

The logo for PaperlinX, featuring the word "PaperlinX" in a bold, sans-serif font. "Paper" is in white, "lin" is in yellow, and "X" is in blue. The logo is set against a dark blue rectangular background.

**PaperlinX**

The text "Annual Review 2010" in a large, bold, white sans-serif font, positioned on the left side of the cover. The background consists of vertical stripes of various colors and textures, including blue, green, yellow, orange, and red, with some stripes showing a corrugated or ribbed pattern.

**Annual  
Review  
2010**

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## **Forward Looking Statements**

Certain statements in this Review relate to the future, including forward looking statements relating to PaperlinX's financial position and strategy. These forward looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual results, performance or achievements of PaperlinX to be materially different from future results, performance or achievements expressed or implied by such statements. Neither PaperlinX nor any other person gives any representation, assurance or guarantee that the occurrence expressed or implied in any forward looking statements in this document will actually occur and you are cautioned not to place undue reliance on such forward looking statements. Subject to any continuing obligations under applicable law or any relevant listing rules of the Australian Securities Exchange, PaperlinX disclaims any obligation or undertaking to disseminate any updates or revisions to any forward looking statements in this document to reflect any change in expectations in relation thereto or any change in events, conditions or circumstances on which any such statement is based.

more  
than  
paper

**PaperlinX is one of the  
world's leading global  
merchants of paper  
and communication  
materials**

**Our unique worldwide network links our customers and suppliers through local merchants. Paper, board and other materials are bought in bulk from paper mills around the world and sold in smaller quantities and custom sizes to meet our customers' requirements.**

**we**

**sell**

**Sales around  
3 million tonnes  
of paper per annum**

**paper**



**Denmark**  
**Ireland**  
**United Kingdom**  
**Netherlands**  
**Belgium**  
**Germany**  
**Poland**  
**Czech Republic**  
**Austria**  
**Slovakia**  
**Hungary**  
**Croatia**  
**Slovenia**  
**Italy**  
**Spain**  
**Serbia**  
**South Africa**  
**Australia**  
**New Zealand**  
**Singapore**  
**Malaysia**  
**Vietnam**  
**Hong Kong**  
**Japan**  
**Canada**  
**United States**

**PaperlinX is working hard to ensure that our product range continues to meet the changing needs of our customers. That's why our product range encompasses sign and display materials, graphics solutions and industrial packaging.**

**more  
than  
paper**

**Expanding  
our product  
offering**

**Sign & display**

**Industrial  
packaging**

# PaperlinX is a global leader in paper merchanting and distribution across 26 countries

## Europe

- |                  |                 |
|------------------|-----------------|
| 1 Denmark        | 10 Slovakia     |
| 2 Ireland        | 11 Hungary      |
| 3 United Kingdom | 12 Croatia      |
| 4 Netherlands    | 13 Slovenia     |
| 5 Belgium        | 14 Italy        |
| 6 Germany        | 15 Spain        |
| 7 Poland         | 16 Serbia       |
| 8 Czech Republic | 17 South Africa |
| 9 Austria        |                 |

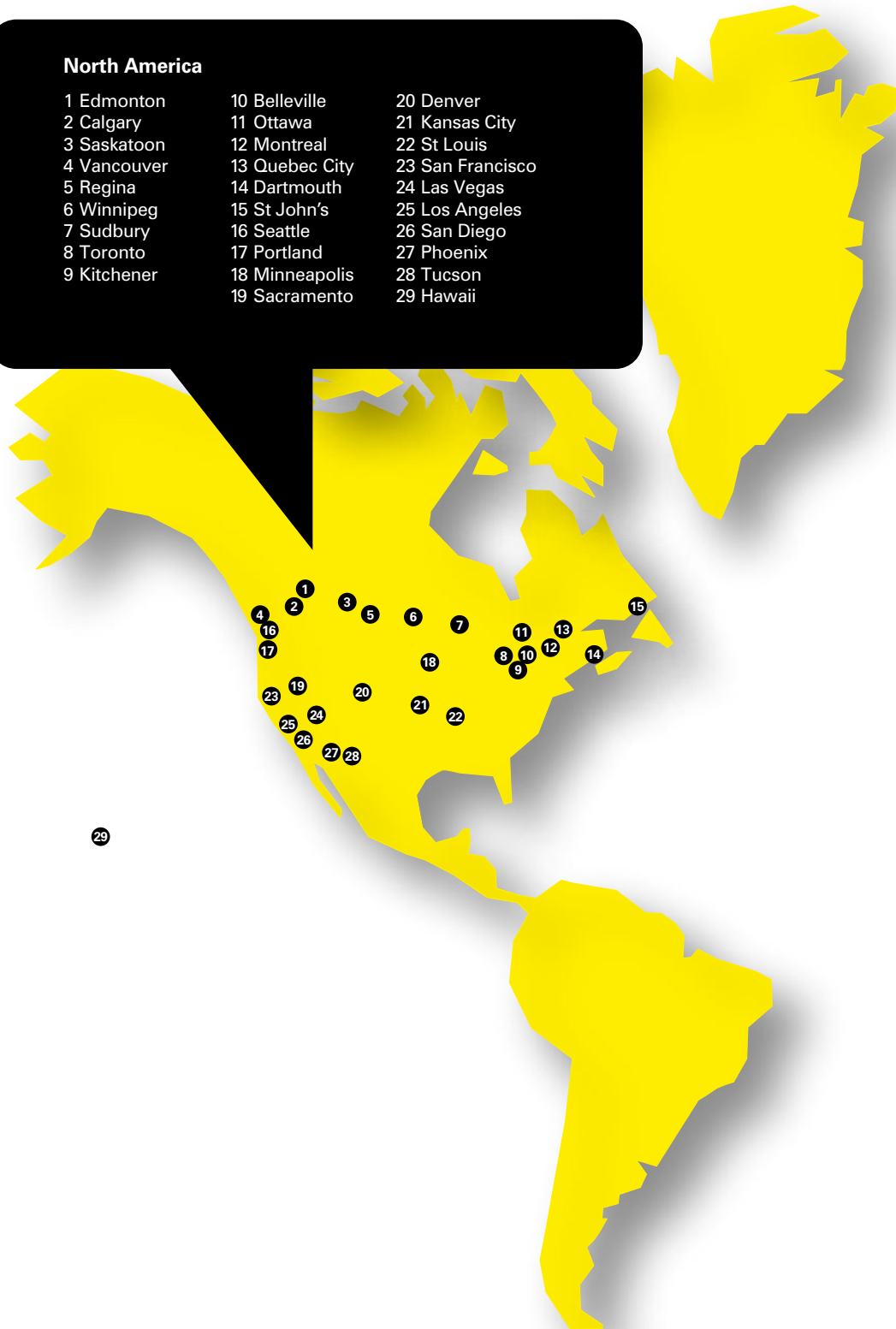
## Australia, NZ and Asia

- |              |                 |
|--------------|-----------------|
| 1 Darwin     | 10 Auckland     |
| 2 Townsville | 11 Wellington   |
| 3 Brisbane   | 12 Christchurch |
| 4 Sydney     | 13 Dunedin      |
| 5 Canberra   | 14 Singapore    |
| 6 Melbourne  | 15 Malaysia     |
| 7 Hobart     | 16 Vietnam      |
| 8 Adelaide   | 17 Hong Kong    |
| 9 Perth      | 18 Japan        |



## North America

- |             |                |                  |
|-------------|----------------|------------------|
| 1 Edmonton  | 10 Belleville  | 20 Denver        |
| 2 Calgary   | 11 Ottawa      | 21 Kansas City   |
| 3 Saskatoon | 12 Montreal    | 22 St Louis      |
| 4 Vancouver | 13 Quebec City | 23 San Francisco |
| 5 Regina    | 14 Dartmouth   | 24 Las Vegas     |
| 6 Winnipeg  | 15 St John's   | 25 Los Angeles   |
| 7 Sudbury   | 16 Seattle     | 26 San Diego     |
| 8 Toronto   | 17 Portland    | 27 Phoenix       |
| 9 Kitchener | 18 Minneapolis | 28 Tucson        |
|             | 19 Sacramento  | 29 Hawaii        |



# 2010

## At a glance

**2010 has been the most difficult but also the most transformational year in the history of PaperlinX. Whilst the results were disappointing, PaperlinX has completed a range of major strategic initiatives which have resulted in the company being more focused, streamlined and flexible.**

- The reported after-tax loss of \$(225.3) million reflects the costs associated with the exit from manufacturing, restructuring costs and decreased volumes across key markets, with significant items totalling \$(170.3) million after tax.
- Group revenue for the year of \$5.2 billion, was down 26.5 per cent on the prior year, with volume of 2.9 million tonnes down 20 per cent (merchant volume of 2.8 million tonnes was down 7 per cent overall), reflecting the exit from manufacturing and weak markets globally.
- Trading EBIT for the merchanting business was \$43.5 million (excluding restructuring costs) and reported EBIT was \$24.5 million (including restructuring costs).
- Unallocated costs and operating losses associated with the now closed Tasmanian operations, resulted in a total reported EBIT loss for the Group of \$(23.5) million (pre net other financing costs and significant items).
- The reported result includes a number of significant items relating to the now completed exit from paper manufacturing. Post tax significant items relating to the final closure of Tasmanian operations of \$(154) million are less than previous advice of approximately \$170 million.
- During the period the Group's historic lending facilities were repaid in full and replaced with new regional asset-based lending facilities. The refinancing has substantially reduced overall interest costs while increasing financial flexibility and efficiency. Overall Group gross debt has been reduced by around \$1.2 billion since December 2008, with gross debt at \$301 million (\$1,518 million at 31 December 2008) and net debt at \$164 million at 30 June 2010 (\$1,062 million at 31 December 2008).
- Net operating cash flow including working capital movement was an inflow of \$23 million compared with an outflow of \$(6) million in 2009.
- Progress continued on creating a more streamlined, lower cost, more flexible organisation. Average merchant working capital reduced by \$257 million from \$1,113 million to \$856 million. Total Group headcount reduced from 7,512 to 6,508. Benefits continue to flow from the aggressive cost reduction programmes with merchant expenses 17 per cent below prior year (reduced headcount, efficiencies and currency benefits).
- The Group focused on growing diversified merchanting activities including sign and display, graphics, digital, industrial packaging and converting in each region. Currently around 19 per cent of gross profit comes from these diversified businesses which were also negatively impacted by the economic downturn, but are growth opportunities.

# Summary financials

## Results for the year ended 30 June 2010

The following table shows, for PaperlinX Limited and controlled entities, earnings and sales revenue by region for the year to 30 June in Australian dollars. Segment results exclude significant items, but include one-off costs and benefits, including European restructuring costs to benefit future years. Historical comparisons have been adjusted to reflect PaperlinX's exit from its paper manufacturing operations which have been reclassified as Discontinued Operations.

	Earnings		Sales Revenue	
	12 months to June 2010 \$m	12 months to June 2009 \$m	12 months to June 2010 \$m	12 months to June 2009 \$m
Merchandising				
Europe <sup>(1)</sup>	(9.0) <sup>(1)</sup>	57.8	3,475.1	4,375.3
North America	14.1	9.5	1,027.9	1,275.6
Australia, NZ and Asia	19.4	18.6	573.4	655.3
Eliminations			(5.0)	(10.0)
Total Merchandising	24.5	85.9	5,071.4	6,296.2
Unallocated (ex Merchant eliminations)	(20.9)	(32.6)	(0.8)	(0.8)
<b>Total Continuing Operations</b>	<b>3.6</b>	<b>53.3</b>	<b>5,070.6</b>	<b>6,295.4</b>
Discontinued operations	(27.1)	28.5	225.9	977.1
Operating earnings before net finance costs, income tax and significant items	(23.5)	81.8		
Total significant items (pre tax)	(139.3)	(697.4) <sup>(2)</sup>		
Operating earnings before net other finance costs and income tax	(162.8)	(615.6)		
Net other finance costs	(12.1)	(102.6)		
Loss before interest and tax (EBIT)	(174.9)	(718.2)		
Net interest	(27.5)	(81.8)		
Loss before tax	(202.4)	(800.0)		
Tax related to continuing operations	8.1	(3.9)		
Tax related to discontinued operations	–	(1.0)		
Tax significant item	(31.0)	6.7		
Tax expense	(22.9)	1.8		
Group eliminations			(72.0)	(165.9)
<b>Group (post significant items)</b>	<b>(225.3)</b>	<b>(798.2)</b>	<b>5,224.5</b>	<b>7,106.6</b>
Group (pre significant items)	(55.0)	(70.3)		

(1) Includes \$13.3 million restructuring costs

(2) Significant item of \$37.2 relating to financing costs associated with the repayment of noteholder debt included in net other financing costs

		12 months to June 2010	12 months to June 2009
<b>Key Ratios</b>			
Earnings before interest, income tax and significant items to average funds employed	%	<b>(2.6)</b>	0.6
Net debt/net debt & equity	%	<b>15.1</b>	14.6
Basic earnings per share post SPS distribution	cps	<b>(38.9)</b>	(145.6)
Dividend per ordinary share	cps	<b>nil</b>	nil

PaperlinX Limited and Controlled Entities		June 2010	December 2009	June 2009
<b>Balance Sheet</b>				
Current assets	\$m	<b>1,773.9</b>	2,082.9	2,335.9
Non-current assets	\$m	<b>531.1</b>	513.3	636.2
Total assets	\$m	<b>2,305.0</b>	2,596.2	2,972.1
Current liabilities	\$m	<b>995.9</b>	1,220.4	1,527.3
Non-current liabilities	\$m	<b>385.2</b>	341.2	173.8
Total liabilities	\$m	<b>1,381.1</b>	1,561.6	1,701.1
Shareholders equity	\$m	<b>923.9</b>	1,034.6	1,271.0
<b>Key Balance Sheet Ratios</b>				
Gross debt	\$m	<b>300.9</b>	525.8	611.0
Net debt	\$m	<b>163.9</b>	251.4	216.8
Net tangible assets per share	\$	<b>0.40</b>	0.60	0.88

**This year saw our full exit from manufacturing and the completion of our balance sheet refinancing programme.**

**David Meiklejohn** Chairman



## Chairman's Report

This year saw our full exit from manufacturing and the completion of our balance sheet refinancing programme.

During the 2010 financial year, we largely completed the restructuring programme that has resulted in a significant change to the business mix and strategic focus of the Company. In 2009, we sold most of the Australian Paper manufacturing business and followed up in the 2010 financial year with the closure of the balance of our Australian paper manufacturing activities in Tasmania. Additionally, during 2010, we completed our refinancing programme and reduced Group debt to only one third of the December 2008 level.

These major activities have been undertaken during a period when our key markets have remained extremely difficult following the sharp fall in paper consumption seen in the prior year. Paper demand remained at depressed levels throughout 2010 in all of our major markets.

These adverse market conditions have had a substantial negative impact on our operating earnings despite solid efforts to reduce both variable and structural costs. Cost reduction will remain a key focus for us as we move forward. On a positive note, our lower debt means that we enter the 2011 financial year with a sound gearing level and a lower cost base. Additionally, our diversified distribution activities can now receive increased focus as management is less distracted by the demands associated with our now complete refinancing programme.

Operationally we are now very different to the company we were two to three years ago. We are now solely a distributor of paper and a range of diversified products and solutions to print and related sectors. Our diversified activities are providing a growing proportion of our gross profit. Also, our geographic footprint has shifted considerably so that now around a third of our revenue is UK based, a third is from Continental Europe, around 20 per cent is from North America and 10 per cent is Australasia and Asia.

We are pleased to have recommenced distribution on the PPX Step-up Preference Securities and are focusing on restoring Group earnings to a level which will allow us to again pay dividends on our ordinary shares.

Although the decision to close the Tasmanian operations was a difficult one for the Company, the process has gone well thanks to the efforts of our people. We had a dedicated and professional workforce in Tasmania and the Board would like to pay tribute to all our employees who, through the closure process, maintained high standards and a safe working environment.

In addition to the attention given to the balance sheet and business realignment, the Board has maintained proper focus on corporate governance and risk management issues. Our Board committees meet regularly and as the table on page 24 in this report shows, the Board met many times in 2010 to monitor and oversee the progress on the key issues facing the Company.

As part of the director succession programme, Dr Nora Scheinkestel retired from the Board in December 2009. I thank Nora for the contribution she made during her term as a Director. We will continue with the succession programme to enable an orderly transition of directors in the period ahead.

I would also like to thank our management team, headed by Chief Executive Tom Park, and all of our employees, who have made significant progress in the past year in reshaping and restructuring PaperlinX.

I would also like to thank our shareholders for their ongoing support during what has been a difficult chapter in our history.



**David Meiklejohn, AM**  
Chairman

**Having successfully completed a range of major strategic initiatives we have emerged as a more streamlined and customer focused organisation.**

**Tom Park** Managing Director and Chief Executive Officer



## Managing Director's Report

Having successfully completed a range of major strategic initiatives, we have emerged as a more streamlined and customer focused organisation.

The past year has been the most transformational in the history of your Company, completed during the most difficult paper market we have experienced. As a result, our organisation is more focused and streamlined. However, our results for the past year have been weak and heavily impacted by one-off write-downs and restructuring costs.

With the closure of the Burnie and Wesley Vale Mills in Tasmania, PaperlinX is now solely a merchant with no involvement in manufacturing. However, there is considerable effort underway to expand the Group's activities beyond its traditional core paper merchanting business. Whilst paper merchanting remains critical to the Group's success, initiatives are underway in each region to grow our diversified activities. To date these initiatives have resulted in approximately 19 per cent of the Group's gross profit coming from diversified activities, including sign and display, graphics, digital, industrial packaging and converting.

Your Company has repaid \$1.2 billion of debt since 31 December 2008, in some of the most challenging market conditions we have ever encountered. Gross debt at 30 June 2010 stands at \$301 million, with net debt down to \$164 million. This reduction in debt will result in significantly reduced funding costs as well as allowing for greater certainty and flexibility into the future.

Your Company has also completed a refinancing of its group debt. The global syndicated bank facility and private US notes have been replaced with regional based, asset backed lending arrangements. These regional arrangements reduce financing costs and better suit the focused merchanting nature of your Company by providing greater flexibility and efficiency.

Given significant adverse structural changes in the external environment, your Company has continued to focus on improving those areas within its control to create a more streamlined, lower cost, robust organisation. We have not, however, compromised our customer focus or interface. Average merchanting working capital has been reduced from \$1,113 million to \$859 million, Group headcount has been reduced from 7,512 to 6,508, and merchant expenses are 17 per cent below June 2009, partially assisted by currency impacts. These improvements have been institutionalised so your Company will continue to gain benefit from them into the future. We will continue to implement further initiatives and seek out improvements to lower costs and improve efficiencies. This recalibration has been required given the significant decline we have seen in volumes across our markets, and positions us well in the event of an upturn in the market.

In these challenging market and financial conditions we have created a foundation which will enable us to improve returns from our core business whilst pursuing higher margin growth opportunities.

Again our financial performance for the year is disappointing. Trading EBIT for the total Merchanting business of \$43.5 million reflected continuing depressed conditions in our key markets. The decrease in Group merchant trading expenses, across all regions, of \$196 million failed to offset the fall in volume of 214,000 tonnes. Corporate costs, operating losses associated with the Tasmanian mills and historic lender waiver and adviser charges contributed to a total reported EBIT loss of \$23.5 million (pre net other financing costs and significant items). Taking into account one-off costs, primarily associated with the closure of the Tasmanian operations and restructure costs, meant there was an EBIT loss of \$174.9 million for the Group.

As a pure play merchant, it is critically important to control our working capital (funds tied up in running day-to-day activities). Our continued focus on working capital resulted in average merchanting working capital decreasing in absolute dollar terms by \$257 million. This not only frees up cash, but allows us to reduce the funds we need to borrow, with flow-on savings in cost of funds.

The Company's results for the past two years have been significantly impacted by costs associated with the sale and closure of the Manufacturing business and increased fees and charges imposed by our historic lenders following the covenant breach in December 2008. These activities have been a significant financial drain on your Company and have required significant management time. With these matters behind us, we are now able to focus on our underlying business activities and progress opportunities to diversify into new areas offering higher and sustained returns.

I again pay tribute to the hard work and dedication of our people. Despite a challenging external environment and significant internal restructuring, they have remained focused on improving your Company and implementing outcomes which will result in improved financial performance for the Company and benefits for our customers. In particular, our safety performance has been the best ever and we will continue to work hard in this most important of areas. I would also like to thank Mark Hooper for his contribution over his period with PaperlinX. He leaves us with strengthened management across our finance community and an improved funding structure for our business.

All at PaperlinX will continue to build off the significant restructuring which has occurred during the past year to produce a better offering for our customers and higher value for all our stakeholders.



**Thomas P Park**  
Managing Director and Chief Executive Officer

**PaperlinX is**  
**continuing to drive**  
**environmental initiatives**  
**that make a difference**  
**to our operational carbon**  
**footprint and the products**  
**and solutions we provide**  
**to our customers**

# Sustainable development

Sustainable development involves a personal and management commitment from all. Across PaperlinX, it provides us with the opportunity to reduce the size of our environmental footprint at our operations while also maximising our commercial opportunities by tailoring resource efficient products, responsible supply chains and providing new services to customers which improve their own sustainability performance.

The exit from our manufacturing operation, Tas Paper, has had an immediate and significant impact on the size of our carbon footprint. It also means we no longer control the production process of some 25 per cent of our product range and have replaced these products with paper grades from other suppliers.

Our merchants are an important link in the supply chain, taking products from mills to a range of customers, including commercial printers,

envelope converters, stationers and resellers, corporate printers, publishers and end users. It is PaperlinX's long-term goal that all its products will be sourced from suppliers that can demonstrate proven economic, environmental and social responsibility. So we are refocusing our sustainability platform along our Value Chain (below), paying attention to improving our supply chain and developing our product stewardship system.

## The PaperlinX Value Chain



Driven by dialogue with a range of stakeholders, we are increasing our focus on the verification of the products we sell and our suppliers' social and environmental credentials. To ensure that we can provide information and certainty to customers, PaperlinX has developed a Global Supply Chain Policy, which outlines our responsibilities and what we expect of responsible suppliers. This guides our operating companies in procuring products. All our businesses maintain multiple chain-of-custody environmental certifications and we sell papers bearing a range of environmental certifications

from external organisations which confirms that certified wood from sustainable sources is used in their production.

Many customers are looking for ways to reduce their carbon footprint and fulfil their own corporate responsibilities. In response, we have increased our range of products with environmental credentials and developed some innovative environmental solutions such as carbon neutral or carbon offset paper ranges.

## Sustainable development highlights 2010

- Celebrated ten years of business, growing to become one of the world's largest resellers of chain-of-custody certified and recycled papers.
- In line with the changed focus of our Company, revised our Sustainable Development Charter and developed a new global supply chain policy.
- One hundred per cent of operating companies retained multiple chain-of-custody certification.
- Achieved reductions in electricity and gas use of 12 per cent in Merchanting.
- Closed our paper manufacturing operations in Tasmania, sourcing replacement paper grades and suppliers, meeting our financial obligations to our employees, minimising safety incidents and finalising plans for the environmental remediation and decommissioning of the sites.
- Developing new carbon neutral paper grades in partnership with suppliers for the Australian market.
- Over the past ten years, we have successfully reduced our Medically Treated Injury Frequency Rate (MTIFR) by 72 per cent and our overall Lost Time Injury Frequency Rate (LTIFR) by 67 per cent, with falls in 2010 of 37 per cent and 36 per cent respectively, to the lowest rates on record in the Company's history.
- Over 700 employees around the world participated in the WeightLinX Challenge, a weight reduction initiative, and over 300 employees have recently joined an exercise initiative called the Global Corporate Challenge®, as part of our global health and wellbeing programme.
- We once again participated in the Carbon Disclosure Project survey in Australia.



Spicers Paper NZ make donations to WWF – New Zealand from sales of their 9lives™ range of recycled paper.

# PaperlinX is built on a positive approach to the health, wellbeing and capabilities of our people

We are socially responsible through our ethical business conduct and we uphold internationally accepted human and labour rights across our operations, provide safe, healthy and rewarding workplaces for our employees and act as a responsible neighbour supporting communities in which we operate.

Creating a strong and cohesive culture is a priority for us, and as a business in transition across 26 countries, we are united by our common set of Values, our Core Operating Principles and our Sustainable Development Charter.

The development of the people who work at PaperlinX is a priority and we provide a variety of internal and external training and development programmes to assist their professional growth.

As we move closer to our goal of zero accidents and injuries, our year-on-year safety performance continues to improve despite the difficult business environment. We reduced our Lost Time Injury Frequency Rate (LTIFR) by 36 per cent and our Medically Treated Injury Frequency Rate (MTIFR) by 37 per cent, to the lowest point on record in the Company's history. In addition, 36 per cent of all our reporting companies worked the whole year with zero injury incidents.

As part of HealthLinX, our global health and wellbeing programme, over 700 employees around the world participated in the WeightLinX Challenge, a weight reduction initiative, and over 300 employees have joined the Global Corporate Challenge™ exercise initiative.

# 72%

**reduction in our Medically Treated Injury Frequency Rate (MTIFR) over the past 10 years**

# 6,508

**dedicated employees across 26 countries**

**Our people are the vital link in our relationships with customers and suppliers, offering superior product knowledge of communication materials and technical expertise.**



**All over the world, our sales teams and customer service representatives are helping customers with their communication needs.**

# Merchanting

## PaperlinX is one of the world's largest global merchants with operations in 26 countries and sales of around 3 million tonnes of paper annually.

We stock and market own branded paper, and we distribute well known mill brands in office, commercial print, printing and publishing paper. We offer a diverse range, superior product knowledge and technical expertise. We provide professional and timely solutions, and ongoing support until the job is completed. We are expanding our offerings in Sign and Display, Industrial Packaging and Graphics solutions.

We offer supply chain assurance that the wood fibre used in the paper we sell is sourced from sustainably managed sources. We support independent certification systems, such as the FSC accreditation process and the Programme for Endorsement of Forest Certification (PEFC).

## Overall results

- Trading EBIT for the merchanting business was \$43.5 million versus \$70.1 million in the prior year, with weakness in Europe and the UK contributing the negative variance.
- Within the total result, a 7 per cent volume decline combined with revenue/tonne declines in all regions (excluding North America) led to lower gross profit despite gross profit percentage lifting 0.3 pts for the year with improving momentum at year end.
- Merchant trading expenses were down versus prior in all regions, and (with currency benefits) were down 16.8 per cent for the year. Average working capital was also favourable versus prior in all regions, down \$A257 million in total including currency benefits, with average working capital to sales down to 16.9 per cent from 17.7 per cent in the prior year.
- Gross profit from diversified businesses was 19 per cent of total gross profit. Though particularly affected by the economic downturn in the year, these businesses have upside potential as economies recover.

<b>Merchanting – Total</b>		<b>12 months to June 2010</b>	<b>12 months to June 2009</b>	<b>% change</b>
Sales volume	'000 tonnes	<b>2,775</b>	2,989	(7.2)
Sales revenue	A\$m	<b>5,071</b>	6,296	(19.5)
Trading earnings before interest and tax	A\$m	<b>43.5</b>	70.1 <sup>(1)</sup>	(38.9)
Reported earnings before interest and tax and significant items	A\$m	<b>24.5</b>	85.9 <sup>(1)</sup>	(71.5)
Trading EBIT/sales revenue	%	<b>0.9</b>	1.1 <sup>(1)</sup>	(0.3) pts
Return on average funds employed	%	<b>1.9</b>	5.0	(3.1) pts

*(1) Other finance costs in unallocated – restatement for 2009*

# Europe

PaperlinX is one of Europe's leading independent merchants of paper and related products for the commercial print, office, packaging and display markets. Our European network of merchants across 17 countries provides over 2 million tonnes of paper products to our 80,000 customers. The customer base comprises printers, publishers, sign makers and advertisers who produce high added value, time-sensitive publications. We also serve resellers, retailers, offices and businesses with paper and packaging material.

## Results

		12 months to June 2010	12 months to June 2009	% change
NW Europe	'000 tonnes	554	616	(10.0)
UK and Ireland	'000 tonnes	920	990	(7.0)
Central and Southern Europe	'000 tonnes	476	474	0.4
Total sales volume	'000 tonnes	1,950	2,080	(6.2)
Sales revenue	€m	2,148	2,337	(8.1)
Trading earnings before interest and tax	€m	6.1	21.6 <sup>(1)</sup>	(71.8)
Reported earnings before interest, tax and significant items	€m	(5.6)	30.9 <sup>(1)</sup>	(118.0)
Trading EBIT/sales revenue	%	0.3	0.9 <sup>(1)</sup>	(0.6) pts

(1) Other finance costs in unallocated – restatement for 2009

# North America

PaperlinX is a leading US West Coast and Canadian fine paper and graphic arts merchant distribution network serving printers and graphic customers across North America with a unique offering of products from domestic and international suppliers. Custom sheet converting facilities offer a fast turnaround to provide sheeting to meet customers' exact size dimensions, eliminating waste and increasing customers' productivity. As well as offering a wide variety of paper options, many of our operations also provide graphic systems solutions.

## Results

		12 months to June 2010	12 months to June 2009	% change
Sales volume	'000 tonnes	487	541	(10.0)
Sales revenue	US\$m	889	962	(7.6)
Trading earnings before interest and tax	US\$m	12.2	7.2 <sup>(1)</sup>	69.4
Reported earnings before interest and tax	US\$m	12.2	7.2 <sup>(1)</sup>	69.4
Trading EBIT/sales revenue	%	1.4	0.7 <sup>(1)</sup>	0.6 pts

(1) Other finance costs in unallocated – restatement for 2009

# Australia, NZ and Asia

PaperlinX is the leading Merchanting group in Australia and New Zealand, and also has specialist Merchanting operations in Asia. The primary focus is on commercial print, packaging, web and office segments, with a growing level of activity in graphics supplies. Our network of locally based merchants offers compelling benefits to the local market in the way of product range, quality and availability, supported by our global scale.

## Results

		12 months to June 2010	12 months to June 2009	% change
Sales volume	'000 tonnes	342	375	(8.7)
Sales revenue	A\$m	573	655	(12.5)
Trading earnings before interest and tax	A\$m	19.5	20.6 <sup>(1)</sup>	(5.3)
Reported earnings before interest and tax and significant items	A\$m	19.4	18.6 <sup>(1)</sup>	4.3
Trading EBIT/sales revenue	%	3.4	3.1 <sup>(1)</sup>	0.3 pts

(1) Other finance costs in unallocated – restatement for 2009

## Discontinued operations

Following the sale of PaperlinX's Australian manufacturing business, Australian Paper (excluding Tasmanian operations) to Nippon Paper Group in 2009, PaperlinX's paper manufacturing activities included the Wesley Vale Mill and Burnie Mill in Tasmania. These mills had combined capacity of around 230,000 tonnes of coated and uncoated printing and writing paper. In December 2009, the decision to close the majority of these operations was announced, with the balance announced to close in April 2010. As of 30 June 2010, all paper machines were closed and only residual converting activities were continuing. These activities ended in August 2010. Site sale and remediation are expected to occur under an agreed timetable over the next three years, or earlier. Results for these operations is reported under Discontinued operations in the table on page 9. For 2010, the result was a loss of \$(27.1) million compared to a profit of \$28.5 million for the prior year.

## Unallocated

Unallocated refers to a number of cost items not allocated to the operating businesses. This includes corporate costs, financing charges including bank line fees and advisor costs and foreign exchange gains or losses. For 2010 these totalled a cost of \$(33.0) million as compared with a cost of \$(138.2) million in the prior year.

# Directors of PaperlinX



**David Meiklejohn, AM**  
Age 68  
BCom, Dip Ed, FCPA, FAIM,  
FAICD  
Independent Non-executive  
Director (Chairman)

Appointed a director and Chairman in December 1999. An experienced company director with a solid financial background and over 40 years' experience in paper manufacturing and distribution businesses. Currently a director of ANZ Banking Group Limited (from October 2004), Coca-Cola Amatil Limited (from February 2005) and Mirrabooka Investments Limited (from March 2006). President of Melbourne Cricket Club (since Feb 2007). He is the Chairman of the Nomination & Governance Committee and an ex officio member of the Audit Committee, the Remuneration & HR Committee and the Safety & Environmental Committee.



**Thomas (Tom) Park**  
Age 63  
BSEE, MBA  
Executive Director  
(Managing Director)

Appointed Managing Director and Chief Executive Officer of PaperlinX Limited in February 2004. Broad business experience in Australia, Asia, North America and Europe. Previous roles include: Managing Director and Chief Executive Officer of Goodman Fielder Limited, Chief Executive Officer of Southcorp Limited, Executive Vice President (Asia) Kraft Foods Inc. and a director of the National Australia Bank and the Business Council of Australia.



**Harry Boon**  
Age 62  
LLB (Hons), BComm  
Independent Non-executive  
Director

Appointed a director in May 2008. An experienced director with strong background in international marketing, sales and manufacturing operations. Currently, he is the Chairman of Tatts Group Limited, and a director of Toll Holdings Limited and Hastie Group Limited. A former Chief Executive Officer and Managing Director of Ansell Limited (retired in 2004), and a former Director of Funtastic Limited (September 2004 – February 2008) and Gale Pacific Limited (August 2005 – November 2009). Currently, he is the Chairman of the Safety and Environment Committee, a member of the Audit Committee and the Nomination & Governance Committee.



**James (Jim) Hall**  
Age 59  
BComm (Acc), FCPA, MAICD  
Independent Non-executive  
Director

Appointed a director in May 2007. An experienced company director and is currently a director of Alesco Corporation Limited (since July 2005), the ConnectEast Group (since June 2005), Centro Properties Limited (since September 2005), Centro Retail Limited (since September 2005) and a member of JP Morgan Advisory Council (Australia) since May 2005. A former director of Symbion Health Limited (June 2005 – February 2008). He is Chairman of the Audit Committee, a member of the Nomination & Governance Committee and the Remuneration & HR Committee.



**Mark Hooper**  
Age 51  
BBus (Acc) CPA, FFTP, MAICD  
Executive Director  
(Chief Financial Officer)

Joined PaperlinX as Chief Financial Officer in October 2008. In January 2010, Mark was also appointed as an Executive Director of PaperlinX. He has a broad range of experience in finance, commercial and operational matters primarily in the mining and pharmaceutical industries. In addition to previous CFO/COO roles he has also held previous appointments as a non-executive director with a number of publicly listed companies. Mark resigned as an Executive Director and Chief Financial Officer effective 26 August 2010.



**Barry Jackson**  
Age 65  
BComm (Hons), MAICD  
Independent Non-executive  
Director

Appointed a director in February 2000. Over 30 years' experience in manufacturing and industrial marketing in Australian and international markets. Currently, a director of Equity Trustees Limited (since September 2002). A former director of CSR Limited (April 2003 – March 2007) and Alesco Corporation Ltd (November 2001 – September 2008). He is a member of the Audit Committee, the Nomination & Governance Committee and the Safety & Environment Committee.



**Lindsay Yelland**  
Age 64  
BSc, FAICD, MACS  
Independent Non-executive  
Director

Appointed a director in February 2000. Extensive experience in the IT industry. Chairman of Converging Technologies LLC (USA) (since February 2010). A member of the NSW AICD Council and AICD Reporting Committee (since March 2008). Previous roles include Chairman of Legion Interactive Pty Limited (2002–2005), Ideas International Limited (November 2000 – December 2007) and Argus Solutions Limited (March 2003 – February 2010); a Group Managing Director of Telstra Corporation; Vice President Asia-Pacific of Data General Corp; and Vice President of Apollo Computer Corporation. He is the Chairman of the Remuneration & HR Committee and a member of the Nomination & Governance Committee and the Audit Committee.

# Senior management



**Tom Park**



**Tony Kennedy**



**Chris Creighton**



**Larry Jackson**



**Chris Livitsanis**



**Toby Marchant**



**Ross O'Brien**



**James Orr**



**Jon Ryder**

**Tom Park**  
Managing Director and  
Chief Executive Officer

Tom was appointed Managing Director and Chief Executive Officer of PaperlinX Limited in February 2004. He was previously Chief Executive Officer of Goodman Fielder Limited, Chief Executive Officer of Southcorp Limited, and Executive Vice-President (Asia) Kraft Foods Inc. Tom has broad business experience in Australia, Asia, North America and Europe.

**Tony Kennedy**  
Chief Financial Officer

Tony was appointed Chief Financial Officer of PaperlinX Limited in August 2010. Previously he was Chief Financial Officer of PaperlinX North America appointed in March 2001 and was responsible for the finance and administrative functions for North American businesses. Tony has an extensive background in merchanting and finance.

**Chris Creighton**  
President, PaperlinX  
North America

Chris was appointed President, PaperlinX North America in March 2001 and has responsibility for the operations in the US and Canada. Chris has an extensive background in merchanting and has held various senior positions in Australia and North America.

**Larry Jackson**  
Executive General Manager,  
PaperlinX Australia, New  
Zealand and Asia

Larry was appointed Executive General Manager to PaperlinX Australia, New Zealand and Asia in October 2008. Prior to this role Larry was President of PaperlinX Canada. His previous experience in Australia and Asia was in paper distribution, global trading, industrial power tools and building materials.

**Chris Livitsanis**  
Executive General Manager,  
Business Development

Chris joined PaperlinX in 2004 and was appointed Executive General Manager, Business Development in August 2008. He was previously Executive General Manager, Strategy & Operational Excellence. His current role encompasses the review and realignment of business processes, operational improvement, mergers and acquisitions and strategic redevelopment. Chris has held senior management positions in both FMCG and strategic management consulting.

**Toby Marchant**  
Chief Executive Officer,  
PaperlinX Europe

Toby was appointed Chief Executive Officer, PaperlinX Europe in July 2008 and has responsibility for the growth and strategic direction of the Merchanting businesses in Europe.

Toby was previously Regional President for PaperlinX UK, Ireland and South Africa and Managing Director of Robert Horne Group and has over 25 years' experience in paper merchanting.

**Ross O'Brien**  
Executive General Manager,  
Human Resources

Ross joined PaperlinX in March 2003 and is responsible for developing the Group's worldwide human resources and environment, safety and health policy and strategy. Ross has held various senior executive level roles in human resources and operational areas in Australia, the US and Europe.

**Jon Ryder**  
Group General Manager,  
Manufacturing Strategy

Jon was appointed Group General Manager, Manufacturing Strategy in June 2009. He joined PaperlinX in May 2006 as General Manager for the Tasmanian and Shoalhaven Mills. Jon has held a wide range of international senior roles in the pulp and paper industry over the past 20 years and has a PhD in Pulp and Paper Manufacturing.

**James Orr**  
Executive General Manager,  
Corporate Affairs

James was appointed Executive General Manager, Corporate Affairs in September 2010, having joined PaperlinX in March 2006 as Company Secretary and General Counsel. He has group responsibility for company secretarial, legal, investor relations and insurance. His former roles include company secretarial and legal positions in pharmaceuticals and energy and resources companies.

**Mark Hooper**  
Mark has resigned as Chief Financial Officer effective 26 August 2010.

# Governance summary

PaperlinX supports and is committed to the principles of best practice in corporate governance. PaperlinX considers that its corporate governance practices substantially follow the ASX Corporate Governance Principles and Recommendations in all material respects. The detailed corporate governance statement along with the Company's corporate values, policies and systems of internal compliance and control are set out on the Company's website at [www.paperlinx.com](http://www.paperlinx.com). Information on the Company's sustainability policies and processes are set out in the Sustainable Development Report, which is available on the Company's website.

## **Board of Directors**

The Board has the overall responsibility for the conduct and governance of the Company, including its strategic direction and the monitoring of performance targets. The Board, which is comprised of a majority of independent Non-executive Directors, operates in accordance with PaperlinX's Guidelines for Board Operation and Management. To assist in executing its responsibilities, the Board has established four Board committees (Audit, Nomination & Governance, Remuneration & HR and Safety & Environment). The Board includes Directors with a range of skills, experience and expertise to promote Board effectiveness. The performance of the Board and its committees is reviewed annually.

## **Risk oversight and management**

PaperlinX operates a comprehensive risk oversight and management programme. In addition to ongoing monitoring by the Board, the programme is reviewed by the Audit Committee and is updated as appropriate. As part of this programme, material business risks are identified and assessed by management's Risk Management Committee, as are procedures and other actions for managing and mitigating them.

## **Ethical and responsible decision-making**

The Company has a code of ethics that guides all employees in how to conduct the business of the Company in the highest ethical manner. Together with the Company's values and core operating principles, they set the standards of behaviour required from Directors and employees in how they should conduct themselves in dealing with the Company's affairs. The Company has numerous policies designed to prevent fraud and illegal practices and to encourage and protect persons who report suspected fraud or illegal activities through the 'Speak Up' reporting service.

## **Trading in Company securities**

The Company has a policy, which is required to be complied with by the Directors, senior executives and employees in relation to transacting in the Company's securities.

## **Disclosure policies**

The Company has established policies and procedures to ensure that the ASX, shareholders and the investment market generally are informed in a timely manner of all major developments affecting the Company's business and affairs.

## **Integrity of financial reporting**

The Managing Director and the Chief Financial Officer have provided assurance to the Board that the declaration given in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control, which is operating effectively in all material respects in relation to financial reporting risks.

## **Rights of shareholders and communications strategy**

The Company is committed to promoting open and effective communication with its shareholders. In addition to providing information at the Annual General Meeting and in the Annual Report, a number of other publications are prepared. These include a Half Yearly Financial Report, Sustainable Development Report and an Annual Review. Other information about the Group, including ASX Releases, can be found on the Company's website.

## Board Committees

To assist in the execution of its responsibilities, the Board has established the following committees:

- Audit
- Nomination & Governance
- Remuneration & Human Resources
- Safety & Environment

All committees have written charters, which are set out in full in the Guidelines on Board Operation and Membership. The committees operate principally in a review or advisory capacity, except where powers are expressly conferred on or delegated to a committee by the Board. Each committee reports to the full Board following a committee meeting.

### Audit Committee

The Audit Committee's primary responsibilities are to make recommendations to, and assist, the Board in relation to:

- financial reporting, including adequacy of disclosures and application of accounting policies;
- the external auditors and the internal audit function;
- monitoring the Company's internal compliance and control framework. This includes a comprehensive quarterly compliance reporting system, an operational risk management programme and an internal audit function; and
- the insurance programme.

## Directors' meetings

The number of Directors' meetings (including meetings of committees of Directors) and number of meetings attended by each of the Directors of the Company during the financial year are detailed in the table below.

Directors	Board of Directors		Audit Committee		Nomination & Governance Committee		Remuneration & HR Committee		Safety & Environment Committee	
	A	B	A	B	A	B	A	B	A	B
D E Meiklejohn	13	13	7	7	4	4	5	5	4	4
T P Park	13	13								
H Boon	13	11	7	7	4	4			2	2
J W Hall	13	13	7	7	4	4	3	3		
M R Hooper <sup>(1)</sup>	5	5								
B J Jackson	13	11	7	7	4	3			2	2
N L Scheinkestel <sup>(2)</sup>	8	8					2	2	2	2
L J Yelland	13	13	3	3	1	1	5	5	2	2

A – Number of meetings held during the time the Director held office or was a member of relevant committee during the year.

B – Number of meetings attended.

<sup>(1)</sup> Resigned effective 26 August 2010.

<sup>(2)</sup> Retired on 31 December 2009.

## Nomination & Governance Committee

The Nomination & Governance Committee's primary responsibilities are to make recommendations to, and assist, the Board in connection with the appointment and performance of Directors, corporate governance, the appointment and remuneration arrangements of the Managing Director and related matters.

## Remuneration & Human Resources Committee

The Remuneration & Human Resources Committee's primary responsibilities are to make recommendations to, and assist, the Board in relation to human resources and remuneration policies and practices for the Company.

## Safety & Environment Committee

The Safety & Environment Committee's primary responsibilities are to make recommendations to, and assist, the Board in relation to safety (including occupational health and wellbeing) and environment matters generally.

# Investor information

## Share Registry

Shareholders with queries about anything related to their shareholding should contact the PaperlinX Share Registry in Melbourne, Australia:

by telephone (within Australia) 1300 662 058

or (outside Australia) +61 3 9415 4021

by facsimile +61 3 9473 2500

by email at [web.queries@computershare.com.au](mailto:web.queries@computershare.com.au)

Alternatively, shareholders may wish to write to:  
PaperlinX Share Registry GPO Box 2975  
Melbourne Victoria 3001 Australia.

Details of individual shareholdings can be checked conveniently and simply by visiting our Share Registry's website at [www.computershare.com/au/investors](http://www.computershare.com/au/investors). For security reasons, you then need to key in your Securityholder Reference Number (SRN) or Holder Identification Number (HIN) plus company name or ASX code, your postcode, the Security code (shown in the box) and agree to the Terms and Conditions to enable access to personal information.

## Tax file numbers

PaperlinX is required to withhold tax at the rate of 46.5 per cent on any unfranked component of dividends or interest paid to investors resident in Australia who have not supplied the Company with a tax file number (TFN) or exemption form. Investors are not required by law to provide their TFN if they do not wish to do so.

## Transfer of shares off-market

No stamp duty is payable on off-market transfers.

## Annual General Meeting

The Annual General Meeting is normally held in October.

The 2010 Annual General Meeting will be held at 11.00am on Friday, 22nd October at the Melbourne Exhibition Centre, Level 2 Auditorium, 2 Clarendon Street, Southbank, Victoria, 3006 Australia.

## Financial calendar

Full Year Results 2010  
19 August 2010

Annual General Meeting 2010  
22 October 2010

Interim Results 2011  
February 2011

Full Year Results 2011  
August 2011

Annual General Meeting 2011  
October 2011

## Securities exchange listing

PaperlinX shares are listed on the ASX. All shares are recorded on the principal share register, which is located in Victoria, the state of incorporation of PaperlinX. The Company's ASX code is 'PPX'.

## Publications

### Annual Review 2010

This year, PaperlinX Limited has produced an Annual Review. This is a short form non-statutory review of the Company's performance and activities for the year. The Annual Review will be sent to shareholders unless they elect not to receive it.

### Full Annual Report 2010

The PaperlinX Limited 2010 Full Annual Report is available to all shareholders. It will only be sent to those shareholders who have requested a printed copy. Shareholders can request a copy of the Full Annual Report from the Share Registry by Telephone (Australia 1300 662 058, outside Australia +61 3 9415 4021) or by email at [web.queries@computershare.com.au](mailto:web.queries@computershare.com.au). Alternatively, the Full Annual Report and Annual Review can be accessed on the PaperlinX website at [www.paperlinx.com](http://www.paperlinx.com).

Since 2005, results have been reported under Australian equivalents to International Financial Reporting Standards (AIFRS). Prior periods to that have not been adjusted.

Other sources of information include:

### PaperlinX website

A range of corporate information, including the address of the Chairman and the Managing Director to the Annual General Meeting, may be obtained from [www.paperlinx.com](http://www.paperlinx.com). Investor information is available from the Investor Relations section.

### Half year Financial Report

A summary of the half year Financial Report reviewing the July – December half year is mailed to shareholders in March. The detailed Report may also be obtained from [www.paperlinx.com](http://www.paperlinx.com).

### Change of address

Issuer sponsored shareholders should notify the PaperlinX Share Registry immediately, either by phone or in writing, signed by the shareholder(s), of any change to their registered address. For added security, shareholders should quote their previous address and SRN. Alternatively, you can change your address online by visiting [www.computershare.com/au/investors](http://www.computershare.com/au/investors) and clicking on the Address Change Menu on the right hand side of the Investor Centre website and logging in by entering the required information. CHESS certified shareholders should advise their sponsoring broker or non-broker participant.

### Removal from mailing list

Shareholders who do not wish to receive a paper copy of the Annual Review or other publications should advise the PaperlinX Share Registry, either by telephone or in writing, and include their HIN or SRN.

### Change of name

Shareholders who change their name should notify the PaperlinX Share Registry, in writing, and attach a certified copy of a relevant marriage certificate or deed poll, and include their SRN. A change of name form can be downloaded from [www.computershare.com/au/investors](http://www.computershare.com/au/investors) by clicking on the Information Tab in the top right hand corner of the website. CHESS certified shareholders should advise their sponsoring broker or non-broker participant.



#### **Annual Review 2010**

The high-quality paper used in this Review is distributed exclusively by PaperlinX merchants.

The cover stock is Saxton Smooth 340gsm which has been clear foil stamped.

Saxton Smooth is manufactured in Australia and is certified Carbon Neutral under the National Carbon Offset Standard, an Australian Government climate change initiative. Saxton is an FSC Mixed Sources Certified paper, which ensures that all virgin pulp is derived from well-managed forests and controlled sources. It is elemental chlorine free and is manufactured by an ISO 14001 certified mill.

The text stock is Hello Silk 130gsm.

Hello Silk is an FSC Mixed Sources Certified paper, which ensures that all virgin pulp is derived from well-managed forests and controlled sources. It contains elemental chlorine free pulp and is manufactured by an ISO 14001 and EMAS certified mill.

When you have finished with this publication, PaperlinX urges you to recycle it to avoid landfill.



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#### **Share Registry**

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