Annual General Meeting

24th October 2014

Chairman’s address

Robert Kaye SC

Progress made at PaperlinX

- Turnaround strategy having impact, as the focus on reducing costs continues, with significant restructuring initiatives undertaken, mainly in Europe
  - Restructuring charges of $(34.0)m after tax reflect significant activity undertaken
  - Cost base recalibrated: workforce reduced by 14% across the Group since June 2013 and continue to reduce property footprint
  - Trading expenses down by 11.9% in constant currency[1] since June 2013
  - Improved performance in Canada and ANZA regions, while Europe reduced underlying losses
  - Growth continues in diversified businesses. Total gross margin for Sign & Display / VTS increased by 4.7% and Packaging gross margin by 6.7%
  - Loss reduced, net debt down

- Capital simplification project undertaken

(1) Non-IFRS measure – refer Appendix

2014 results

- Worldwide, trading conditions in our established paper markets remain challenging along with a changing competitive landscape
- Statutory loss after tax of $(63.6)m for year ended 30 June compared to loss of $(92.8)m[2] pcp
  - Significant charges include $(34.0)m for restructuring after tax
- Improved Underlying EBIT[1] loss of $(7.0)m from $(24.2)m[2] loss pcp due to improved performances in all regions
  - Second half of FY14 financial year delivered a positive Underlying EBIT[1] of $2.6m
- Revenue of $2.83 billion, grew 2%, but fell year on year by 9.5% in constant currency[1] on the back of lower paper volumes in our key markets

(1) Non-IFRS measure – refer Appendix

(2) Restated – refer Appendix

2014 results (cont'd)

- Working capital improvements through tight management of debtors and inventories. Operating cash inflow of $50.7m is a significant improvement over the outflow of $41.7m pcp (this movement largely achieved in 2H14)
- Net debt reduced by 24% to an historical low of $94m ($123m pcp) due to working capital improvements
- Completed extension of a number of lending arrangements in Europe
- Group defined benefit pensions plan deficit - $A liability decreased by 14%
- Positive employee safety performance - Lost Time Injury Frequency Rate reduced by 17% compared to prior year, while 80% of sites worked the year without suffering a Lost Time Injury

Strategic priorities

- In our Commercial Print business, aggressively taking costs out to offset the continued structural decline in demand in this area. This involves restructuring our fixed cost base, and improving our gross margins by tighter margin management in procurement and customer/product segmentation
- Focusing on organically growing alternative segments in Packaging, Sign & Display/VTS and Graphic Supplies which have higher margin opportunities
- Assessing acquisition opportunities in diversified areas to accelerate growth eg. Total Supply acquired in New Zealand
- Started R&D into product innovations that embrace new technologies (longer-term strategy)
- Willing to participate in industry rationalization

Summary

- The digital revolution continues to impact the fine paper & printing industry as expected, reducing demand for our Commercial Print products and creating industry challenges
- We continue to right size our cost base, simplify our business, reduce duplication and focus on margins
- Focusing on the potential in our diversified businesses to target growth through organic and bolt-on approaches
- Funding extended and support from key lenders allows us to execute our plans
- No quick fix – return to profitability will take time. Our efforts are being directed to improving our unprofitable businesses

Managing Director and CEO’s address

Andrew Price

2014 Highlights

- Improved overall performances in all three regions
- 2H underlying profit[1]
- Focus on people, property & procurement
- Aggressive reduction of cost base
- Improved working capital management
- Net debt reduced
- Improved margins in diversified businesses

(1) Non-IFRS measure – refer Appendix

2014 performance

Underlying EBIT[1] before unallocated costs:

	June 2014	June 2013[2]	Change
Canada	C$15.5m	C$12.8m	21%
ANZA	A$15.3m	A$12.6m	21%
Europe	€(16.0)m	€(28.6)m	44%

(1) Non-IFRS measure – see Appendix

(2) Restated – see Appendix

2014 performance (cont'd)

- **Europe**
  - Revenues down 13%, due in part to challenging trading conditions, impact of restructuring and a deliberate move away from unprofitable business
  - Significant restructuring activities continued, in a bid to reduce costs – 18% reduction in workforce (550 employees)
  - Visual Technology Solutions (VTS) revenue down but margins improved, Packaging revenue & margins increased due to strong growth in some countries

- **Restructuring**
  - UK: new management team appointed during the year. Challenge is moving quickly towards a more variable cost model through property rationalization and a redesign of product distribution and warehousing
  - Benelux: management reorganisation, and further vigilance to contain cost base in this dramatically changing market continues eg site rationalisation
  - Germany: restructuring plan implemented to recalibrate geographic footprint and cost base

2014 performance (cont'd)

- **Canada**
  - 21% increase in Underlying EBIT[1], despite revenue down 2%
  - Increased profitability due to market share gains, sustained margin disciplines, managing currency-related pricing appreciation and further cost reductions

- **Australia, New Zealand & Asia**
  - 21% increase in Underlying EBIT[1], with revenue down 1%
  - Increased profitability through strong margin management and expense control in Australia and NZ
  - Asian business continued to experience demand attrition, impacting profitability but margin & expense initiatives in place
  - Significant growth in diversified businesses

(1) Non-IFRS measure

Improving Europe's profitability

- Culture change is critical to success - built cohesion across European businesses, through adoption of one brand 'PaperlinX' to market and operating a borderless 'product' divisions model

- Reorganised management / leadership of businesses in UK, Benelux, Germany and Austria

- Additional restructuring in UK and Benelux currently underway, further cost recalibration essential

- Seismic shift in our business approach with mills - establishing greater independence and renegotiating terms that allow us to secure our margins (rather than focus on volume)

- Continue to review our procurement arrangements with strategic suppliers, and adapt to the increasingly competitive industry landscape

Diversified businesses

- **Revenue of $670m in FY14, up 16% on prior year**

  Industrial Packaging – 9.4% of FY14 total sales

  Visual Technology Solutions – 11.3% of FY14 total sales

  Graphic Supplies & Systems – 2.9% of FY14 total sales

- **Strategy for growth**
  - Organic growth is being driven by dedicated teams selling new product offerings (eg. 3D Commercial Printers), sharing ideas Group-wide and expanding our customer base
  - Appropriate bolt-on acquisitions will more effectively accelerate expansion in the future
  - Developing product innovations for additional revenue streams eg. MaillinX

FY15 Q1 update

- First quarter shows an improvement in Underlying EBIT[1] results over the prior corresponding period in all regions
- Conditions remain very challenging in all regions for our Commercial Print business
- Continued focus on key disciplines of expense and cost management
- Working capital requires close attention, more can be done, particularly with inventory levels

(1) Non-IFRS measure

Immediate priorities

- Provide a faster, better and cheaper product to customers
- Return European businesses to profitability, through restructuring activities to reduce cost base, secure margin growth and continue to drive and identify new revenue initiatives
- Supporting further growth of diversified businesses and balancing the mix of Commercial Print, Packaging and Sign & Display/VTS through developing strategic supplier relationships and securing bolt-on acquisitions
- Building an entrepreneurial focus to develop new product innovations

Summary

- Moving closer to a return to profitability than we have been in a number of years
- Adapting our merchanting business model to respond to the challenges presented by the digital age and a highly competitive landscape
- Diversified businesses developing but acquisitions required to accelerate growth
- Turnaround program well underway, but swift delivery is challenging

Adoption of Remuneration Report

That the Remuneration Report for the year ended 30 June 2014 be adopted.

Re-election of Director, Michael Barker

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

Adoption of new constitution

That the new constitution tabled at the meeting, and signed by the Chairman for the purposes of identification, is approved and adopted as the constitution of the Company in place of the current constitution with effect from the next business day after the date on which this resolution is passed.

APPENDIX

Appendix

1. Definition of Non-IFRS measures:

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, restructuring costs and results from discontinued entities
- *Underlying Earnings Before Interest and Tax (EBIT):* Underlying statutory profit / (loss) before interest and tax for the continuing operations.
- *Constant currency:* Constant currency assumes current and prior period earnings of foreign operations are translated at prior year exchange rates.

Non-IFRS measures have not been subject to audit or review.

2. Definition of Restated Comparative Data:

The prior year comparative amounts have been re-presented as if the changes to accounting standard AASB 119 Employee Benefits had been effective from the start of the comparative period.

Financial summary

	Actual 2014 $m	Constant currency *(1)* 2014 $m	Actual *(2)* 2013 $m	% Change v Actual %	% Change v Constant currency *(1)* %
Net sales revenue - continuing	2,833.2	2,513.5	2,777.9	2	(10)
Earnings before interest and tax - continuing	(39.4)	(33.1)	(75.8)	48	56
Underlying earnings before interest and tax - continuing *(1)*	(7.0)	(4.8)	(24.2)	71	80
Profit/(loss) before tax - continuing	(51.8)	(43.9)	(87.0)	40	50
Profit/(loss) after income tax - continuing	(62.9)	(53.7)	(94.2)	33	43
Statutory profit/(loss) after tax	(63.6)	(53.9)	(92.8)	31	42
Net working capital	414.1	385.5	504.0	18	24
Net operating cash flow	50.7	57.5	(41.7)	222	238
Net debt / net debt & equity (%)	23.0	22.3	25.3	230 bpts	300 bpts
Basic earnings per share (cps)	(7.0)	(5.5)	(15.2)	54	64
Dividend per ordinary share (cps)	nil		nil		
FTEs - continuing	3,459		4,041	(14)	

(1) Non-IFRS measure – refer Appendix

(2) Restated – refer Appendix