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CROSS RELEASE PXU**20 December 2013****Off-market takeover bid by PaperlinX Limited for
PaperlinX SPS Trust (ASX Code: PXU) - First Supplementary Bidder's Statement**

In accordance with section 647(3)(b) of the *Corporations Act 2001* (Cth), PaperlinX Limited (**PaperlinX**) attaches a copy of its First Supplementary Bidder's Statement dated 20 December 2013, which is supplementary to the original Bidder's Statement dated 5 December 2013.

The First Supplementary Bidder's Statement will be lodged with the Australian Securities & Investments Commission accordingly.

For further information, please contact:

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ASX RELEASE



PaperlinX Limited

First Supplementary Bidder's Statement

In relation to the off-market takeover offer by PaperlinX Limited (ABN 70 005 146 350) to acquire all of your PaperlinX SPS Units in PaperlinX SPS Trust (ARSN 123 839 814)

Important Information

This document is a supplementary bidder's statement under section 643 of the *Corporations Act 2001* (Cth) (*Corporations Act*). It is the first supplementary bidder's statement issued by PaperlinX Limited (*PaperlinX*) in relation to its off-market takeover offer (*Offer*) for all the step-up preference securities (*PaperlinX SPS Units*) in PaperlinX SPS Trust (*PaperlinX SPS Trust*).

This document supplements, and is to be read together with, PaperlinX's bidder's statement dated 5 December 2013 (*Bidder's Statement*). This document will prevail to the extent of any inconsistency with the Bidder's Statement. Unless the context requires otherwise, terms defined in the Bidder's Statement have the same meaning where used in this document.

This document is dated and was lodged with ASIC on 20 December 2013. Neither ASIC nor any of its officers takes any responsibility for the contents of this document.

This supplementary bidder's statement should not be taken as personal financial advice, as it does not take into account your individual investment objectives, financial and taxation situation or particular needs. You may wish to obtain independent financial and taxation advice before making a decision whether or not to accept the Offer.

1. Update on Tax Ruling condition

Section 10.12 of the Bidder's Statement indicates that the Offer is subject to, among other conditions, the fulfilment or waiver of the condition that PaperlinX obtains a favourable ruling from the Australian Tax Office confirming that the acceptance of the Offer should not impact the Australian tax losses of the group and that there should not be any assessable gain as a result of PaperlinX acquiring all PaperlinX SPS Units (*Tax Ruling*).

PaperlinX updates PaperlinX SPS Unitholders that the Australian Taxation Office has indicated that the final Tax Ruling should be issued during January 2014.

2. Clarification of key assumptions in pro-forma consolidated statement of financial position

Section 6.4 of the Bidder's Statement sets out the pro-forma consolidated statement of financial position of the Combined PaperlinX Group as at 30 June 2013. PaperlinX makes the following marked-up clarifications to the key assumptions of this pro-forma.

"The pro-forma consolidated statement of financial position has been prepared using the following key assumptions:

- (a) *The issue of new PaperlinX Shares relating to the Offer are reflected in the pro-forma balance of issued capital based on the estimated fair value of PaperlinX Shares. The estimated fair value of PaperlinX Shares for accounting purposes has been based upon the closing price of PaperlinX Shares (\$0.056) on the day prior to the Announcement Date of the Offer.*
- (b) *In the scenario where less than 100% of PaperlinX SPS Units are acquired, the face value of PaperlinX SPS Units acquired, less the pro-rata share of their initial issue costs, ~~less the fair value of the PaperlinX Shares issued in exchange for PaperlinX SPS Units~~ is taken to a reserve for PaperlinX's owned SPS Units, ~~with the credit taken directly to retained earnings as a transaction with owners.~~*
- (c) *The difference between the face value of PaperlinX SPS Units acquired less the pro-rata share of their initial issue costs, and the estimated fair value of PaperlinX Shares issued relating to the Offer, is credited directly to retained earnings as a transaction with owners.*
- (d) *The fees and costs incurred by PaperlinX relating to the Offer are assumed to be paid in cash and, as such, are reflected as a reduction in the pro-forma balance of cash and cash equivalents. The amount of fees and costs varies in each of the scenarios depending on the level of acceptance of the Offer."*

3. Other Bidder's Statement clarifications

PaperlinX clarifies the following matters in the Bidder's Statement:

- (a) Section 2.4 of the Bidder's Statement indicates that the Australian, New Zealand and Asian business improved Underlying EBIT in the financial year ended 30 June 2013 to A\$13.0 million from A\$10.9 million in the prior corresponding period. PaperlinX clarifies that these Underlying EBIT figures are identical to the "(Loss)/profit before net finance costs, tax and significant items" in the operating segment disclosures at Note 5 of PaperlinX's 2013 Annual Report. Section 2.4 of the Bidder's Statement also indicates that the Underlying EBIT loss for the Europe business increased to €(27.3) million from a loss of €(17.8) million in the prior year, and that the Underlying EBIT for the Canada business was up from C\$8.4 million to C\$13.6 million. PaperlinX clarifies that these Underlying EBIT figures are identical to the "(Loss)/profit before net finance costs, tax and significant items" in the operating segment disclosures at Note 5 of PaperlinX's 2013 Annual Report, except that the figures have been converted into Australian currency in the operating segment disclosures at Note 5.
- (b) Section 9.16 of the Bidder's Statement indicates that PaperlinX has paid, or agreed to pay, up to approximately \$0.5 million to \$4.7 million to Moelis & Company. PaperlinX clarifies that these fees relate solely to financial advisory services provided by Moelis & Company to PaperlinX in relation to the Offer. Further, the amount of \$4.7 million represents the upper cap on fees payable by PaperlinX in relation to these services, the payment of which is dependant on the level of acceptances received under the Offer.
- (c) Section 10.4(a) of the Bidder's Statement indicates that the Offer extends to, in addition to holders of PaperlinX SPS Units on the Register Date, holders of securities that come to be PaperlinX SPS Units during the period from the Register Date to the end of the Offer Period due to the conversion of, or exercise of rights

conferred by, such securities and which are on issue as at the Register Date. PaperlinX clarifies that the Offer only additionally extends to holders of securities that come to be PaperlinX SPS Units during the Offer Period due to the conversion of, or exercise of rights conferred by, such securities and which are on issue as at the Register Date.

- (d) Section 11 of the Bidder's Statement sets out the meaning of defined terms used in the Bidder's Statement. PaperlinX adds the following new defined term in Section 11 of the Bidder's Statement:

"*Company* means PaperlinX Limited ACN 005 146 350".

4. Further information

You should call 1300 396 150 (local call cost for callers within Australia) or + 61 3 9415 4261 (callers outside Australia), Monday to Friday between 8.30am and 5.30pm (Sydney time), if you have any questions or require assistance.

This document has been approved by a unanimous resolution of directors of PaperlinX on 20 December 2013.

Signed by



Robert Kaye SC
Chairman
PaperlinX Limited