

Half Year Financial Results Overview 2010

PaperlinX

SUMMARY

PaperlinX has announced a loss after tax of \$(175.3) million, including \$(148.8) million in significant items. This compares with a loss of \$(560.9) million, including \$(567.5) million in significant items, for the prior corresponding period.

Group revenue for the period of \$2.74 billion was down 28 per cent on the prior corresponding period, while volume of 1.5 million tonnes was down 24 per cent as a result of the exit from paper manufacturing operations in Australia and the impact of weak markets. Operating earnings (EBIT) from continuing operations were \$11.7 million compared with \$33.2 million for the prior corresponding period.

The results are substantially impacted by one-off costs primarily associated with the exit from the Tasmanian manufacturing operations. The key strategic decision to exit from paper manufacturing is progressing to plan, with the exit from remaining Tasmanian operations to be completed by the end of June 2010. Following this, PaperlinX will be solely a global merchant. Business and financial restructuring is well advanced as the Group moves forward.

Weak global markets have continued to impact overall volumes, with any European recovery lagging other regions.

Full details of the Interim Financial Report are available at www.paperlinx.com.

Forward Looking Statements

Certain statements in this Report 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 of the events 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 ASX, 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.

KEY POINTS

- **The key strategic decision to exit from paper manufacturing is progressing to plan, with the exit from remaining Tasmanian operations to be completed by the end of June 2010**
- **As part of the paper manufacturing exit, the sale of the Burnie Mill remains a potential alternative to closure**
- **Overall Group debt has been reduced substantially since December 2008, with Group net debt of \$251.4 million (\$1,062.1 million in the prior corresponding period) and gross debt of \$525.8 million (\$1,518.1 million in the prior corresponding period). Asset sales, reductions in working capital and improved cash management have made an impact**
- **Refinancing of the Group's debt with regional asset-based lending facilities is progressing well. This will reduce financing costs, increase flexibility and efficiency and remove restrictions currently in place on distributions**
- **Benefits have flowed from aggressive cost reduction programmes, with overall Group trading expenses down 24 per cent, supported by the sale of Australian Paper (down over 18 per cent in Merchanting)**
- **There will be no interim dividend paid on Ordinary shares**

Operating Earnings and Sales Revenue

	Earnings		Sales revenue	
	Dec 2009	Dec 2008	Dec 2009	Dec 2008
	A\$M	A\$M	A\$M	A\$M
Merchanting				
Europe	8.5	52.9	1,818	2,314
North America	9.4	9.9	522	670
Australia, NZ and Asia	10.8	11.7	306	354
Total Merchanting	28.7	74.5	2,646	3,338
Unallocated	(17.0)	(41.3)	(3)	(6)
Total Continuing Operations	11.7	33.2	2,643	3,332
Discontinued operations	(17.3)	18.0	135	543
Operating earnings before interest, income tax and significant items (EBIT pre-significant items)	(5.6)	51.2		
Total significant items (pre-tax)	(117.8)	(567.5)		
Operating earnings before interest and income tax (EBIT post-significant items)	(123.4)	(516.3)		
Net interest	(16.3)	(35.6)		
Loss before tax	(139.7)	(551.9)		
Tax related to continuing operations	(4.6)	(8.9)		
Tax related to discontinued operations	0.0	(0.1)		
Tax significant item related to discontinued operations	(31.0)	0.0		
Group income tax expense	(35.6)	(9.0)		
Group eliminations			(40)	(93)
Total Group loss (post-significant items)	(175.3)	(560.9)	2,738	3,782
Total Group (loss)/profit (pre-significant items)	(26.5)	6.6		

Note: Segment results exclude significant items, but include one-off costs and benefits, including 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.

Key Ratios

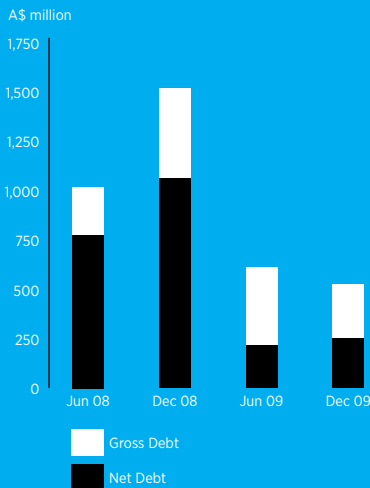
		Dec 2009	Dec 2008
Earnings before interest, income tax and significant items to average funds employed	%	-	1.7
Net debt/Net debt and equity	%	19.6	40.4
Basic earnings per share post SPS distribution	cps	(29.0)	(111.9)
Dividend per ordinary share	cps	nil	nil

Key Balance Sheet Ratios

		Dec 2009	Jun 2009	Dec 2008
Gross debt	A\$M	525.8	611.0	1,518.1
Net debt	A\$M	251.4	216.8	1,062.1
Net tangible assets per share	\$	0.60	0.88	1.34

Reducing Debt

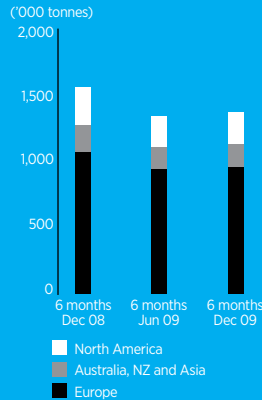
This chart shows both gross and net debt historically. The Group has made substantial reductions in gross debt from \$1,518 million to \$526 million over the 12 months. At 31 December 2009, PaperlinX had a gearing ratio of net debt to net debt plus equity of 19.6 per cent compared with 40.4 per cent a year ago. As a part of the debt reduction programme, the establishment of new asset based borrowings is progressing well and is expected to be completed by the end of the current fiscal year.



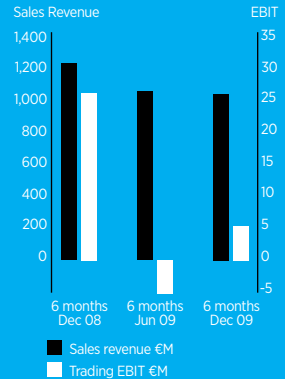
The Paper Merchanting businesses achieved trading EBIT (earnings before interest and tax) of \$30.1 million, down 57 per cent. The strength of the Australian dollar impacted on the translation of offshore earnings. Overall Merchanting volume was down 12 per cent on the prior corresponding period, in line with falls in global markets.

Overall Merchant trading expenses were down 18 per cent on the prior corresponding period, mainly driven by lower employee numbers and lower variable costs as a result of the lower volumes.

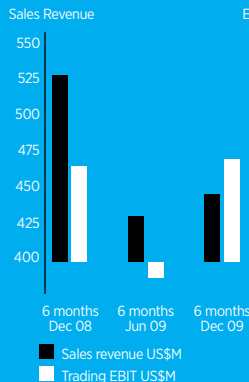
Sales Volume



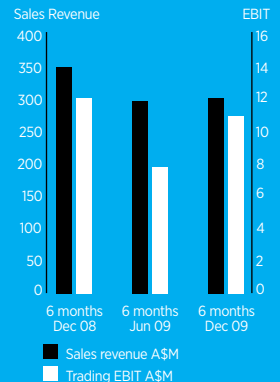
Sales Revenue and EBIT Europe



Sales Revenue and EBIT North America



Sales Revenue and EBIT Australia, NZ and Asia



SIGNIFICANT ITEMS

The key strategic decision to exit paper manufacturing has resulted in after tax one-off significant items of \$(148.8) million in the interim result (see note 8 in the Interim Financial Report). On a pre-tax basis, significant items total \$(117.8) million. Of this amount, \$(103.0) million relates to the closure of discontinued Tasmanian operations.

As a sale of the Burnie Mill remains a potential alternative to closure, remaining redundancy costs associated with the closure of these operations are not included in the December 2009 accounts. Should the Burnie Mill be closed, then additional redundancy and other charges will be included in the second half.

DIVIDENDS AND DISTRIBUTIONS

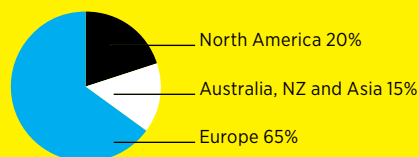
There will be no interim dividend on the Ordinary shares of PaperlinX Limited for the period ended 31 December 2009.

As the Company was not able to secure approval from its lenders for the 31 December 2009 distribution on the PaperlinX Step-up Preference Securities (SPS), a dividend block on the Ordinary shares remains in place until such time as PaperlinX has paid two consecutive distributions on the SPS.

SUSTAINABILITY

Employees

6,931 employees, down over 23 per cent versus the prior corresponding period due in part to the sale of Australian Paper and restructuring activities.



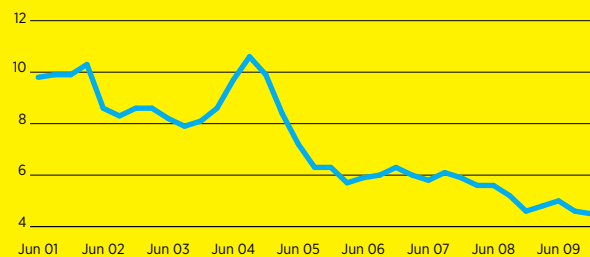
Safety

Safety and health continues to be a key focus for PaperlinX at all levels of management and operations.

- 55 per cent reduction on overall Lost Time Injury Frequency Rate (LTIFR) over the past eight years
- 10 per cent reduction on Group's rolling LTIFR in the last six months
- The December quarter safety results were the best in the Company's history

Rolling 12 month average LTIFR

(injuries per million hours worked)



Environment

PaperlinX has a long-term commitment to the environment and is focusing on areas where sustainability can deliver real and credible benefits at many levels. Our merchants seek to be leaders in providing environmental information and product options in their markets and environmental solutions for their customers.

PaperlinX had no significant environmental breaches or non-compliance with environmental regulations during the period.

Registered Office and Head Office

PaperlinX Limited
ABN 70 005 146 350

307 Ferntree Gully Road
Mount Waverley
Victoria 3149
Australia

Telephone: +61 3 8540 2211
Facsimile: +61 3 8540 2280
Internet: www.paperlinx.com
Email: contact@paperlinx.com.au

Share Registry

PaperlinX Share Registry
Yarra Falls
452 Johnston Street
Abbotsford
Victoria 3067
Australia

Telephone: 1300 662 058 or + 61 3 9415 4021
Facsimile: +61 3 9473 2500
Internet: www.computershare.com
Email: web.queries@computershare.com.au

The high quality paper used in this publication is distributed exclusively by PaperlinX and its Merchanting businesses. This publication is printed on ENVI Recycled 50:50 Paper 140 gsm. ENVI is an Australian made recycled range of carbon neutral uncoated papers. ENVI has been manufactured and all fibre sourced according to the PEFC Chain of Custody Standard SGS-PEFC-COC-0160, which promotes sustainable forest management.



PEFC/21-31-04
www.pefc.org
Promoting sustainable
forest management

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

