ASX RELEASE

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**CROSS RELEASE PXU**

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**MARKET UPATE ON RESTRUCTURING ACTIVITIES AND FY2014 TRADING RESULTS**

PaperlinX Limited ('PaperlinX' or the 'Company') provides the following update on restructuring activities and trading results:

## 1. Restructuring

As foreshadowed in previous announcements, PaperlinX continues to seek opportunities to reduce its cost base in all of its businesses to assist with the impact of the decline in demand in its commercial print businesses. It has recently announced in Germany and the United Kingdom further significant restructuring initiatives as part of this overall cost strategy.

### 1.1 Germany

The Company has received approval from the German Works Council to proceed with major restructuring plans in its German business. As discussed at the Company's Annual General Meeting in October this year, this plan is focused on recalibrating the geographic footprint and cost base to return the German business to profitability in FY15.

Once implemented, this plan will see a number of existing logistics warehouses and sales offices consolidated into the central warehouse in Biebesheim.

As a result, restructuring charges of approximately €4.2m will be recognised in the 31 December 2013 interim accounts. The plan will make 75 employees redundant during the course of the second half of this financial year. The Hannover and Leipzig sites will be closed in the first quarter of the calendar year 2014.

### 1.2 United Kingdom

The Company has announced further changes to its UK logistics infrastructure that involves the closure of leased premises in Nottingham, Sheffield and Leeds. These sites will be consolidated into the existing network of the UK business. These changes together with a move to a central IT platform will provide operational efficiencies to enable the Company to reduce its headcount by approximately 65 during the course of the second half of this financial year. The employee consultation process has begun for these redundancies. The estimated cost of this initiative is approximately £0.5 million.

Once all these initiatives have been implemented and together with other restructuring plans actioned in the Company in the last six months, the full time equivalent headcount of the Company will have reduced by approximately 340 (8.4%) from 4,040 as at June 30 this year.

In total, the Company will include a pre-tax restructuring charge of approximately AUD9.5 million in the 31 December 2013 interim accounts. PaperlinX will continue to seek further opportunities in this area and therefore expects to have further restructuring charges in the second half of this year as a key focus remains on improving performance by removing costs and redesigning various business models.

## 2. FY2014 Trading Results

In the Bidder's Statement dated 5 December 2013 issued by PaperlinX in relation to the off-market takeover offer for the PaperlinX SPS Units in the PaperlinX SPS Trust, the Company highlighted that trading conditions in October and November 2013 in Europe were below its internal expectations. It also stated that whilst the Company still believed that it could achieve the previously provided guidance to the market of a 'marginally profitable Underlying EBIT[(1)] result in FY2014', it immediately implemented a review of these operations to re-examine the current year forecast.

The re-examination of the FY2014 forecast has now been completed. PaperlinX confirms its previous guidance of a marginally profitable Underlying EBIT[(1)] result for FY2014. This guidance has taken into account the weaker trading conditions currently being experienced in Europe but includes the favourable impact of previously announced restructuring activities that have been occurring during the course of the first half of this financial year and some benefits from the cost initiatives announced today in Germany and the UK. In addition, the Company is expecting improved pricing in Europe in Q3 and Q4 that will also assist with improving margins.

PaperlinX expects to announce an Underlying EBIT[(1)] loss (before restructuring costs) for the six months to 31 December 2013 of approximately AUD10m – 11m as compared to a loss of AUD13.7m for the corresponding period last year. As discussed, via benefits of reduced costs across the group and improving pricing in Europe, the second half of this financial year is expected to show an Underlying EBIT[(1)] profit which will be sufficient to offset the loss incurred in the first half of the year and produce a marginally profitable Underlying EBIT[(1)] result for the full year.

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*(1) Non-IFRS disclosure. Underlying EBIT means statutory profit / (loss) before interest and tax, impairment of non-current assets, restructuring costs and discontinued operations*