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PAPERLINX 2011 FULL YEAR RESULTS

PaperlinX Limited (PaperlinX) today announced a statutory loss after tax of $(108.0) million for the year ended 30 June 2011 compared to a loss of $(225.3) million for the prior corresponding period (pcp).

The statutory loss includes non recurring costs and charges of $103.0 million which is made up of a loss for goodwill impairment, restructuring costs, a non cash valuation loss for a currency option and a net loss related to the discontinued manufacturing operations.

The key features of this result are:

- Revenue was $4.67 billion, down from $5.23 billion for pcp largely due to the stronger Australian dollar which had a $445 million negative translation impact.
- Volumes of 2.63 million tonnes down from 2.91 million tonnes for pcp reflecting significant drop in demand in our key markets, especially in the second half.
- Impairment of goodwill in Australia of $(35.1) million and Europe of £(20.0) million due to decreased volumes and difficult ongoing trading conditions.
- Gross profit percent at 19.8%, marginally below 19.9% for pcp.
- Average working capital to sales improved to 16.8% from 18.0% for pcp.
- Positive operating cash flow of $55 million, up from $23 million for pcp.
- Substantial restructuring to reduce and refocus cost base.
- Non cash valuation loss after tax on a currency option of $(15.4) million.
- Net loss related to the discontinued operations of $(1.5) million.

Demand continued to be weak with second half volumes significantly deteriorating in many markets. In Europe, mill driven price increases resulted in revenue growth of 3% in source currency, more than offsetting the volume decline of 6%. In North America, revenue increased by 4% driven by mill price increases and strong margin management. ANZA's revenue reduced by 10% as a result of the depressed Australian print market coupled with weaker selling prices due to the stronger Australian dollar.

In addition to the Head Office restructure previously announced and other ongoing restructuring activities, PaperlinX announced in June 2011 further restructuring of its businesses at a cost of $14 million pre-tax. This restructuring is expected to generate pre-tax savings of $14 million in 2012 and $17 million per annum from 2013 onwards.

North America's statutory EBIT was positive and ahead of pcp. The European statutory EBIT was positive and ahead of pcp after excluding impairment. ANZA's statutory EBIT was below pcp and negative but would have been positive if impairment was excluded.

Commenting on the result PaperlinX CEO, Toby Marchant said, "These results represent a transition year for this Company. Whilst the loss is very disappointing, non-recurring costs and charges for impairment, restructuring, the currency option and discontinued operations make up the vast majority of this loss. This demonstrates we are dealing with our legacy issues in order to create a platform for future profitability. We have seen another year of significant volume reductions in our key markets, however, most of our businesses have maintained or grown market share during this difficult period and all have responded well in managing their controllables, particularly in recalibrating the cost base and managing working capital. The strong progress in the development of our diversified businesses, in spite of the macro economic malaise, is an encouraging sign of things to come."

The full year results presentation contains an update on PaperlinX's strategy and priorities.

RESULTS FOR THE YEAR ENDED 30 JUNE 2011

The following table shows statutory earnings and sales revenue by region in Australian dollars. Segment results exclude significant items but include one-off costs and benefits, including restructuring costs to benefit future years. Included is a reconciliation of underlying sales revenue and earnings. The difference between statutory results and underlying results is the valuation loss on the currency option, results related to the discontinued manufacturing operations and impairment of intangible assets.

For the year ended 30 June	Earnings 2011 $m	Earnings 2010 $m	Sales Revenue 2011 $m	Sales Revenue 2010 $m
Europe	0.5	(9.0)	3,190.0	3,475.1
North America	14.5	14.1	959.2	1,027.9
Australia, New Zealand and Asia	9.4	19.4	515.7	573.4
Unallocated *(1)*	(24.0)	(20.9)	(6.2)	(5.8)
Total continuing operations	0.4	3.6	4,658.7	5,070.6
Discontinued operations	(0.9)	(27.1)	15.9	225.9
Loss before net finance costs, tax and significant items	**(0.5)**	**(23.5)**		
Significant items (pre-tax)	(87.9)	(139.3)		
Net other finance costs	(3.5)	(12.1)		
Loss before interest and tax	**(91.9)**	**(174.9)**		
Net interest	(18.9)	(27.5)		
Loss before tax	(110.8)	(202.4)		
Tax relating to pre-significant items	(2.6)	8.1		
Tax relating to significant items	5.4	(31.0)		
Tax benefit/(expense)	2.8	(22.9)		
Group eliminations			(4.3)	(72.0)
Statutory loss for the period / Total Revenue	**(108.0)**	**(225.3)**	**4,670.3**	**5,224.5**
Adjust for following gains/(losses) included in statutory profit/revenue:				
Discontinued operations	1.5	166.7	(15.9)	(225.9)
Tax relating to discontinued operations	-	31.0		
Currency option	20.8	-		
Tax relating to currency option	(5.4)	-		
Impairment of goodwill	68.5	-		
Group eliminations			4.3	72.0
Underlying loss for the period / Revenue	**(22.6)**	**(27.6)**	**4,658.7**	**5,070.6**

(1) Current year includes restructure costs of $6.6 million and the prior year includes a gain on the sale of a non-core investment of $4.6 million

Refer to Appendix for a detailed reconciliation of underlying sales revenue and underlying earnings.

Balance sheet

		As at 30 June 2011	As at 30 June 2010
Current assets	$m	1,540	1,774
Non current assets	$m	390	531
Total assets	$m	1,930	2,305
Current liabilities	$m	846	996
Non current liabilities	$m	348	385
Total liabilities	$m	1,194	1,381
Shareholders equity	$m	736	924
Key ratios			
Funds employed (net debt + net assets)	$m	908	1,088
Gross debt	$m	297	301
Net debt	$m	172	164
Net debt / net debt & equity	%	18.9	15.1
Net tangible assets per share	$	0.27	0.40

Financial position

Funds employed of $908 million reduced from $1,088 million at June 2010 and average funds employed of $1,110 million reduced from $1,356 million for the pcp. This result was due to losses in the period and the impact of a stronger A$ resulting in a lower translation of net assets. Working capital of $641 million was down from $776 million at June 2010 due to a stronger A$ and favourable movements from realising remaining Tas Paper inventory and improved business performance.

Operating cash flow improved to a $55 million inflow, compared to a $23 million inflow for the pcp due to improved earnings and favourable working capital. Although total cash outflow of $11 million was down from a $55 million inflow for the pcp, the prior period included proceeds from the close out of a cross currency swap and proceeds associated with the sale of the discontinued operations of $135 million, neither of which occurred in the current period. After excluding the cash outflows associated with the closure of the Tasmanian operations, cash flow for the continuing business was positive. During the year the maturity of the Group's two largest working capital facilities was extended.

Interest costs reduced to $16.9 million down from $27.2 million in the pcp due to lower average gross debt balances and lower interest rates negotiated.

Capital expenditure for the period was $18 million compared with $19 million for the pcp. Depreciation and amortisation was $23 million compared with $26 million for the pcp.

Dividend

There will be no dividend on the Ordinary shares of PaperlinX for the period ended 30 June 2011.

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Appendix – Detailed reconciliation of underlying sales revenue and underlying profit

Underlying sales revenue reconciliation
For the year ended 30 June

	2011				2010			
	Sales Revenue	Less: Adjustments Discont'd Ops	Group Elims	Under-lying Revenue	Sales Revenue	Less: Adjustments Discont'd Ops	Group Elims	Under-lying Revenue
	$m	$m	$m	$m	$m	$m	$m	$m
Europe	3,190.0			3,190.0	3,475.1			3,475.1
North America	959.2			959.2	1,027.9			1,027.9
Australia, New Zealand and Asia	515.7			515.7	573.4			573.4
Unallocated	(6.2)			(6.2)	(5.8)			(5.8)
Total continuing operations	4,658.7	-	-	4,658.7	5,070.6	-	-	5,070.6
Discontinued operations	15.9	(15.9)	-	-	225.9	(225.9)	-	-
Group eliminations	(4.3)	-	4.3	-	(72.0)	-	72.0	-
Group revenue	**4,670.3**	**(15.9)**	**4.3**	**4,658.7**	**5,224.5**	**(225.9)**	**72.0**	**5,070.6**

Underlying profit reconciliation
For the year ended 30 June

	2011					2010			
	Statutory Loss	Less: Adjustments Discont'd Ops	Currency Option	Impairment of goodwill	Under-lying Loss	Statutory Loss	Less: Adjustments Discont'd Ops	Currency Option	Under-lying Loss
	$m	$m	$m	$m	$m	$m	$m	$m	$m
Europe	0.5				0.5	(9.0)			(9.0)
North America	14.5				14.5	14.1			14.1
Australia, New Zealand and Asia	9.4				9.4	19.4			19.4
Unallocated	(24.0)				(24.0)	(20.9)			(20.9)
Total continuing operations	0.4				0.4	3.6			3.6
Discontinued operations	(0.9)	0.9	-	-	-	(27.1)	27.1	-	-
Profit before net finance costs, tax and significant items	**(0.5)**	**0.9**	**-**	**-**	**0.4**	**(23.5)**	**27.1**	**-**	**3.6**
Significant items (pre-tax)	(87.9)	(1.4)	20.8	68.5	-	(139.3)	139.3	0.0	0.0
Net other finance costs	(3.5)	-	-	-	(3.5)	(12.1)	-	-	(12.1)
Loss before interest and tax	**(91.9)**	**(0.5)**	**20.8**	**68.5**	**(3.1)**	**(174.9)**	**166.4**	**-**	**(8.5)**
Net interest	(18.9)	2.0	-	-	(16.9)	(27.5)	0.3	-	(27.2)
Loss before tax	(110.8)	1.5	20.8	68.5	(20.0)	(202.4)	166.7	-	(35.7)
Tax relating to pre-significant items	(2.6)	-	-	-	(2.6)	8.1	-	-	8.1
Tax relating to significant items	5.4	-	(5.4)	-	-	(31.0)	31.0	-	-
Tax (expense)/benefit	2.8	-	(5.4)	-	(2.6)	(22.9)	31.0	-	8.1
Loss for the period	**(108.0)**	**1.5**	**15.4**	**68.5**	**(22.6)**	**(225.3)**	**197.7**	**-**	**(27.6)**