring a potential scrip-based merger between the Company and the PaperlinX SPS Trust
- Preliminary discussions have been held with The Trust Company (responsible entity)
- No formal proposal has been put to any hybrid holders
- Moelis & Company has been appointed as advisors

Summary & Outlook

- FY13 has been a difficult year and trading conditions remain challenging
- Successfully delivered turnaround initiatives
  - anticipated recurring cost savings of $35-40m from FY14
  - total FTE reduced by 11.8% across the Group for FY13 (4,600 to 4,000)
- We are pleased to reconfirm our February guidance that the business will be marginally profitable (underlying EBIT level) in FY14 flowing from:
  - Cost benefits from restructuring implemented FY13 and restructuring announced in FY13 but achieved in FY14
  - Margin improvements from diversified products
  - Further cost reduction initiatives will be rolled in FY14
  - Opportunities to further reduce the cost base are realistic e.g. currently evaluating logistics cost to service across Europe
- Continued focus on working capital initiatives to release cash
- Andrew Price to remain in Europe in an executive role for a further period

Questions

Appendix

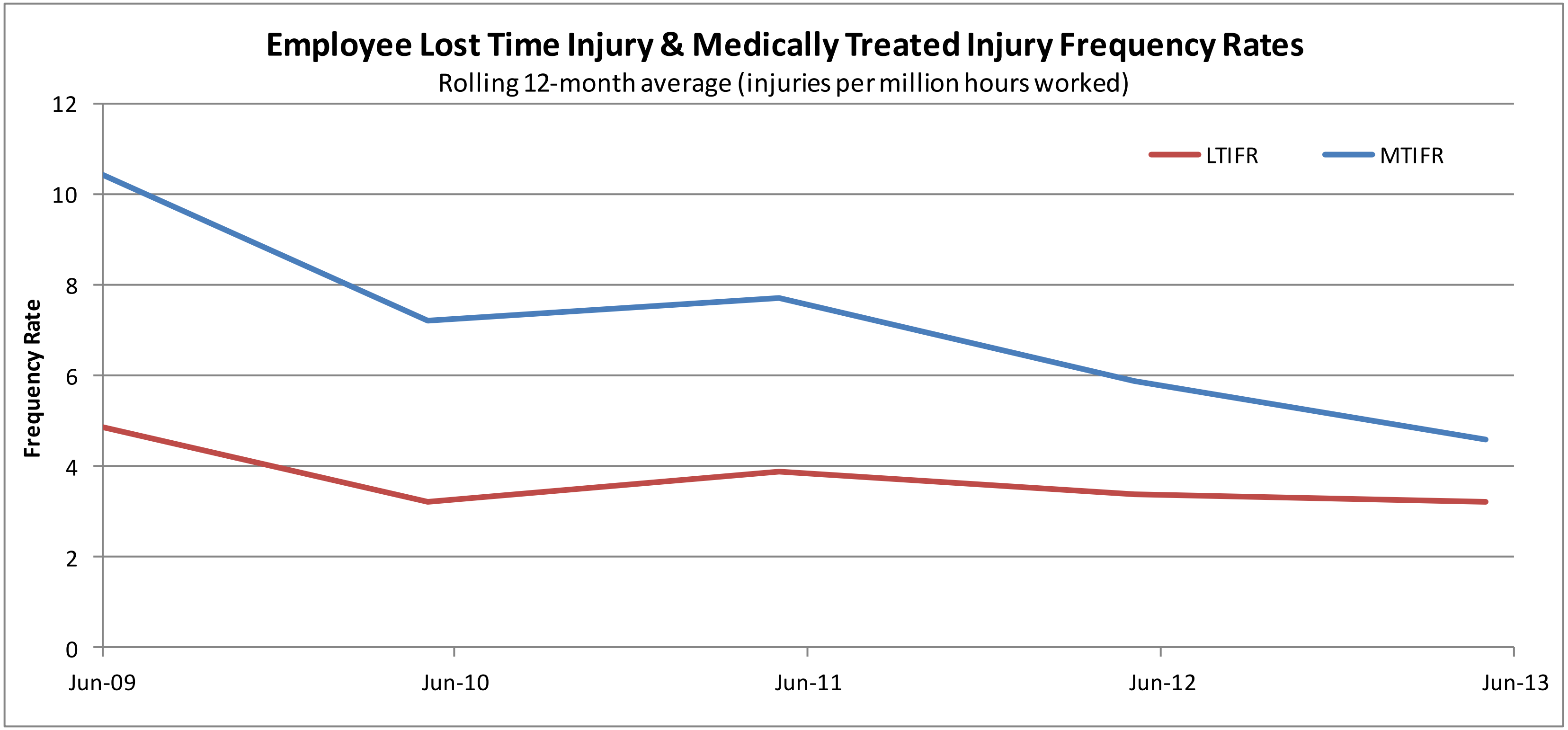
Non-IFRS measures

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:

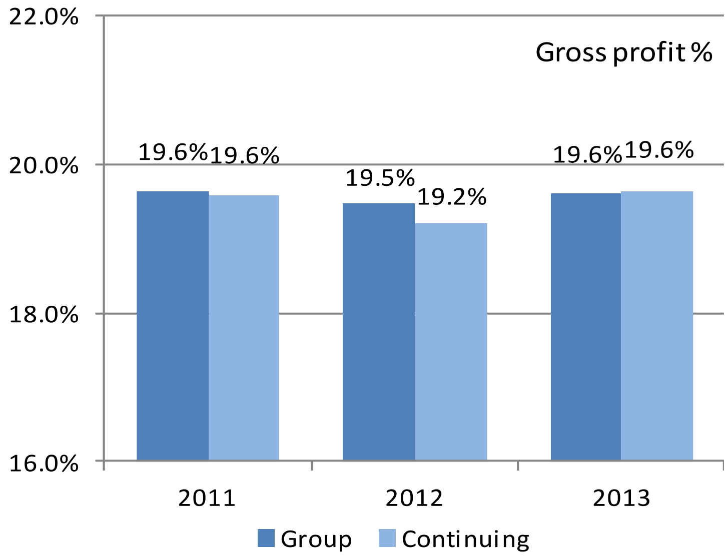
- *Underlying statutory profit / (loss) after tax:* Statutory profit / (loss) after tax before impairment of non-current assets, loss on sale of controlled entities, restructuring costs, write back of provisions relating to the discontinued Tasmanian operations and, in the pcp, valuation gain / (loss) 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.

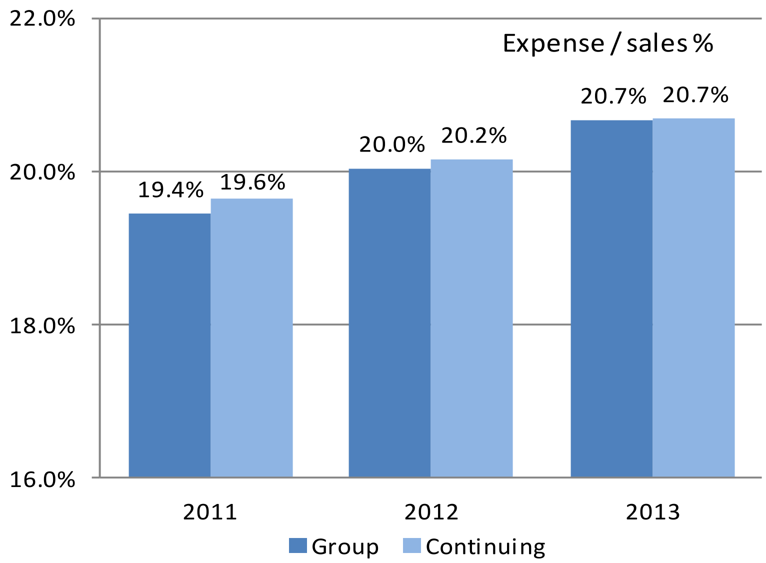
Safety Performance

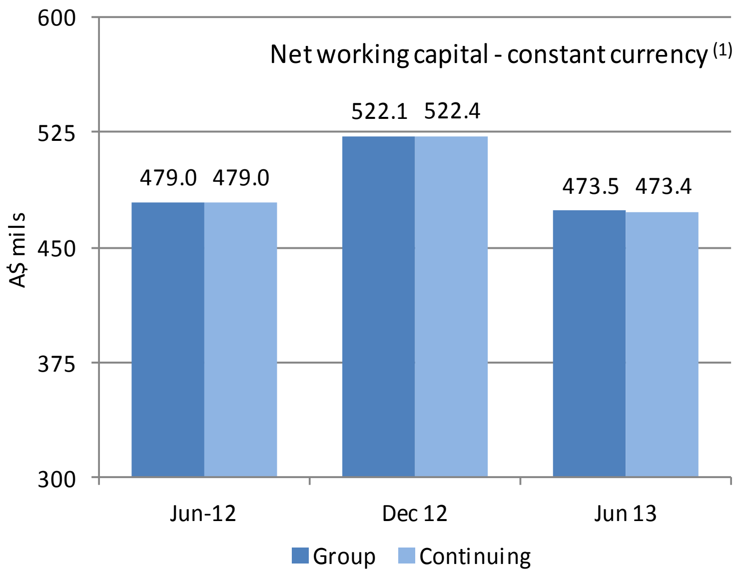


The Lost Time Injury Frequency Rate decreased 6% from 3.4 at June 2012 to 3.2 at June 2013 and the Medically Treated Injury Frequency Rate decreased 22% from 5.9 at June 2012 to 4.6 at June 2013. The number of Lost Time Injuries was 23% fewer than the pcp.

Scorecard

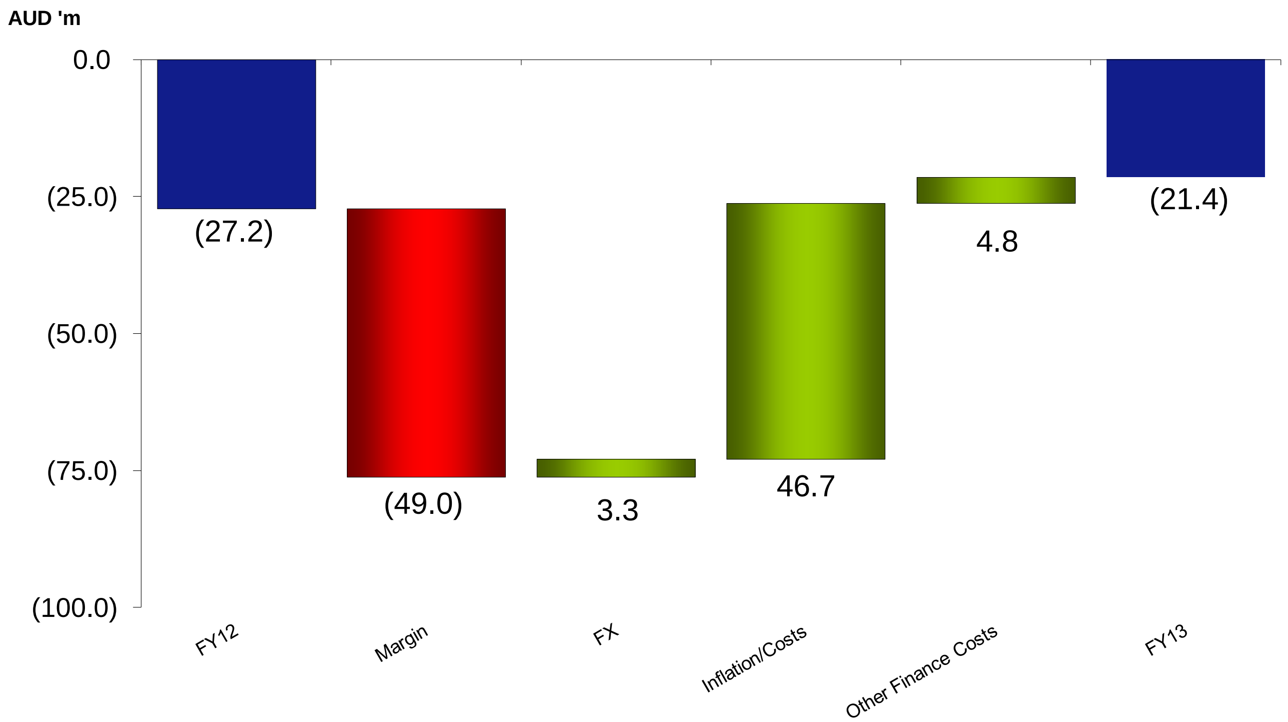






(1) Non-IFRS measure

Continuing underlying EBIT variances FY12 v FY13



Continuing operations		Jun 13	Jun 12
Underlying EBIT (1)			
Europe	A$m	**(34.3)**	(23.6)
Canada	A$m	**13.2**	8.3
ANZA	A$m	**13.0**	10.9
Unallocated	A$m	**(13.3)**	(22.8)
Total	**A$m**	**(21.4)**	**(27.2)**

(1) Non-IFRS measure

Results summary in local currency

Continuing operations		Jun 13	Jun 12	% change
Revenue:				
Europe	€m	**1,553.2**	1,758.5	(12)
Canada	C$m	**414.1**	447.7	(8)
ANZA	A$m	**426.6**	472.2	(10)
Unallocated	A$m	**-**	-	-
Total	**A$m**	**2,777.9**	**3,243.2**	**(14)**
Underlying EBIT [1]:				
Europe	€m	**(27.3)**	(17.8)	(53)
Canada	C$m	**13.7**	8.5	61
ANZA	A$m	**13.0**	10.9	19
Unallocated	A$m	**(13.3)**	(22.8)	42
Total	**A$m**	**(21.4)**	**(27.2)**	**21**
Restructuring charges (pre-tax):				
Europe	€m	**(17.0)**	(18.0)	5
Canada	C$m	**(1.7)**	(1.5)	(12)
ANZA	A$m	**(3.0)**	(0.8)	(274)
Unallocated	A$m	**(0.5)**	(3.3)	85
Total	**A$m**	**(26.5)**	**(29.4)**	**10**

(1) Non-IFRS measure

Europe results

		Jun 13 Total [1]	June 12 Total [1]	% change
Sales revenue	€m	**1,553**	1,759	(12)
Underlying EBIT [2]	€m	**(27.3)**	(17.8)	(53)
Underlying EBIT / sales revenue [2]	%	**(1.8)**	(1.0)	(70) bpts
Expense / sales revenue	%	**21.1**	20.3	(80) bpts
Avg. working capital / sales revenue	%	**19.0**	16.5	(250) bpts
Diversified revenue	€m	**386**	389	(1)
Diversified margin	€m	**109**	107	2
Diversified margin / total margin	%	**44**	38	620 bpts

(1) Continuing business only, excludes divested businesses
(2) Non-IFRS measure

Canada results (1)

		Jun 13 Total (2)	Jun 12 Total (2)	% change
Sales revenue	C$	**414**	448	(8)
Underlying EBIT (3)	C$	**13.7**	8.5	61
Underlying EBIT / sales revenue (3)	%	**3.3**	1.9	140 bpts
Expense / sales revenue	%	**17.1**	17.1	10 bpts
Average working capital / sales revenue	%	**12.6**	13.2	70 bpts
Diversified revenue	C$	**50.6**	60.3	(16)
Diversified margin	C$	**10.5**	11.8	(11)
Diversified margin / total margin	%	**12.3**	13.6	(130) bpts

(1) Previously North America
(2) Continuing business only, excludes divested businesses
(3) Non-IFRS measure

Australia, New Zealand and Asia results

		Jun 13 Total	Jun 12 Total	% change
Sales revenue	A$m	**427**	472	(10)
Underlying EBIT (1)	A$m	**13.0**	10.9	19
Underlying EBIT / sales revenue (1)	%	**3.1**	2.3	70 bpts
Expense / sales revenue	%	**19.0**	18.3	(70) bpts
Average working capital / sales revenue	%	**22.3**	21.3	(100) bpts
Diversified revenue	A$m	**36.5**	32.6	12
Diversified margin	A$m	**10.2**	7.9	29
Diversified margin / total margin	%	**11.3**	8.7	260 bpts

(1) Non-IFRS measure

Unallocated results

Unallocated $m	Jun 13	Jun 12
Corporate and Other	**(11.5)**	(16.4)
Other net finance costs	**(1.8)**	(6.4)
Significant items	**(0.5)**	0.7
Statutory EBIT	**(13.8)**	(22.1)