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PAPERLINX 2013 ANNUAL GENERAL MEETING:

1. **CHAIRMAN'S AND MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER'S ADDRESSES**

2. **CHAIRMAN'S COMMENTS ON :**
   - REMUNERATION REPORT
   - GRANT OF OPTIONS TO ANDREW PRICE
   - LOAN TO ANDREW PRICE

CHAIRMAN'S SPEECH

I would like to provide an overview of the Company's results for the year and our performance in the print and paper industry. I think it important to make some comments about the progress that PaperlinX is making in its bid to return to profitability.

Progress at PaperlinX

Firstly, the Board is taking steps to address the issue of our complex capital structure and last week announced its intention to make an off -market takeover offer for the Hybrids. We view this transaction as critical to the Company's broader strategic turnaround efforts, which during the last financial year have included a range of restructuring activities that are anticipated to deliver recurring cost savings of $35-40 million from financial year 2014.

By significantly recalibrating the cost base of the Group, we have reduced our employee base by 12%. We have embraced simplification, consolidating company brands to just two – in Canada and ANZA – 'Spicers' and in Europe – 'PaperlinX'. Our businesses in Canada, Australia and New Zealand have performed strongly. We have reduced losses, net debt is down and liquidity is in place to support our current business plan.

As is probably evident, there have been changes to your Board and Executive team over the last 12 months.

I was appointed as your Chairman in March this year, allowing my predecessor Mike Barker to take up the role of Chairman of the Remuneration & HR Committee in addition to his responsibilities as Chairman of the Audit Committee. These changes to your Board were important for good governance.

(1) Non-IFRS measure

Your Board is a diligent, close knit team with swift decision making powers. We are closely involved in assisting management in setting the strategic priorities for the business, and delivering on our promised turnaround of PaperlinX. It is our view that board expansion is not a priority at this particular juncture. However, we remain open to it in the future.

At the executive level, Mr Dave Allen stepped down as the Group's Chief Executive Officer in September. Dave has played a critical role in establishing our turnaround efforts, and the Board thank him for his many contributions to the Company over the past nine years.

Mr Andrew Price, who has a depth of paper industry experience, was immediately appointed Managing Director and Chief Executive Officer, based in the UK.

Mr Joost Smallenbroek was appointed Chief Financial Officer in December 2012. He is based in Amsterdam. Joost joined the company in 2004, serving as corporate finance director for PaperlinX Europe, leading treasury, tax and merger and acquisitions in that area.

2013 Results

The 2013 financial year for PaperlinX was, as expected, another difficult year for your Company based on challenging trading conditions experienced particularly in our largest market, Europe, where economic malaise continues to place pressure on volumes and margins. In addition, structural decline in paper continues as electronic media impacts paper use.

The statutory loss after tax of $90.2 million, while an improvement on last year, is still unsatisfactory. Our European business is still underperforming with key markets including the UK, the Benelux and Germany delivering unsatisfactory results and our immediate focus is to improve performance here.

I will mention a few of the financial components, and then I will pass over to Andrew later for a more detailed review of the operations in each region.

Sales revenue was down 14% in local currency, and 12% on a constant currency basis.

This decline is partly due to an overall decrease in demand for paper, and partly due to our shift in focus from low margin paper merchant activity to higher margin diversified products, along with some short term sales force disruption caused by restructuring in our key markets.

The Company reported a number of significant items in its statutory loss including impairment charges of $25.1 million and restructuring costs of $26.0 million, mainly in Europe.

The reported Underlying EBIT[1] for the group was a loss of $21.4 million, compared with a loss of $27.2 million for the prior year.

On a more positive note, the Group reduced net debt by 17% and consequently, the overall interest expense reduced by 33%.

Extending lending arrangements and implementing new facilities has provided further liquidity and flexibility.

(1) Non-IFRS measure

Additionally, our diversified businesses, in the areas of Packaging and Visual Technology Solutions materials are moving forward and represent an opportunity for growth, as our commercial print division continues to decline.

And the story is not complete without acknowledging the people within our Company. Their commitment as we move through our transformation is nothing short of impressive as they and we adapt to new operating conditions. Their efforts to improve safety have been outstanding, with lost time injury frequency rates dropping to an all-time low.

Actions currently underway

There are a number of actions your Board is progressing and I will outline a few of these.

The appointment of Andrew Price as Managing Director and Chief Executive Officer secures his involvement in overseeing the European restructuring efforts and he will be based in the UK for at least the next 12 months.

As we focus on improving our performance in the UK, the Benelux and Germany, we continue to remove costs and redesign our business models to adapt to current market conditions.

We are working to 'fix' these businesses rather than sell them, which takes time and funds. Since 30 June, we have made 126 additional reductions in staff numbers, predominantly in Europe.

In Germany, we have developed a plan to significantly restructure our German operation and have commenced the consultation phase with the Works Council. Once complete, this restructure will return our German operation to profitability which we anticipate will occur in financial year 2015.

We have established a team in Shanghai to improve our Asian sourcing capability and to create a sales presence in China.

We will continue to assess strategic bolt-on acquisitions for our diversified businesses as they make sense.

Capital structure update

On Friday of last week, the Board announced its intention to make an off-market takeover offer for all the issued PaperlinX Step-Up Preference Securities, known as Hybrids. We view this as a significant step toward simplifying the Company's capital structure and ultimately to returning the Company to profitability.

The consideration under the Offer is 250 PaperlinX ordinary shares for each Hybrid on issue, which implies a price of $14.00 per Hybrid, based on the closing price of PaperlinX ordinary shares on 17 October 2013.

This represents a 72% premium to the last closing price of the Hybrids on 21 August 2013 being the date PaperlinX announced its intention to explore a transaction with the Hybrid unit holders.

Details of the Offer were published in a statement to the ASX on 18 October 2013, and a Bidder's Statement is expected to be dispatched to Hybrid holders in November.

(1) Non-IFRS measure

While this Offer doesn't directly impact ordinary shareholders' holdings (unless you also hold Hybrid units in your investment portfolio), if the Offer is fully accepted, existing shareholders will own approximately 46% of PaperlinX equity, with Hybrid holders owning the remaining 54% of the PaperlinX equity in the pro forma capital structure.

However, there is no minimum acceptance condition attached to the Offer.

Proposed Hybrid takeover offer

The Board believes that a simplification of the rights and ownership of PaperlinX equity and Hybrids is fundamental in unlocking value for both stakeholders. The Board has undertaken a comprehensive review of all strategic options in relation to the Hybrids and strongly believes that the Offer it has formulated is compelling for both sets of stakeholders. As noted, some potential key benefits of the Offer which relate to Hybrid unit holders and/or PPX Ordinary Shareholders include:

- The implied Offer price of $14.00 per Hybrid represents a 57.5% premium to the 90-day volume weighted average Hybrid price
- The current value proposition of the Hybrids is impacted by the complex inter-relationship with PaperlinX ordinary shares and the uncertainty surrounding Realisation. A material reduction or removal of this complexity and uncertainty resulting from acceptance of the Offer may create a more transparent value proposition for investors
- The uncertainty and complexity resulting from the Hybrids, combined with the current trading performance of PaperlinX, typically leads to a more negative credit assessment of your Company by key stakeholders, including customers, suppliers, employees and financiers. A material reduction or removal of the Hybrids may lead to an improvement in your Company's terms of trade and assist our turnaround
- The Company continually assesses strategic and operational initiatives, including bolt-on acquisitions and further significant cost base restructuring, some of which require additional capital. The removal or reduction of the Hybrids may improve your Company's access to additional debt and equity capital to pursue such initiatives.

And while we are discussing the topic of Hybrids, the Board today announced to the ASX that no Hybrid distribution will be paid for 31 December 2013.

Summary

So in summing up, we are confident that our plans and the actions we are undertaking will pave the way to profitability for your Company.

It is no secret that we operate in a very difficult industry, where the impact of digital communications is reducing demand for paper and industry rationalisation is expected as paper producers remove over-capacity from the market to keep pace with declining demand.

Our approach is to continue to reshape our cost base to match the demand for our products, while developing our diversified businesses through organic and bolt-on growth which is, of course, subject to funding and fit.

(1) Non-IFRS measure

The potential changes and simplification of our capital structure through our intended takeover offer of the Hybrids will be fundamental in assisting your Company's operational recovery.

Before I pass to Andrew, I wish to take the opportunity to reconfirm the level of commitment and urgency your Board has to returning your Company to profitability. I would also like to thank our management team and all of our employees for their hard work towards this same outcome.

MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER'S SPEECH

As you know I joined the Board last September. I saw then an opportunity to turn this business around and I remain firmly of that view today.

Since then, we have pushed with some urgency initiatives to recalibrate our cost base, taking determined action to re-size our workforce, simplifying our organisational model and remove costs where we can, particularly in Europe.

Immediate priorities
It is now about value, not volume in terms of tonnes of paper sold. Rather than focus on the size of the business, and volumes, we are focusing on profitability – lowering the costs in all aspects of our business such as purchasing, warehousing, property and logistics.

For example, we are reviewing our global property portfolio to assess our ability to consolidate sites and reduce our overall costs. This is all part of being able to get a product to our customer that is better, faster and cheaper.

I am championing a more customer-centric focus at PaperlinX, where we come up with ideas that add value to customers businesses. Robert mentioned our new office in Shanghai – as an example, this will enhance our procurement relationships with Chinese manufacturers and having our people on the ground in Asia improves our capability to bring in specialised products that can add value to our current offerings for customers.

We have three very clear revenue streams and we need to get a more balanced mix of Visual Technology Solutions (VTS), Commercial Print and Packaging. My view is that each needs to be managed differently so we have new structures in place.

Our diversified businesses are our alternative revenue streams and right now we are growing these areas mainly at an organic level, with some small bolt-on acquisitions like Canterbury Packaging in New Zealand and Cadorit, a VTS company which is now part of our Scandinavian business. Acquisitions are undeniably the fastest way for us to grow, but we are constrained by funding issues at the moment.

2013 Performance
Before I talk about the future of PaperlinX, I would like to review our regional performance for 2013. The Chairman highlighted some key financials earlier, so I will focus on our operations.

(1) Non-IFRS measure

It's clear that our business in Europe is underperforming. Key focus areas are the larger businesses in the UK, the Benelux and Germany, and previously we have stated our commitment to fix these operations which are critical to restoring the Company's profitability.

This is where my and the Board's attention is focussed.

We clearly have two profitable regions - Canada and ANZA. Both these businesses have adjusted their cost base and are showing year on year improvements, and we expect further improvements in the next financial year.

In the 20 countries where we operate, each business has its own market dynamics, but essentially all of our businesses are very similar, and therefore the issues for turnaround are also similar. Part of our turnaround strategy is to take what we know from our better performing businesses in Australia, New Zealand and Canada and share these insights with our underperforming businesses.

An example of this is the establishment of 8 regional Commercial Print Businesses in the UK, replacing an ineffective centralised model that divorced management decisions of key business drivers like logistics, away from where the customer was based. This new localised model replicates a successful one that is currently operating in both Canada and Australia.

In Europe, we saw very weak trading conditions, particularly in our larger markets. As part of our response to the drop in revenue from declining paper volumes, we undertook significant restructuring to reduce costs, resulting in a 12% reduction in our workforce there.

Visual Technology Solutions sales were down in Europe, particularly due to tough conditions in the retail Point of Sale sector. Overall Packaging grew slightly, after strong organic growth in the UK, Poland and Spain was offset by declines in our established markets of the Benelux and Denmark.

In Canada, the business delivered a profit increase over the prior period through strong management of key disciplines such as margin management, pricing and costs. A restructuring program in the second half of Financial Year 2013 involved a reduction of 50 staff positions.

The business in Australia, New Zealand and Asia also improved underlying earnings. Tough trading conditions affected demand, but strong margin and expense control in Australia and NZ more than offset the shortfall. Expense control involved a reduction of 54 staff positions. The Asian business saw a significant drop in demand. The region's diversified business grew mainly through its Visual Technology Solutions activities.

Improving Europe's profitability

Returning our European business to profitability will be the key to the Group's successful turnaround.

To support our turnaround focus, I have made significant changes to the management teams in the UK, the Benelux and Germany.

(1) Non-IFRS measure

Restructuring activities continue in these businesses and I will provide further detail in the next few slides.

Whilst we trade across 11 countries in Europe, by consolidating each of these operating brands under one brand ‘PaperlinX’ from 1st July, we have reduced complexity for customers, eliminated cost duplication and driven culture change.

From 1st January 2014, we will operate a borderless model – moving the country-based business units to the product-based divisions of Commercial Print, Packaging and Visual Technology Solutions. This will channel focus and capital into our growth areas while also changing the cost base in areas of structural decline.

Our work on reducing costs has led us to re-negotiate our terms with key European suppliers. We are one of the largest independent merchants in the world, meaning we are not owned by a mill, so that gives us a competitive advantage.

We have developed a new paper procurement strategy which involves using mill brands to improve marketing effectiveness and reduce inventory, and we have launched a European indent service to centralise supply negotiations.

With a renewed focus on our customers, we are identifying new ways to add value rather than selling purely on price. One example of this is a bespoke printers’ webstore that offers PaperlinX products. Another is expanding the Car Wrap Club launched in the UK earlier this year.

German restructuring plan
In Germany, our business has consistently lost money during our ownership over the last ten years. After evaluating both fix and sell options, the feasible option was to retain the business and restructure it.

Significant change is required to recalibrate the footprint and cost base of this business to restore profitability.

We have commenced discussions with key stakeholders, including the Works Council, about the changes we have planned. Post these changes, we will have a significantly different business there to what we have today, which will be smaller in size but profitable.

Losses in Germany in the last financial year 2013 were approximately €4.1 million. As a result of this restructuring, we expect this business to be profitable in financial year 2015.

UK restructuring update
The key to restoring profitability in the UK business is to get closer to our customers and reduce our cost base.

We are currently driving a new plan to create 8 locally focussed Commercial Print Businesses across the UK as I mentioned earlier. These businesses will be set up in existing sales offices with dedicated logistics, inventory management, credit and finance support.

Our aim is to improve customer loyalty and re-energise our geographic reach in this market.

(1) Non-IFRS measure

Following a review of our logistics operation in the UK, we are exploring a collaboration with DHL to optimise our warehousing and transport capacity and enable our transition to a more flexible operational base which will future-proof our supply chain.

Benelux Update

The transformation of the Benelux business continues to progress to plan. Our four trading brands have been consolidated under the ‘PaperlinX’ brand since 1st July and the integration of the Belgian operations into the Netherlands has gone smoothly.

Decisions are yet to be made about the envelope manufacturing business in the Netherlands but we hope to conclude our review prior to the half year results for the financial year 2014.

The Benelux is forecast to be profitable this month, after a sustained period of trading losses. The losses for Benelux for the last financial year were approximately €10 million.

Diversified progress

We continue to grow our diversified businesses in Packaging and Visual Technology Solutions as alternative revenue streams to the declining paper sector. To drive further growth in this area, we have realigned business structures and sourced new products, as well as adding some selective small acquisitions.

But we need to do more if we are to increase our scale. As Robert mentioned earlier, dealing with our complex capital structure issues may go some way to helping us access additional capital for this purpose.

Within the Visual Technology Solutions business, exciting market sectors such as 3-D printing are areas we would like to be investing in, if we can access additional capital.

FY14 Q1 update

Looking at our start to the year, I am pleased to report that the first quarter of this financial year has shown an improvement in the Underlying EBIT[1] results over the prior corresponding period in all regions.

Expenses are showing the benefit of restructuring activities, and further reductions are expected from current programmes we have underway.

Working capital management is improving, has our full focus, and more opportunities remain to further improve this position.

Summary

Your Company has been significantly transformed over the last 12 months as we have left no stone unturned in our endeavour to realise the true potential of PaperlinX.

Our turnaround plans are delivering benefits but our restructuring activities must continue.

I would like to point out, that since July 2012, over 700 people have left our business through redundancies. This is a very large group of people, and I would like to make it clear that the reason these team members have left our business is due to the long

(1) Non-IFRS measure

overdue need to manage our costs and the declining volumes in our core business, as well as the consolidation of our organisational structures. For those who were made redundant, their departure is in no way a reflection on individual performance or dedication.

Our diversified businesses are developing, but the most effective way to drive further growth will be through acquisitions, and we will continue to review potential targets taking into consideration funding and fit.

We reconfirm our August guidance that the business will be marginally profitable in FY14 at the Underlying EBIT[1] level, flowing from cost benefits of restructuring, cost reduction initiatives underway and margin improvements from diversified products.

This will herald a significant step forward for the Company and will provide a solid foundation for our continuing efforts to return the business to sustained profitability.

CHAIRMAN'S COMMENTS ON THE REMUNERATION REPORT

Organisation and management structure

PaperlinX has made a number of changes to better align its organisational and management structure and employment costs with its current size and circumstances. These changes will continue to be a major priority for the Board.

Incentive Plans

As in previous years, a large proportion of executive remuneration for the financial year 2013 was variable and "at risk", being subject to the achievement of stretching performance targets established under the Incentive Plan.

Further, the profit focus has been retained in the Company's short-term incentive plan and a deferred equity component has been introduced to create the opportunity of an ownership stake in the Company. The aim is to align the interests of Management with those of shareholders. A majority of Key Management Personnel who were eligible to receiving an incentive payment only received 25% or less of their incentive paid in cash. The long-term incentive plan remained suspended for the financial year 2013.

The incentive plan for the financial year 2014 will continue to place more emphasis on profit to align with shareholders' interest.

Executive Changes

On 18 September 2013, PaperlinX announced Andrew's appointment as Managing Director and Chief Executive Officer of PaperlinX, with Dave Allen stepping down as Chief Executive Officer.

Andrew's remuneration package includes a fixed component of A$751,000. He will also receive rental assistance whilst he is seconded to the United Kingdom. Andrew's initial term is for a period up to April 2015 but can be extended by mutual agreement.

(1) Non-IFRS measure

Andrew will be entitled to participate in a short term incentive plan comprising both a cash and equity component. This incentive is based on achieving targets relating to earnings and working capital measures. The maximum annual reward of up to 100% of his Total Fixed Remuneration comprising 75% equity and 25% cash will only be paid if outstanding performance is achieved by the Company.

In addition, no incentive award will be paid if certain specific safety targets are not met. The equity component of any incentive paid will be deferred for a further two year service period following measurement of performance. The equity component of any award will be provided in the form of PaperlinX shares.

Dave Allen will remain with the business until 31 December 2013 to assist with special projects and transition. At the end of his employment, Dave will receive a payment having regard to his contractual entitlements. This payment is based on 12 months of his Total Fixed Remuneration in lieu of his contractual notice period, subject to the limits imposed by the Corporations Act. Details of Dave's termination arrangements will be set out in the 2014 Remuneration Report.

Actions since the First Strike

As more than 25% of the votes cast on the adoption of the 2012 Remuneration Report were against its adoption, the Company received its "first strike" last year. As required by the Corporations Act, a resolution to hold a spill meeting has been included in this year's Notice of Meeting. If a "second strike" is received at today's Meeting, the pre-condition to the spill resolution will be satisfied.

Last year, this Board took the unorthodox step of voting against the 2012 Remuneration Report at the 2012 AGM because it disagreed with the level of Senior Executives' remuneration and the quantum of termination payments made by the former Board.

Since the 2012 AGM, a number of changes have occurred in our Company's approach to remuneration and the manner in which remuneration policy was implemented. These changes in approach are primarily to recalibrate the remuneration of our senior executives to the current scale and profitability of the Company.

<u>CHAIRMAN'S COMMENTS ON THE GRANT OF OPTIONS TO ANDREW PRICE</u>

- The preliminary valuation of the 35 million options was calculated based on the closing share price of PaperlinX on 19 February 2013 of 9.6 cents per share. The Options were valued at approximately $1 million in fair value by an external valuer at that time.
- Based on current PaperlinX share price, the value of the Options today is significantly lower than when it was first proposed in February 2013
- The exercise prices of the options are linked to significant improvements in the Company's share price.
- There is no financial benefit to Andrew if the share price does not reach between 10 cents to 50 cents within two to five years' time from the grant date of the options.

(1) Non-IFRS measure

- If all options were exercised and new shares were to be issued, the dilution is approximately 5.6%. There will not be any dilution if the shares are purchased on-market.
- Andrew will not forfeit his entitlement to the unexercised options if he leaves his employment after the grant of the options. This is because the options are for services already rendered.

Mike and I consider it reasonable and appropriate to grant the options to Andrew because they were intended to reward Andrew for services rendered during his time as an Executive Director, during which time his base salary reward had been set at a modest level. Andrew accelerated the restructuring activities in the UK and Continental European businesses, and initiated major cultural change across this whole region. Our view is that Andrew's efforts are crucial to the turnaround of the Company.

CHAIRMAN'S COMMENTS ON THE LOAN TO ANDREW PRICE

Shareholder approval is sought as the grant of the loan is a related party transaction for the purposes of the Corporations Act.

- The loan is to assist Andrew to meet his tax obligations which arise in connection with the options proposed to be granted to him.
- As the grant of options will trigger a tax liability for Andrew, the loan is intended to assist him to meet that tax liability.
- Where options are exercised, it is planned that Andrew will use any proceeds he realises to repay portions of the loan.
- The loan will accrue interest at a commercial rate.

Again, Mike and I consider it reasonable and appropriate to grant Andrew a loan to assist him to meet his upfront tax liabilities that he will incur as a result of the grant of options to him.

-ENDS-

(1) Non-IFRS measure