

CROSS RELEASE PPX

9 January 2014

**PaperlinX SPS Trust ARSN 123 839 814
ASX Announcement –Target’s Statement**

Second Supplementary Target’s Statement

In accordance with Section 647(3) of the Corporations Act, The Trust Company (RE Services) Limited (ACN 003 278 831) (**Responsible Entity**) in its capacity as responsible entity of PaperlinX SPS Trust (ARSN 123 839 814) attaches a copy of its second supplementary target’s statement (**Second Supplementary Target’s Statement**).

The attached Second Supplementary Target’s Statement is dated 9 January 2014 and was lodged with ASIC on that date. Pursuant to section 645(1) of the Corporations Act, the information contained in the Second Supplementary Target’s Statement is taken to be included in the Target’s Statement dated 16 December 2013 (as amended by the supplementary target statement dated 18 December 2013).

Advisors

The Responsible Entity is being advised by ICS Advisory as corporate advisor and Watson Mangioni as legal adviser.

Further information

For further information in relation to the Offer please contact the Offer Information Line on 1800 857 303 within Australia or +61 2 8256 3366 outside Australia.

Ends

ASX
RE
STATEMENTS



**THE
TRUST
COMPANY**

The Trust Company
(RE Services) Limited
ABN 45 003 278 831
AFSL 235150

Second Supplementary Target's Statement

This is a supplementary target's statement issued by The Trust Company (RE Services) Limited (ACN 003 278 831) (**Responsible Entity**) as responsible entity of the PaperlinX SPS Trust (ARSN 123 839 814) (**PaperlinX SPS Trust**).

What is the purpose of this document?

On 24 December 2013, PaperlinX issued a second supplementary bidder's statement which, amongst other things, reaffirmed its FY14 guidance and outlined certain reasons it believes as to why PaperlinX SPS Unitholders should accept its Offer.

Having considered this second supplementary bidder's statement, the Directors of your independent Responsible Entity re-confirm their recommendation to **REJECT THE OFFER**.

The purpose of this document is to:

- Re-affirm your Directors' unanimous recommendation to **REJECT THE OFFER**; and
- Highlight certain reasons for which, in addition to the reasons outlined in Section 1 of the Target's Statement, the Directors of your independent Responsible Entity continue to recommend that you **REJECT THE OFFER**, including:
 1. **Continuing uncertainty relating to PaperlinX's financial and operational position** – PaperlinX's ability to achieve profitability in line with its FY14 guidance remains subject to significant execution and market related risks. Insufficient information has been provided to enable you or your Directors to assess the financial position of PaperlinX or PaperlinX's ability to generate sustainable profits both in FY14 and, in particular, future years.
 2. **Offer unlikely to generate benefits unless there is a high level of acceptances** – in its second supplementary bidder's statement PaperlinX asserts certain capital markets/operational benefits may result from acceptance of the Offer. Your Directors consider that such benefits may only arise as PaperlinX's ownership of the PaperlinX SPS Units approaches 100% and the capital structure can be simplified. If PaperlinX does not acquire 100% (or near to) of the PaperlinX SPS Units, then to the extent it believes the current structure is holding back value creation, it will continue to do so.

The Directors of your independent Responsible Entity urge you to consider this document, as well as the Target's Statement and the First Supplementary Target's Statement before deciding whether to accept the Offer.

Important Information

This is a supplementary target's statement issued by The Trust Company (RE Services) Limited (ACN 003 278 831) (**Responsible Entity**) as responsible entity of the PaperlinX SPS Trust (ARSN 123 839 814) (**PaperlinX SPS Trust**). It is the second supplementary target's statement issued in relation to the takeover offer (**Offer**) made by PaperlinX Limited (ACN 005 146 350) (**PaperlinX**) pursuant to a bidder's statement dated 5 December 2013 (as amended from time to time, including by supplementary bidder's statements dated 20 December 2013 and 24 December 2013) (**Bidder's Statement**). This document supplements, and is intended to be read together with, the Target's Statement issued by the Responsible Entity dated 16 December 2013 (**Target's Statement**) and the first supplementary target's statement dated 18 December 2013 (**First Supplementary Target's Statement**).

This second supplementary target's statement is dated 9 January 2014, was lodged with the Australian Securities and Investments (**ASIC**) and was sent to ASX pursuant to section 647(3) of the Corporations Act 2001 on that date. None of ASIC, ASX or their respective officers take responsibility for the contents of this Target's Statement.

Pursuant to section 645(1) of the Corporations Act, the information set out below is taken to be included in the Target's Statement as amended by the First Supplementary Target's Statement.

Terms defined in the Target's Statement have the same meaning in this second supplementary target's statement except if otherwise defined in this second supplementary target's statement.

Directors' recommendation: REJECT THE OFFER

At the date of this second supplementary Target's Statement the Directors of the independent Responsible Entity re-affirm their unanimous recommendation to **REJECT THE OFFER**.

Your Directors believe the key reasons you should **REJECT THE OFFER** are:

1. There is considerable uncertainty regarding the financial and operational position of PaperlinX. Exchanging your PaperlinX SPS Units for PaperlinX Shares is not prudent at this time (see page 7 of the Target's Statement as amended by this for further details);
2. The Offer appears to be materially inadequate (see page 8 of the Target's Statement for further details);
3. The Offer ratio of 250 PaperlinX Shares for every PaperlinX SPS Unit is too low and does not give you a fair share in the enlarged pro forma PaperlinX share capital (see page 9 of the Target's Statement for further details);
4. Value may be better reflected in the PaperlinX SPS Units if and when PaperlinX delivers on its turnaround strategy (see page 10 of the Target's Statement for further details);
5. The Offer Consideration does not compensate PaperlinX SPS Unitholders for unpaid distributions (see page 11 of the Target's Statement for further details); and
6. Benefits from the Offer are unlikely unless there are high levels of acceptances (see page 3 of this document for further details).

The financial and operational position of PaperlinX remains uncertain

Having considered the second supplementary bidder's statement, your Directors remain of the view that, irrespective of PaperlinX reconfirming its FY14 guidance and in the absence of further information, the financial outlook of PaperlinX should be considered uncertain and, as such, exchanging your PaperlinX SPS Units for PaperlinX Shares is not prudent at this time. The reasoning of your Directors is explained in full on page 7 of the Target's Statement.

In addition to the significant risks set out by PaperlinX in section 7 of its bidder's statement, section 3 of the second supplementary bidder's statement indicates that PaperlinX's ability to achieve profitability in line with its FY14 guidance remains subject to execution risks, including PaperlinX successfully realising price increases on the vast majority of product lines sold in the UK. PaperlinX acknowledges in its second supplementary bidder's statement that *"there is a risk that these price increases will not materialise and/or have a negative impact on PaperlinX's market share/sales volumes in the UK. This, in turn, could have a material adverse impact on the Company's earnings and therefore its ability to meet FY14 Guidance"*.

Notwithstanding the market guidance released by PaperlinX with respect to FY14, your Directors consider that, as at the date of this document:

- (a) PaperlinX continues to face considerable execution and market related risks which may impact its ability to achieve profits in line with its market guidance; and
- (b) insufficient information has been provided to enable you or your Directors to assess the financial position of PaperlinX or PaperlinX's ability to generate sustainable profits both in FY14 and, in particular, future financial years.

As set out in section 1 of the Target's Statement, until the Responsible Entity and PaperlinX SPS Unitholders have the benefit of further information, PaperlinX SPS Unitholders and the Responsible Entity are not in a position to fully assess the value of the Offer Consideration as fair or the Offer as warranting acceptance.

Benefits unlikely unless there are high levels of acceptances

In its second supplementary bidder's statement PaperlinX asserts that the following capital markets/operational benefits could result from acceptance of the Offer:

- (a) Enhanced terms of trade for PaperlinX stemming from increased confidence among key stakeholders which may improve business prospects.
- (b) Enhanced access to capital for PaperlinX to accelerate turnaround initiatives.
- (c) Expected improved trading liquidity on the ASX compared to the historical liquidity levels of PaperlinX SPS Units and PaperlinX Shares.

Your Directors do not deny that some capital markets or operational benefits could flow from acceptance of the Offer, however, such benefits may only arise as PaperlinX's ownership of the PaperlinX SPS Units approaches 100% and the capital structure can be simplified.

As at 2 January 2014 (being the date of the most recent substantial shareholder notice released to the market by PaperlinX at the date of this document) PaperlinX has a relevant interest in 1.2188771% of the PaperlinX SPS Units. The Offer is not subject to a minimum acceptance condition that would enable PaperlinX to proceed with the Offer only if it were able to secure 100% (or a majority) of the PaperlinX SPS Units. As a result, there is a significant risk that the Offer will not result in 100% (or near to) of the PaperlinX SPS Units being acquired.

If PaperlinX does not acquire 100% (or near to) of the PaperlinX SPS Units, then to the extent it believes the current structure is holding back value creation, it will continue to do so.

Directors' Authorisation

This second supplementary target's statement has been unanimously approved by a resolution passed by the Directors of The Trust Company (RE Services) Limited as responsible entity of the PaperlinX SPS Trust.

Signed on behalf of the Responsible Entity:



David Grbin
Director