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**CROSS RELEASE PXUPA  
ASX RELEASE**

22 February 2012

**PAPERLINX 2012 INTERIM RESULTS**

PaperlinX Limited (PaperlinX) today announced a statutory loss after tax of \$(60.9) million for the 6 months to 31 December 2011. This includes an impairment charge of \$(39.4) million and compares to a loss of \$(10.2) million for the prior corresponding period (pcp).

The key features of this result are:

- Revenue was \$2.18 billion, down from \$2.43 billion for pcp due to weaker sales and the stronger Australian dollar which had a \$121 million negative translation impact
- Volumes of 1.26 million tonnes were down from 1.37 million tonnes for pcp reflecting a further deterioration in demand in our key markets, in particular Europe
- Impairment of goodwill and other non-current assets of \$(39.4) million after tax, primarily in the Benelux due to decreased volumes and difficult ongoing trading conditions
- Gross profit percent at 19.3%, was below 19.8% for pcp
- Average working capital to sales improved to 16.1% from 16.6% for pcp. On a constant currency basis, average working capital to sales was at a record low of 16.8%
- Operating costs were down 7.7% for pcp due to lower costs and the stronger Australian dollar
- Diversified revenue grew by 6.7% (constant FX) for pcp and now represents 23.9% of total gross margin
- Negative operating cash flow of \$(49) million, was unfavourable to \$(8) million for pcp.
- The Company's largest bank facility (ING in Europe) has been amended to provide for increased covenant headroom
- The restructure announced in July 2011 is largely complete and benefits are ahead of expectations and will impact the H2 results and beyond. Other opportunities to reduce costs and restructure the business model are supported by the Board

Severe macro economic pressures in Europe led to sudden and severe decline in paper consumption in the first half. European revenue declined by 7% reflecting 8% lower volumes compounded by falling prices most notably in Italy, Benelux and Germany. In North America, revenue reduced by 1% driven by 4% lower volumes which was mostly offset by higher selling prices and strong margin management. ANZA's revenue reduced by 10%, largely due to a 15% reduction in Australian volumes.

North America's statutory EBIT was positive but 4% below the pcp. ANZA's statutory EBIT was positive but 41% below pcp due to the underperformance of the Australian business. Europe's statutory EBIT was negative and below pcp.

Commenting on the result, PaperlinX CEO, Toby Marchant said, “These results are very disappointing reflecting our exposure to the European economic crisis. We have made progress in reducing our cost base and will see benefits starting to flow from this in the second half and beyond, and our working capital is at record lows, but this is insufficient to offset volume and price pressure in the half. The Board approval of a further major restructuring program in Continental Europe is therefore vital in allowing us to create a lower and more flexible cost base. To execute this we need additional liquidity which we will address through asset sales and other potential sources.”

## RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 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 half-year ended 31 December	Earnings		Sales Revenue	
	2011 \$m	2010 \$m	2011 \$m	2010 \$m
Europe	(6.4)	12.8	1,482.8	1,654.0
North America	7.1	8.1	452.3	500.5
Australia, New Zealand and Asia	5.5	9.4	251.6	279.9
Unallocated	(9.7)	(10.0)	(2.8)	(3.7)
Total continuing operations	(3.5)	20.3	2,183.9	2,430.7
Discontinued operations	(0.6)	(0.2)	-	15.8
<b>(Loss)/profit before net finance costs, tax and significant items</b>	<b>(4.1)</b>	<b>20.1</b>		
Significant items (pre-tax)	(39.2)	(23.8)		
Net other finance costs	(3.7)	(0.9)		
<b>Loss before interest and tax</b>	<b>(47.0)</b>	<b>(4.6)</b>		
Net interest	(9.4)	(9.4)		
Loss before tax	(56.4)	(14.0)		
Tax relating to pre-significant items	(4.5)	(2.8)		
Tax relating to significant items	-	6.6		
(Tax expense)/benefit	(4.5)	3.8		
Group eliminations			-	(4.2)
<b>Statutory loss for the period / Total Revenue</b>	<b>(60.9)</b>	<b>(10.2)</b>	<b>2,183.9</b>	<b>2,442.3</b>
Adjust for following gains/(losses) included in statutory profit/revenue:				
Discontinued operations	1.6	1.9	-	(15.8)
Tax relating to discontinued operations	-	-		
Currency option	(0.2)	23.4		
Tax relating to currency option	-	(6.6)		
Impairment of property, plant and equipment	3.7	-		
Impairment of intangible assets	35.7	-		
Group eliminations			-	4.2
<b>(Underlying loss)/profit for the period / Revenue</b>	<b>(20.1)</b>	<b>8.5</b>	<b>2,183.9</b>	<b>2,430.7</b>

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

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.

## Balance sheet

		As at 31 December 2011	As at 30 June 2011	As at 31 December 2010
Current assets	\$m	1,458	1,540	1,604
Non current assets	\$m	340	390	489
<b>Total assets</b>	<b>\$m</b>	<b>1,798</b>	<b>1,930</b>	<b>2,093</b>
Current liabilities	\$m	940	846	913
Non current liabilities	\$m	219	348	337
<b>Total liabilities</b>	<b>\$m</b>	<b>1,159</b>	<b>1,194</b>	<b>1,250</b>
Shareholders equity	\$m	639	736	843

## Key ratios

Funds employed (net debt + net assets)	\$m	853	908	1,043
Gross debt	\$m	330	297	330
Net debt	\$m	214	172	200
Net debt / net debt & equity	%	25.1	18.9	19.2
Net tangible assets per share	\$	0.18	0.27	0.34

## Financial position

Funds employed of \$853 million reduced from \$1,043 million at December 2010 and average funds employed of \$970 million reduced from \$1,133 million for the pcp. This result was due to losses in the period including the European impairment charge and the impact of a stronger Australian dollar resulting in a lower translation of net assets. Working capital of \$626 million was down from \$704 million at December 2010 due to improved business performance and a stronger Australian dollar.

The total cash outflow of \$60 million was unfavourable compared to the \$51 million outflow for the pcp. The prior period included a \$11 million SPS distribution which did not occur in the current period and \$22 million higher Tas Paper closure costs. Operating cash flow deteriorated to a \$49 million outflow, compared to a \$8 million outflow for the pcp due to weaker earnings and an increase in working capital. Working capital is at a low point at June each year and therefore the first half of the financial year has historically resulted in negative cash flow.

Net debt of \$214 million increased from \$172 million at June 2011 and \$200 million at December 2010. The average net debt for the six months was higher. December and June are the low points in the annual debt cycle. In addition, net debt increases during the month as supplier payments are made, and then reduces in the last week of the month as customers payments are received. Average daily net debt approximated \$370 million.

During the period the maturity of the USA and Canadian working capital facilities were extended to 2016.

Interest costs of \$8.4 million were in line with the pcp of \$8.1 million and reflect a similar average gross debt balance in both periods.

Capital expenditure for the period was \$8 million compared with \$7 million for the pcp. Depreciation and amortisation was \$10 million compared with \$12 million for the pcp.

**For further information please contact James Orr, Executive General Manager Corporate Affairs, PaperlinX Limited. Ph: + 61 3 9764 731**

## Appendix – Detailed reconciliation of underlying sales revenue and underlying profit

### Underlying sales revenue reconciliation For the half-year ended 31 December

	2011				2010			
	Sales Revenue	Less: Discont'd Ops	Adjustments Group Elims	Underlying Revenue	Sales Revenue	Less: Discont'd Ops	Adjustments Group Elims	Underlying Revenue
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Europe	1,482.8			1,482.8	1,654.0			1,654.0
North America	452.3			452.3	500.5			500.5
Australia, New Zealand and Asia	251.6			251.6	279.9			279.9
Unallocated	(2.8)			(2.8)	(3.7)			(3.7)
Total continuing operations	2,183.9	-	-	2,183.9	2,430.7	-	-	2,430.7
Discontinued operations	-	-	-	-	15.8	(15.8)	-	-
Group eliminations	-	-	-	-	(4.2)	-	4.2	-
<b>Group revenue</b>	<b>2,183.9</b>	<b>-</b>	<b>-</b>	<b>2,183.9</b>	<b>2,442.3</b>	<b>(15.8)</b>	<b>4.2</b>	<b>2,430.7</b>

### Underlying profit reconciliation For the half-year ended 31 December

	2011					Underlying Loss	2010			Underlying Profit
	Statutory Loss	Less: Discont'd Ops	Adjustments Currency Option	Impairment of pp&e	Impairment intangibles		Statutory Loss	Less: Discont'd Ops	Adjustments Currency Option	
	\$m	\$m	\$m	\$m	\$m		\$m	\$m	\$m	
Europe	(6.4)					(6.4)	12.8			12.8
North America	7.1					7.1	8.1			8.1
Australia, New Zealand and Asia	5.5					5.5	9.4			9.4
Unallocated	(9.7)					(9.7)	(10.0)			(10.0)
Total continuing operations	(3.5)					(3.5)	20.3			20.3
Discontinued operations	(0.6)	0.6	-	-	-	-	(0.2)	0.2	-	-
<b>Profit before net finance costs, tax and significant items</b>	<b>(4.1)</b>	<b>0.6</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3.5)</b>	<b>20.1</b>	<b>0.2</b>	<b>-</b>	<b>20.3</b>
Significant items (pre-tax)	(39.2)	-	(0.2)	3.7	35.7	-	(23.8)	0.4	23.4	-
Net other finance costs	(3.7)	-	-	-	-	(3.7)	(0.9)	-	-	(0.9)
<b>Profit/(loss) before interest and tax</b>	<b>(47.0)</b>	<b>0.6</b>	<b>(0.2)</b>	<b>3.7</b>	<b>35.7</b>	<b>(7.2)</b>	<b>(4.6)</b>	<b>0.6</b>	<b>23.4</b>	<b>19.4</b>
Net interest	(9.4)	1.0	-	-	-	(8.4)	(9.4)	1.3	-	(8.1)
Profit/(loss) before tax	(56.4)	1.6	(0.2)	3.7	35.7	(15.6)	(14.0)	1.9	23.4	11.3
Tax relating to pre-significant items	(4.5)	-	-	-	-	(4.5)	(2.8)	-	-	(2.8)
Tax relating to significant items	-	-	-	-	-	-	6.6	-	(6.6)	-
Tax benefit/(expense)	(4.5)	-	-	-	-	(4.5)	3.8	-	(6.6)	(2.8)
<b>Profit/(loss) for the period</b>	<b>(60.9)</b>	<b>1.6</b>	<b>(0.2)</b>	<b>3.7</b>	<b>35.7</b>	<b>(20.1)</b>	<b>(10.2)</b>	<b>1.9</b>	<b>16.8</b>	<b>8.5</b>