Paperlinx

Annual General Meeting

25th October 2013

Chairman's address

Robert Kaye SC

Progress at PaperlinX

- Actions underway to address capital structure, through recently announced off-market takeover offer for the Hybrids
- Delivering on turnaround activities, with restructuring anticipated to deliver recurring cost savings of $35-40m from FY14
  - Cost base recalibrated: the Group has reduced FTEs by 12%
  - Consolidated company brands – 'Spicers' in ANZA & Canada, 'PaperlinX' in Europe
  - Strong performance in Australia, Canada and New Zealand
  - Loss reduced, net debt down and liquidity in place for current business plan
- Changes to Chairmanship, CEO and CFO

2013 results

- Extremely challenging trading conditions, particularly in Europe

- Statutory loss after tax of $90.2m ($266.7m loss pcp) due to the following:
  - Pricing reflects strong competition due to weak demand
  - Revenue down 14% in local currency
  - Gross profit margins reduced 40bps
  - Impairment of $25.1m after tax
  - Restructuring costs of $26.0m after tax

- Improvement of Underlying EBIT[(1)] loss $21.4m ($27.2m loss pcp)

(1) Non-IFRS measure

2013 results (cont'd)

- Net debt reduced by 17% from $148m to $123m, and overall interest expense reduced by 33%
- Extension of lending arrangements in Europe & NZ, and new facilities implemented in Europe, provide further liquidity and lending flexibility
- Diversified Gross Margin over total Gross Margin increased to 32.7% from 29.4% pcp
- Improvement in employee safety - Lost Time Injury Frequency Rate decreased by 6%

Actions currently underway

- Andrew Price's recent appointment as MD & CEO, based in UK to reinforce turnaround activities
- Significant restructuring plan has been developed for our German business – anticipate return to profitability in FY15
- Further cost reduction initiatives continue in Europe eg. since 30 June, additional reductions of 126 FTEs
- Established presence in Shanghai, China, to improve our Asian sourcing capability and to create a sales presence
- Assessing acquisition opportunities in diversified areas as they make sense

Capital Structure update

- As part of the turnaround initiative, the Board has resolved to simplify the Company's capital structure, which it views as fundamental in assisting the operational recovery
- Having considered a number of alternatives over several months, the Board of PaperlinX intends to make a conditional, off-market scrip offer for all of the issued PaperlinX SPS securities (Hybrids)
- Consideration under the Offer will be 250 PaperlinX ordinary shares for each Hybrid.
- Detailed information on the Offer will be set out in a Bidder's Statement which we expect to dispatch to Hybrid unit holders in November
- Full acceptance of the Offer would result in existing PPX ordinary shareholders owning approximately 46 per cent of the equity in the pro forma capital structure of PaperlinX.
- There is no minimum acceptance condition attached to the Offer

Proposed Hybrid takeover offer

- In formulating the Offer, the Board has considered the relative market value of the Hybrids and the PaperlinX ordinary equity in addition to the value enhancement that an Offer would promote for both the PaperlinX ordinary shareholders and existing Hybrid unit holders.

- The Board firmly believes that the Offer is in the best interests of both groups of stakeholders.

Potential key benefits of the Offer are as follows:

- Significant premium to market price of the Hybrid unit – represents a 57.5% premium to the 90-day volume weighted average Hybrid price
- More transparent value proposition for Hybrid unit holders
- Enhanced terms of trade for the Company stemming from improved confidence among key stakeholders
- Enhanced access to capital for the Company to accelerate turnaround initiatives

Separately but related to the Hybrid, no Hybrid distribution will paid for 31 December 2013.

Summary

- Difficult industry background, with further rationalisation expected

- The digital revolution continues to impact the paper industry as expected, reflecting continued fall in volumes

- Continue to right size our cost base to match demand for our products as structural decline impacts our commercial print business

- Commitment to grow diversified businesses through organic and bolt-on approach, subject to funding and fit

- Addressing capital structure issues will unlock value and future opportunities

Managing Director and CEO’s address

Andrew Price

Immediate priorities

- Restructuring activities to continue, particularly in Europe
- Shift in focus to profitability rather than volume
- Developing a fresh perspective on customers
- Balancing the mix of Commercial Print, Packaging and Visual Technology Solutions (VTS)
- Supporting growth of diversified businesses

2013 performance

Underlying EBIT[1] before corporate costs:

	June 2013	June 2012
Canada	C$13.6m	C$8.4m
ANZA	A$13.0m	A$10.9m
Europe	€(27.3)m	€(17.8)m

(1) Non-IFRS measure

2013 performance (cont'd)

- Europe
  - Trading conditions remained weak in key markets of UK, Benelux and Germany
  - Critical restructuring undertaken to reduce costs – 12% (430 FTE) reduction
  - Visual Technology Solutions (VTS) sales down, packaging growth strong in some countries

- Canada
  - Increased profitability due to margin management, pricing stability and reducing costs

- Australia, New Zealand & Asia
  - Increased profitability with strong margin management and expense control in Australia and NZ
  - Asian market saw significant drop in demand
  - Diversified segment growing, mainly through VTS

Improving Europe’s profitability

- Finalise management / leadership of UK, Benelux and German businesses
- Additional restructuring in UK, Benelux and Germany underway, further cost recalibration essential
- Redesign of European business model
- New paper procurement strategy
- Continue development of customer-centric model by adding value for customers eg. webshops

German restructuring plan

- Restructuring plan developed to recalibrate footprint and cost base

- Commenced negotiations with Works Council mid October

- Aim to return to profitability in FY15

UK restructuring update

- Creating a UK business that is closer to customers – customer-centric
- Announced new plan to create 8 locally-focussed Commercial Print Businesses across the UK in existing sales offices
  - Each business will have dedicated logistics, inventory management, credit and finance support
  - Will improve customer loyalty, re-energise geographic reach and simplify the organisation
- Following a review of our logistics operation in the UK, we are exploring a collaboration with DHL to optimise warehousing and transport capacity, and improve operational flexibility

Benelux update

- Restructuring to reduce the cost base has been successful to date
- The viability of the envelope manufacturing business is still under evaluation
- Benelux is forecast to be profitable at the Underlying EBIT[1] level this month for the first time in 2 years

(1) Non-IFRS measure

Diversified progress

- Packaging – 7.7% of total sales
- Visual Technology Solutions – 11.6% of total sales
- Growth in these businesses is crucial to the overall turnaround story of the Group
- Creating dedicated teams via new business structures and new product offerings, while leveraging existing logistics & infrastructure platform, and our print customer base
- Need to increase our scale in these sectors to offset the structural decline of commercial print
- Ideally we need to do more than small selective acquisitions, and resolving our capital structure issues could unlock such opportunities

FY14 Q1 update

- First quarter shown an improvement in Underlying EBIT[(1)] results over the prior corresponding period in all regions
- Expenses shown the benefit of restructuring activities, and further reductions expected from current programmes underway
- Working capital management is improving, has our full focus, and more opportunities remain to further improve this position.

(1) Non-IFRS measure

Summary

- This is a changed business to what we were 12 months ago
- Turnaround in progress and on track, but further work required
- European restructuring activities are delivering on forecast benefits
- Diversified businesses developing but require more capital to accelerate these sectors
- Reconfirm August 2013 guidance that the business will be marginally profitable (Underlying EBIT[1] level) in FY14

(1) Non-IFRS measure

Adoption of Remuneration Report

That the Remuneration Report for the year ended 30 June 2013 be adopted.

Re-election of Director, Robert Kaye SC

That Mr Robert Kaye SC, who retires by rotation in accordance with the Company’s Constitution, and being eligible, offers himself for re-election as a Director, to be re-elected as a Director of the Company.

Election of Director, Darren Olney-Fraser

That Mr Darren Olney-Fraser, who offers himself for election in accordance with the Company's Constitution, be elected as a Director of the Company.

Grant of options to Andrew Price

That approval is given for the Company to grant 35 million options to the Executive Director, Mr Andrew Price, to acquire ordinary shares in the Company, under the Executive Director Options Plan as described in the Explanatory Notes to this Notice of 2013 Annual General Meeting for all purposes, including ASX Listing Rule 10.14.

Loan to Andrew Price

That approval is given under section 208 of the *Corporations Act 2001* (Cth) (Corporations Act) for a loan of up to $500,000 (plus accrued interest) to be provided to the Executive Director, Mr Andrew Price, as described in the Explanatory Notes to this Notice of 2013 Annual General Meeting.

Holding a spill meeting (contingent item)

That, as required by the Corporations Act:

(a) a meeting of the Company's members be held within 90 days of the date of the 2013 Annual General Meeting (the "spill meeting");

(b) each of Mr Andrew Price, Mr Robert Kaye SC* and Mr Michael Barker cease to hold office immediately before the end of the spill meeting; and

(c) resolutions to appoint persons to offices that will be vacated immediately before the end of the spill meeting be put to the vote at the spill meeting."

******This assumes that Mr Kaye is re-elected at the Meeting.*

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.

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.