2012 Interim Results

22nd February 2012

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PaperlinX financial results are reported under International Financial Reporting Standards (IFRS). This presentation also includes certain non-IFRS measures including underlying statutory profit / (loss) after tax and underlying statutory profit / (loss) after tax excluding restructure costs. These measures are presented to enable understanding of the underlying performance of the Company without non-trading items. Non-IFRS measures have not been subject to audit or review. The non-IFRS measures used throughout this document are defined in the appendix.

3 key messages

1. Interim results. Headline was a sudden and severe deterioration in our European business

2. We have a clear and deliverable plan to restore profitability

   - Phase 1 – underway and delivering

   - Phase 2 – endorsed by the Board and ready to go

3. Liquidity constraints being addressed to deliver Phase 2

2012 interim financial results

		6 months to Dec 11	6 months to Dec 10	% change
Volume	000 tonnes	**1,262**	1,365	(7)
Sales revenue	$m	**2,184**	2,442	(11)
Sales revenue - constant FX	$m	**2,305**	2,442	(6)
Average selling price	$ / tonne	**1,730**	1,790	(3)
Average selling price - constant FX	$ / tonne	**1,826**	1,790	2
Statutory EBIT	$m	**(47.0)**	(4.6)	-
Statutory loss after tax	$m	**(60.9)**	(10.2)	-
Underlying loss after tax (1)	$m	**(20.1)**	8.5	-
Statutory EBITbreakdown:				
ANZA	$m	**5.5**	9.4	(41)
North America	US$m	**7.1**	7.5	(4)
Europe	€m	**(32.6)**	8.8	-
Corporate / Unallocated	$m	**(13.2)**	(34.3)	62
Discontinued operations	$m	**(0.6)**	(0.6)	-
Working capital	$m	**626**	704	11
Operating cashflow	$m	**(49)**	(8)	-

(1) Non-IFRS measure

Interim results summary

- Statutory loss after tax of $(60.9)m after Europe impairment
- Underlying loss after tax (1) of $(20.1)m – excl. impairment, FX option and discontinued operations (Tasmania)

- **Europe** statutory EBIT loss €(32.6)m after €(28.1)m impairment (mainly Benelux) - €41.4m behind pcp
- **Australia** strengthening in Q2 after weak Q1
- **North America** 4% down on pcp. Canada up 2%. US new ERP issues

- 7% reduction in global paper volumes. Western Europe 83% of this decline, compounded by falling prices
- Diversified revenue grew by 7% (2) and represented 23.9% of total GM
- Trading expenses down 3% (2)
- Average working capital / sales a record low of 16.8% (2)

(1) Non-IFRS measure   (2) Constant FX

Strategic Review update

Strategic Review update

- Original objectives:
  - Fix the balance sheet
  - Create a sustainably profitable future

- Key actions:
  - Restructure cost base
  - Additional liquidity to execute plan, including asset sales
  - Accelerate growth in Diversified sectors

Restructuring – the key profit improvement

- Phase 1 - $14m was provided in June FY11. Ongoing savings of $18m. Major components Australia and UK. Underway and ahead of plan
- Phase 2 - Board has now endorsed major restructuring of Continental European business and further reduction of Corporate for ongoing savings of $43m in FY14
- Cost reduction achieved from phase 1 and 2 combined is expected to achieve ongoing savings of $61m in FY14
- Restructuring will streamline the business:
  - **Larger markets** – merge multiple OpCos and create single shared service functions
  - **Smaller markets** – close branches, centralise back office and sales functions, outsource logistics
- Resumption of SPS distribution remains unlikely until these improvements in the Company's financial performance have been achieved

Restructuring – Phase 1 & 2

A$m	FY11	FY12		FY13	FY14
		1H	2H		
Costs					
Australia	(2)				
Europe	(11)	(3)	(13)	(8)	
Corporate	(2)		(2)	(1)	
Total	**(14)**	**(3)**	**(15)**	**(9)**	**-**
Benefits					
Australia		1	1	2	2
Europe		2	6	34	46
Corporate		1	1	8	13
Total	**-**	**3**	**8**	**43**	**61**

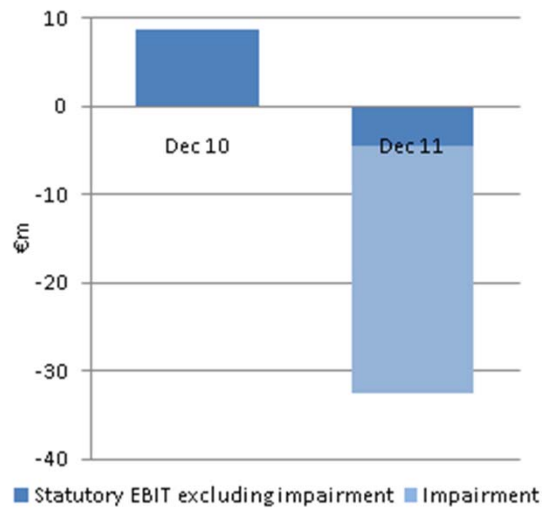
Ongoing annual benefits of $61m for a total one-off cost of $41m

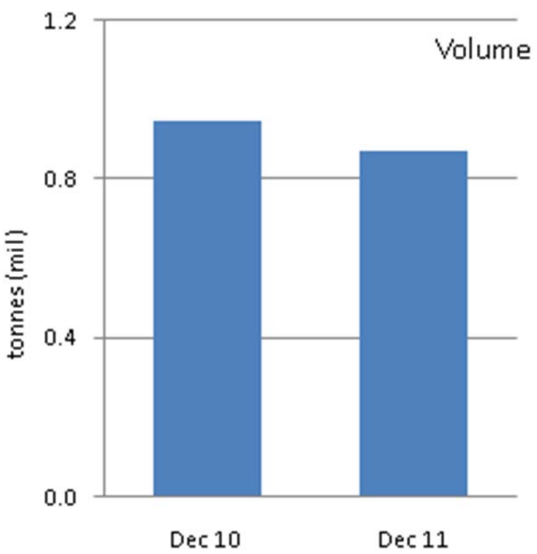
Accelerating growth in Diversification

- Three main markets are **Sign & Display, Digital and Packaging**
- All offer long term growth, superior margins and, in many cases, fragmented market opportunities
- We have competitive advantage from national logistics footprint, low cost to serve and quality of service in many geographies
- All three categories can also be cross sold into the commercial print sector
- Organic growth in Diversification is supported by reallocating resources from the declining paper sector
- By the end of FY14 we plan to have 30% of our gross margin coming from Diversified sales (currently 23.9%)

Regional and Diversification results

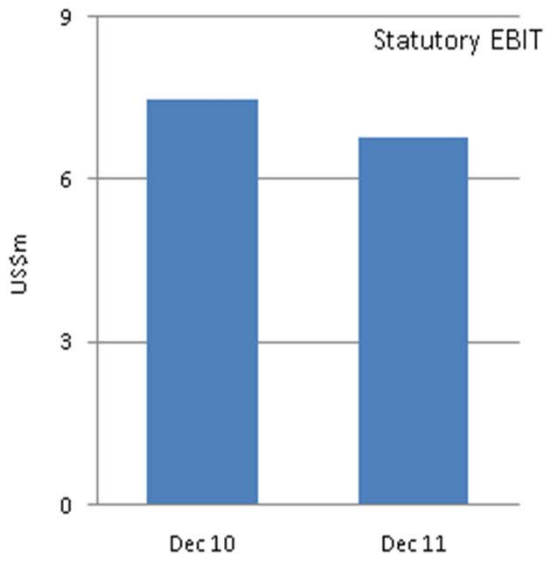
Europe

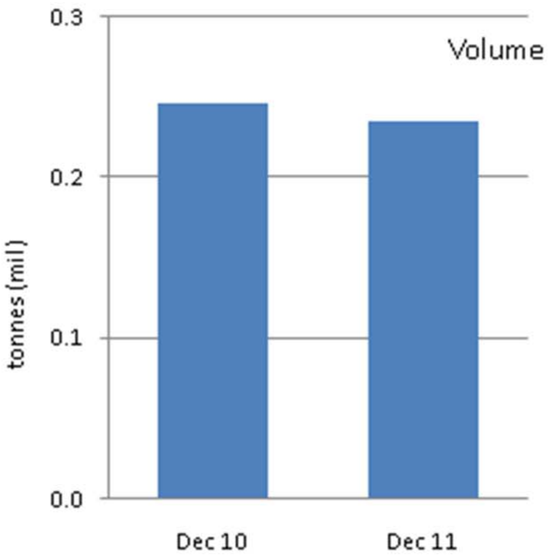




- Statutory EBIT loss of €(32.6)m, includes goodwill impairment of €(28.1)m. This compares to €8.8m pcp
- Paper volume down by 8% on pcp, partly offset by lower costs
- No loss of market share
- UK restructure achieved - single company structure with shared services
- Italy, Germany and Benelux hardest hit by Eurozone crisis
- Central Eastern Europe volumes grew by 10%
- GP% impacted by stock devaluation and unfavourable stock / indent sales mix in Continental Europe, partly offset by favourable rebates
- Average WC / sales down 30 bpts on pcp

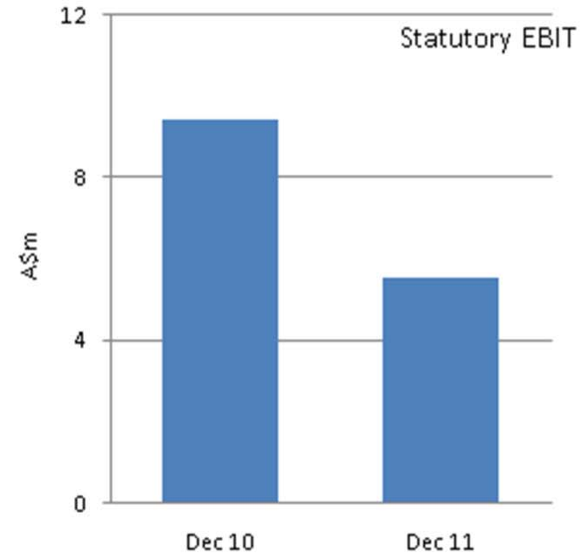
North America

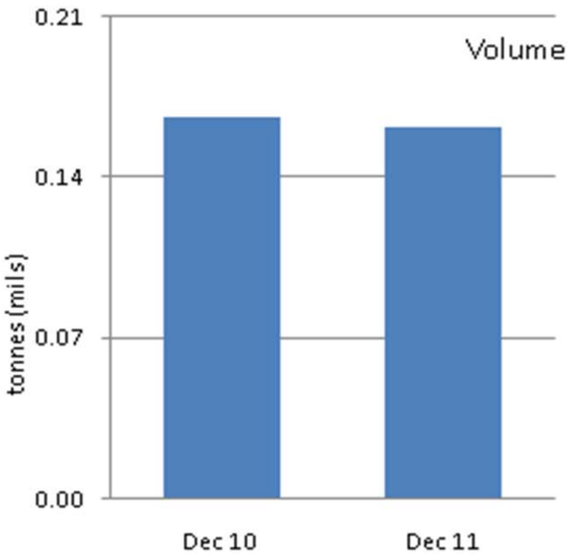




- Statutory EBIT of US$7.1m compared to US$7.5m pcp
- Paper volume down by 5% on pcp largely due to weaker direct orders for coated paper
- Market share gains following competitor exits
- Selling prices and GP margins improved
- Diversified GM increased in all segments and now represents 24.5% of total margin
- Average WC / sales of 12.2% remains best practice but deteriorated 110 bpts on pcp due to weaker sales revenue

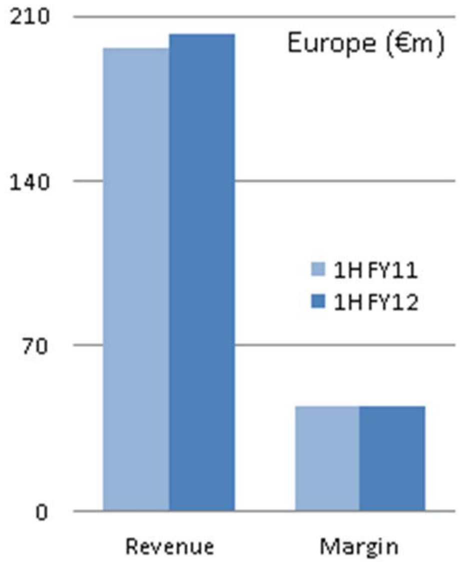
Australia, New Zealand, Asia

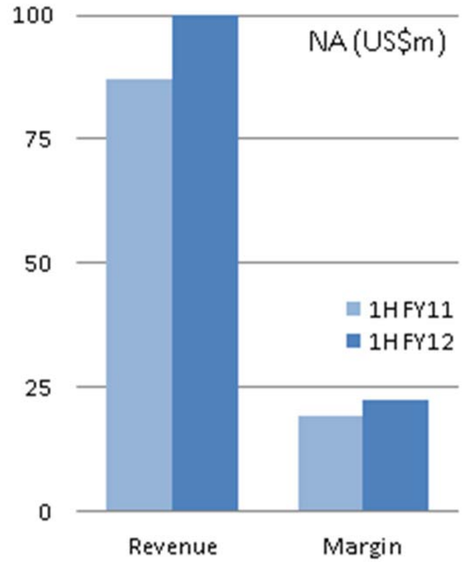


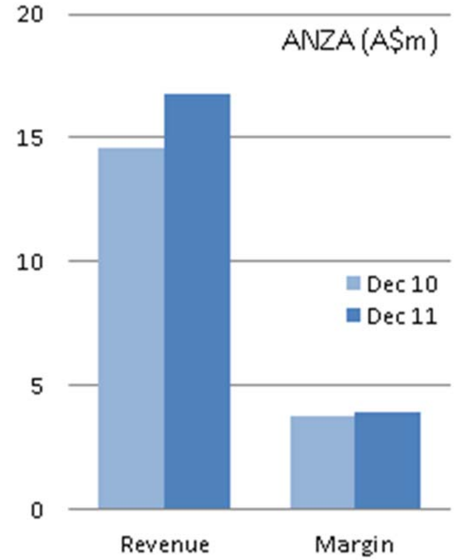


- Statutory EBIT of $5.5m compared to $9.4m pcp
- Australian performance in Q2 significantly improved over Q1 due to cost reductions and margin gains
- Paper volumes down by 2% on pcp for the region but 15% for Australia
- New Zealand results remain strong
- Unfavourable change in stock / indent sales mix in Asia has resulted in lower selling prices and lower GP%, but still profitable due to best practice expense / sales
- Diversified GM / total GM increased by 130bpts to 8.3%
- Average WC reduced 12% with a noticeable improvement in inventory in Australia

Diversified – regional highlights







- Europe:
  - Continental Europe Diversified GM (incl rebates) grew by 6% despite macro environment.
  - UK Diversified GM (incl rebates) grew by 15% with Packaging growing by 32%.
  - Fully diversified Danish operations achieved 23% ROAFE
- NA:
  - Diversified GM grew by 16%. Diversified GM / total GM increased 340 bpts to 24.5% largely due to growth in Digital technology and Packaging segments
  - Kelly Paper, the digital specialist recorded a 36% ROAFE
- ANZA: Diversified GM grew by 3% largely due to Australian Sign and Display sales
- Group: Diversified GM / total GM grew 300 bpts to 23.9% pcp

Financial results

Financial results

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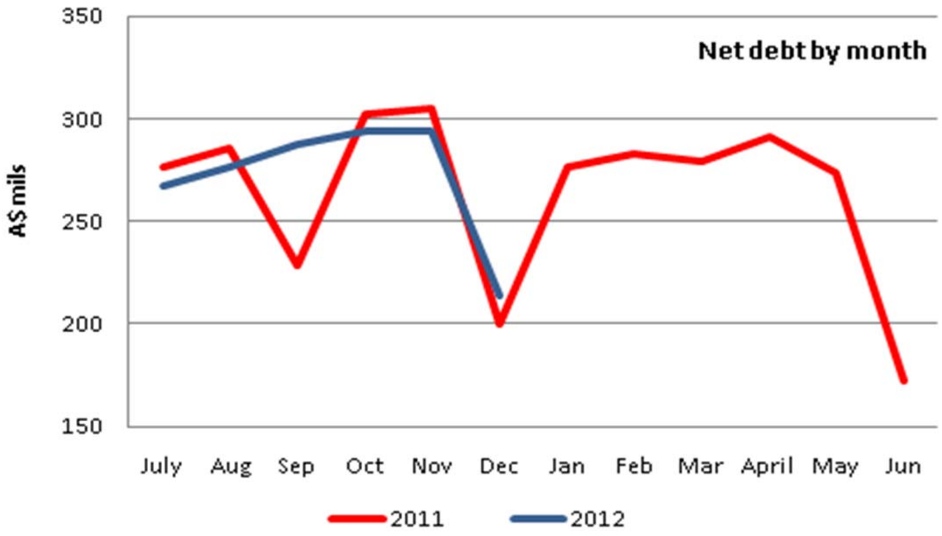
Volume	000 tonnes	**1,262**	1,365	(7)
Sales revenue	$m	**2,184**	2,442	(11)
Statutory EBIT	$m	**(47.0)**	(4.6)	-
Statutory loss after tax	$m	**(60.9)**	(10.2)	-
Working capital	$m	**626**	704	11
Operating cashflow	$m	**(49)**	(8)	-
Net debt	$m	**214**	200	(7)
Avg daily net debt	$m	**370**	n/a	n/a
NTA per share	cents	**18**	34	(47)
Gross profit / sales	%	**19.3**	19.6	(30) bpts
Expense / sales	%	**19.5**	19.0	(50) bpts

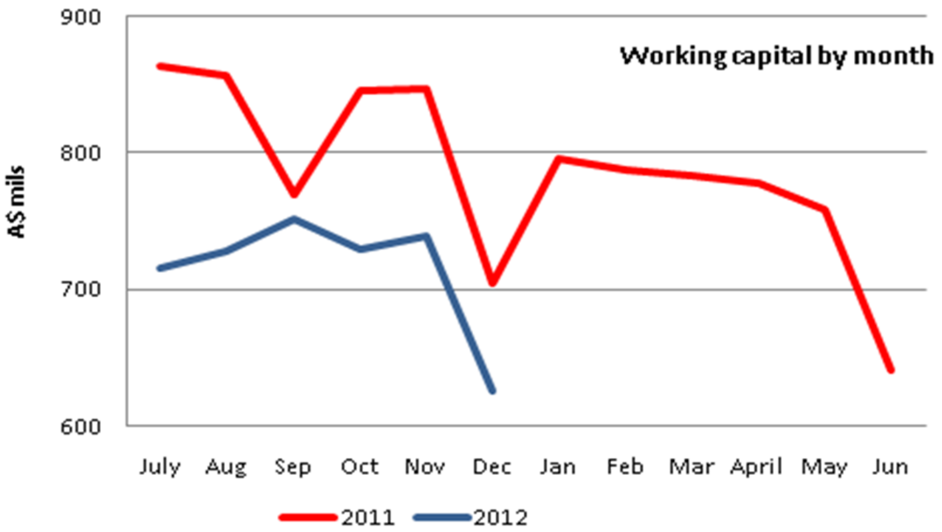
Cash flow

$m	6 months to Dec 11	6 months to Dec 10	% change
Operating cash flow excl working capital	**(13)**	3	(533)
Working capital movement	**(36)**	(11)	(227)
Operating cash flow	**(49)**	(8)	(513)
Capital expenditure	**(8)**	(7)	(14)
Proceeds from asset / investment sales	**-**	1	(100)
Borrowing costs paid	**-**	(1)	100
Distributions SPS	**-**	(11)	100
Tas Paper closure	**(2)**	(25)	92
Other	**(1)**	-	
Net cash flow - net debt basis	**(60)**	(51)	(18)

- Negative operating cash flow excluding working capital, due to deterioration in Continental European results
- Working capital is at a low point in June each year and our working capital increases through to the half year
- No hybrid distribution in Dec 2011

Debt and working capital pattern





- December and June are low points in annual debt cycle
- Debt levels have increased following changes in supplier terms as a result of a reduction in levels of supplier credit insurance

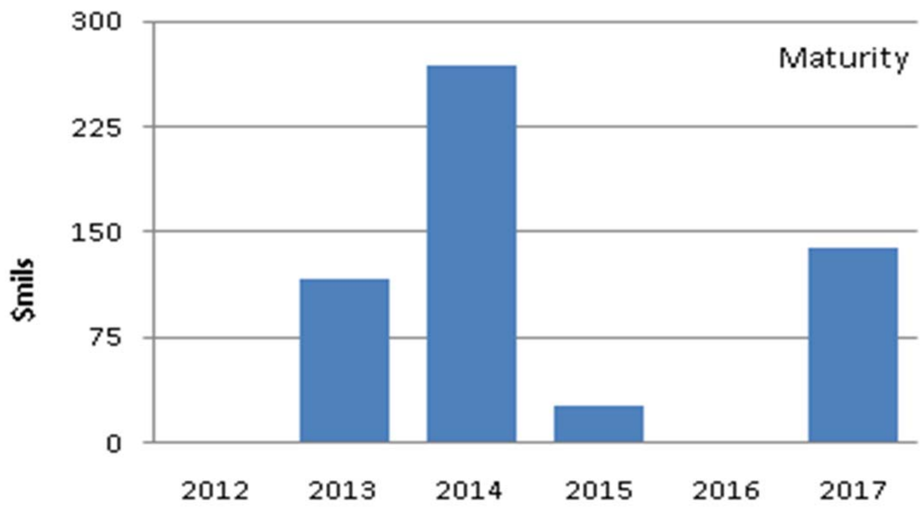
Debt & interest expense

Debt as at		Dec 11	Jun 11	Dec 10
Gross debt	$m	**330**	297	330
Cash	$m	**116**	125	130
Net debt	$m	**214**	172	200
Avg daily gross debt	$m	405	n/a	n/a
Avg daily net debt	%	370	n/a	n/a

Interest 6 months to		Dec 11	Dec 10
Continuing	$m	**8.4**	8.1
Discontinued (non-cash)	$m	**1.0**	1.3
Net interest expense	$m	**9.4**	9.4

- Net debt as at 31 December 2011 was $214m.
- However, cash at month end is committed to outstanding debt. Cash is applied to the outstanding gross debt on the first business day following reporting period
- And from month end debt increases significantly as payments are made to our suppliers, reaching a high around the 20th of each month and then gradually reduces as many of our customers pay us in the last week of every month
- Consequently, the average daily net debt for 1H FY12 is approximately $370m
- Interest cost is estimated at $17-20m p.a. and financing charges of $3m p.a. are included in the Unallocated segment

Borrowings profile & headroom



- Restricted liquidity in Europe and Australia. Options being explored to provide additional funding including asset sales
- Separate covenants apply by region with no cross default
- No working capital facilities mature in FY12. USA and Canadian facilities have been extended to 31 December 2016.
- Weighted average life of working capital facilities has increased to 2.6 years from 2.1 years at June 2011
- Interest expense profile partly managed by an interest cap

Impairment

- Impairment charges of $39.4m have been booked by our European businesses against the carrying value of property plant and equipment for $3.7m and intangibles assets for $35.7m
- Ongoing weak demand for core paper products in Europe combined with a subdued outlook for paper in the foreseeable future has caused the impairment
- Countries impacted: Germany, Italy, Netherlands and South Africa with structural decline in these key markets

Lender update

- The company’s largest facility (in Europe) has been amended to provide improved covenant headroom:
  - SPS distributions require lender approval for term of facility (Sept 2013)
  - New earnings covenant commences FY13
  - Asset sales for debt reduction and restructuring required
  - Restructuring plans supported
- In compliance with all facilities

Whole of company update

- A number of parties interested in whole of company transaction
- An acquisition of PPX would require approval of both class of holders

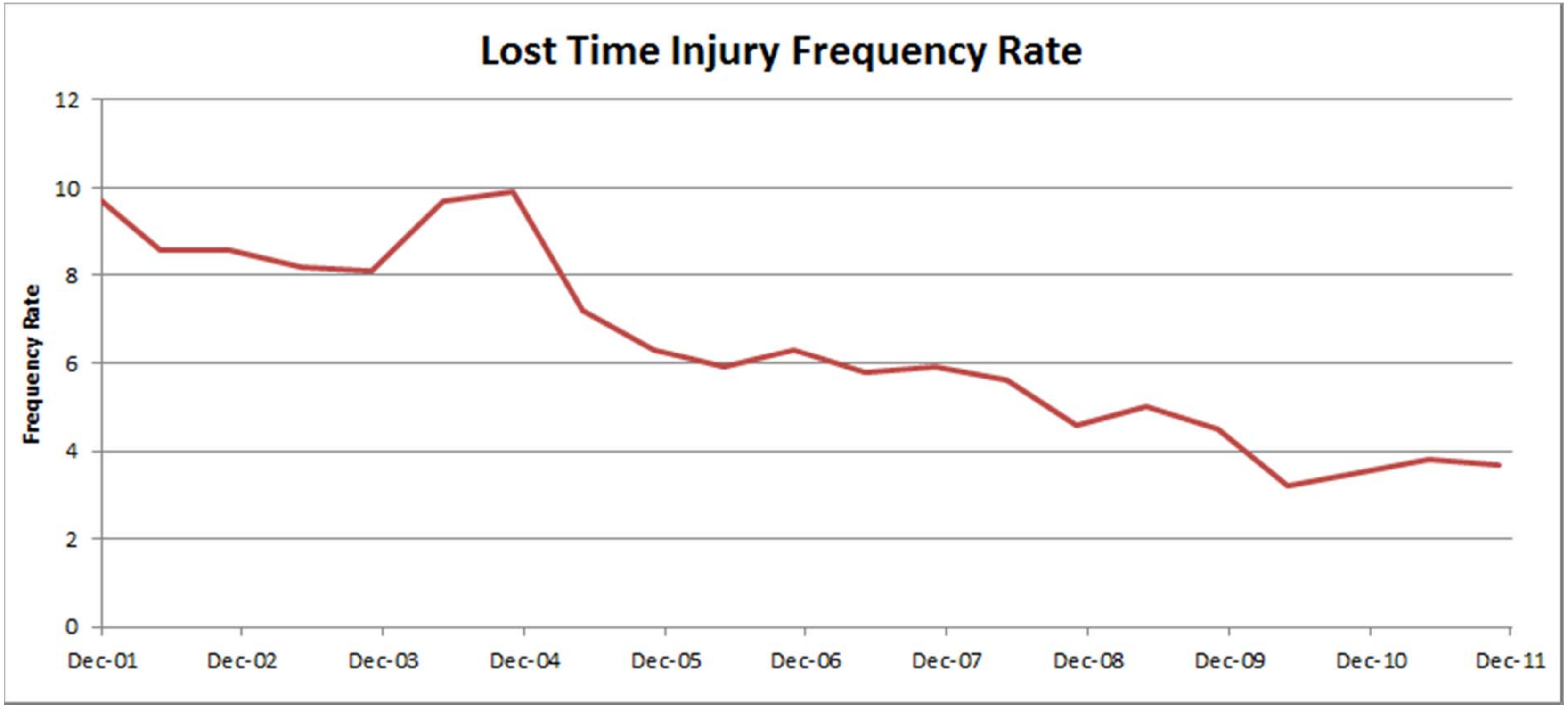
Summary

- 1H results severely impacted by European economic crisis and associated impairment
- Clear plan for restoring profitability, including major restructuring
- Phase 1 - successfully implemented
- Phase 2 - major restructuring of Continental Europe and further reduction in Corporate
- In order to execute Phase 2 we need additional liquidity
- We are addressing this through asset sales and other potential sources
- This plan will result in a strengthened balance sheet and a sustainably profitable business

Questions

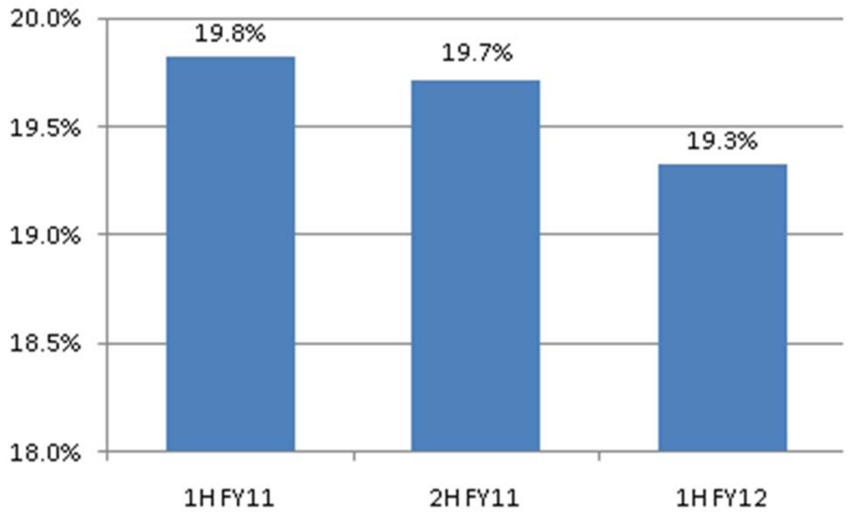
Appendix – Interim results presentation

Safety



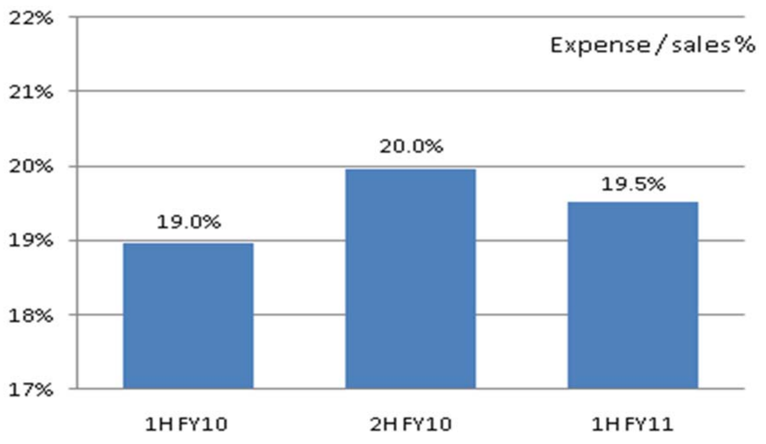
The Lost Time Injury Frequency Rate increased from 3.6 to 3.7 and the Medically Treated Injury Frequency Rate increased from 6.9 to 7.0. Whilst there was a slight increase in frequency rates over prior, the number of Lost Time Injuries was 2% fewer.

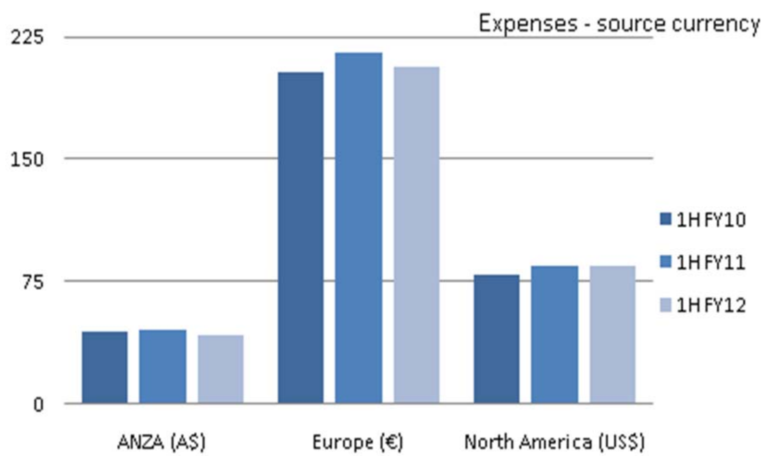
Gross profit %



- GP% down on prior due to:
  - Eurozone crisis led to volume, price and margin reductions
  - Plans to recover margin loss underway
  - Stock devaluation impact felt, but temporary
  - Unfavourable sales mix towards lower cost product and lower margin direct sales (due to reduction in mill lead times driven by market fall)
  - Sales growth in lower margin countries
- Diversified margins are helping to offset negative margin pressures and should favourably impact 2nd half of FY12
- Target: GP% greater than 20%

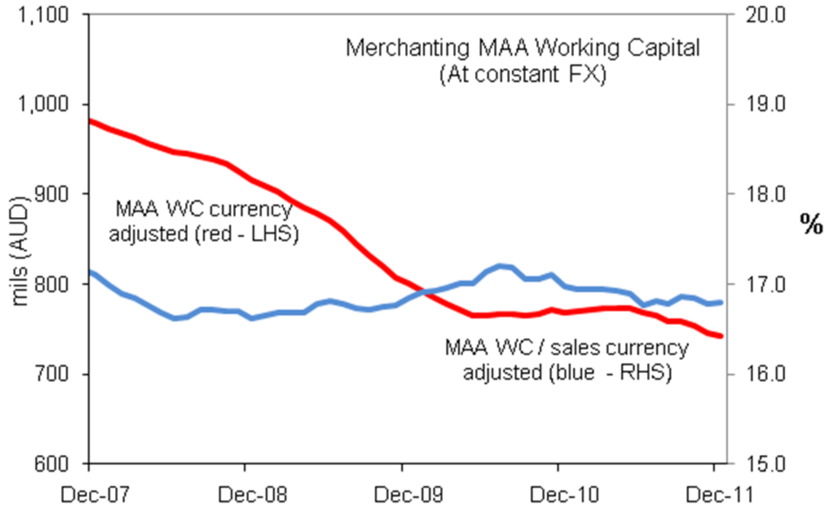
Expense / sales %

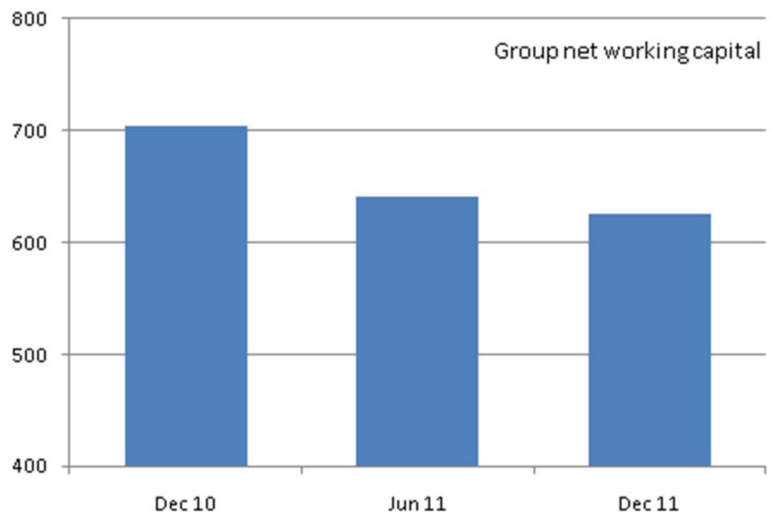




- Expenses down 7.7% on prior
- All regions below prior on constant currency basis
- Benefits are being realised from the global operations and Head Office restructures ahead of plan
- European restructuring underway to further reduce costs and headcount
- Redeployment into diversified sectors continues
- Headcount down 326 on prior and down 215 since June 2011

Average working capital / sales %





- AWC / sales of 16.1% is 50 bpts favourable to pcp. Strong result given weaker sales revenue
- On a constant currency basis AWC / sales was 16.8% versus prior of 17.0%
- Group NWC was 11% favourable to pcp due to business performance and a stronger AUD
- Inventory in Continental Europe and ANZA down on prior 9% and 24% respectively

Non-IFRS measures

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The non-IFRS measure used throughout the document is:

- *Underlying statutory profit / (loss) after tax:* statutory profit / (loss) after tax before discontinued operations, impairment of non-current assets and valuation gain / (loss) on currency option

Underlying loss after tax

$m	6 months to Dec 11	6 months to Dec 10
Statutory loss after tax	**(60.9)**	(10.2)
Adjust for the following:		
Discontinued operations	**1.6**	1.8
Net currency option	**(0.1)**	16.9
Impairment of non-current assets	**39.4**	-
Underlying loss after tax (1)	**(20.1)**	8.5

(1) Non-IFRS measure

Europe results

		6 months to Dec 11	6 months to Dec 10	% change
Continental Europe	`000 tonnes	**467**	495	(6)
UK, Ireland, Spain and South Africa	`000 tonnes	**401**	449	(11)
Total sales volume	`000 tonnes	**868**	944	(8)
Sales revenue	€m	**1,056**	1,135	(7)
Statutory EBIT	€m	**(32.6)**	8.8	(470)
Statutory EBIT / sales revenue	%	**(3.1)**	0.8	(390) bpts
Average working capital / sales revenue	%	**16.8**	17.1	30 bpts
Diversified margin / total margin	%	**26.7**	23.5	320 bpts

North America results

		6 months to Dec 11	6 months to Dec 10	% change
Sales volume	`000 tonnes	**235**	246	(5)
Sales revenue	US$m	**457**	462	(1)
Statutory EBIT	US$m	**7.1**	7.5	(4)
Statutory EBIT / sales revenue	%	**1.6**	1.6	-
Average working capital / sales revenue	%	**12.2**	11.1	(110) bpts
Diversified margin / total margin	%	**24.5**	21.1	340 bpts

Australia, New Zealand and Asia results

		6 months to Dec 11	6 months to Dec 10	% change
Sales volume	`000 tonnes	**162**	166	(2)
Sales revenue	A$m	**252**	280	(10)
Statutory EBIT	A$m	**5.5**	9.4	(41)
Statutory EBIT / sales revenue	%	**2.2**	3.4	(120) bpts
Average working capital / sales revenue	%	**21.2**	21.6	40 bpts
Diversified margin / total margin	%	**8.3**	7.0	130 bpts

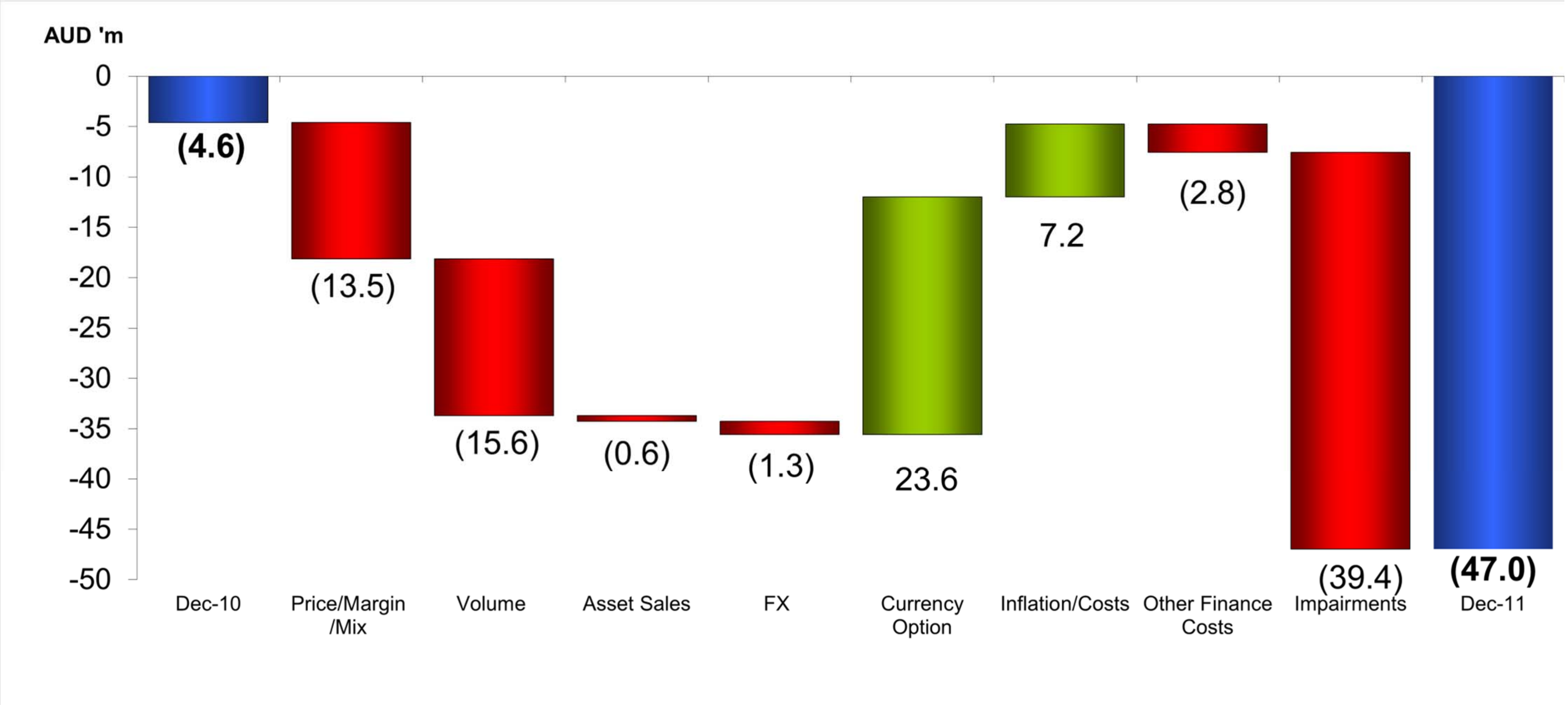
Discontinued and Unallocated results

Discontinued		6 months to Dec 11	6 months to Dec 10
Sales volume	`000 tonnes	**0**	14
Sales revenue	A$m	**0**	16
Statutory EBIT	A$m	**(0.6)**	(0.6)

Unallocated $m	6 months to Dec 11	6 months to Dec 10
Corporate and Other	**(9.7)**	(10.0)
Restructure costs	**-**	-
Statutory EBIT excluding finance costs & significant items	**(9.7)**	(10.0)
Net other financing charges excl FX	**(1.8)**	(1.4)
FX gains and losses	**(1.9)**	0.5
Statutory EBIT excluding significant items	**(13.4)**	(10.9)
Net currency option and intercompany loan	**0.2**	(23.4)
Statutory EBIT	**(13.2)**	(34.3)

Corporate and Other is estimated at $20-21 p.a. Other net finance costs is estimated at $3m p.a.

Statutory EBIT variances – Dec 11 v Dec 10



Balance sheet

Balance sheet		Dec 11	Jun 11	Dec 10
Current assets	$m	**1,458**	1,540	1,604
Non current assets	$m	**340**	390	489
Total assets	$m	**1,798**	1,930	2,093
Current liabilities	$m	**940**	846	912
Non current liabilities	$m	**219**	348	338
Total liabilities	$m	**1,159**	1,194	1,250
Equity	$m	**639**	736	843
Current ratio	times	**1.6**	1.8	1.8