

The logo for PaperlinX, featuring the word "PaperlinX" in a bold, sans-serif font. "Paperlin" is in white and "X" is in yellow, all set against a blue rectangular background. The background of the entire slide consists of vertical stripes in shades of blue, green, yellow, and orange, with a red border on the right side that has a textured, corrugated appearance.

***PaperlinX***

# **2011 Interim Financial Results Overview**

## Summary

PaperlinX Limited (PaperlinX) has announced a substantially reduced statutory loss after tax of \$(10.2) million for the six months to 31 December 2010 compared to a loss of \$(175.3) million for the prior corresponding period (prior).

PaperlinX reported an underlying profit after tax of \$8.5 million, compared to a loss of \$(11.2) million for prior.

The difference between the statutory loss and underlying profit results from a non-cash valuation loss of \$16.8 million for a currency option purchased in December 2009 and a net loss of \$1.9 million related to the discontinued manufacturing operations.

## Key points

- Revenue was \$2.44 billion, down from \$2.74 billion for prior on lower volumes of 1.36 million tonnes down from 1.5 million tonnes for prior reflecting continued weak markets.
- An improvement in gross profit percentage at 19.6 per cent, up from 17.9 per cent for prior.
- Average working capital to sales improved to 16.6 per cent from 18.3 per cent for prior.
- Operating cash flow was \$(7.8) million, up from \$(94.4) million for prior.
- Staff changes at the Corporate Head Office in Melbourne and the closure of the European Head Office in Amsterdam will reduce corporate overheads by \$15 million per annum from 2012 financial year and will be cost neutral in the current financial year.
- There will be no interim dividend on ordinary shares.
- The scheduled distribution on the PaperlinX Step-Up Preference Securities was paid on 31 December 2010.
- Full details of the Company's interim financial results can be found at [www.paperlinx.com](http://www.paperlinx.com).

**PaperlinX Results** for the six months ended 31 December 2010

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 and results related to the discontinued manufacturing operations.

Operating Earnings and Sales Revenue				
For the half-year ended 31 December	Earnings		Sales Revenue	
	2010 \$m	2009 \$m	2010 \$m	2009 \$m
Europe	12.8	8.5	1,654.0	1,818.2
North America	8.1	9.4	500.5	521.6
Australia, New Zealand and Asia	9.4	10.8	279.9	305.9
Unallocated	(10.0)	(7.5)	(3.7)	(2.6)
Total continuing operations	20.3	21.2	2,430.7	2,643.1
Discontinued operations	(0.2)	(17.4)	15.8	134.8
<b>Profit before net finance costs, tax and significant items</b>	<b>20.1</b>	<b>3.8</b>		
Significant items (pre-tax)	(23.8)	(114.1)		
Net other finance costs	(0.9)	(13.1)		
<b>Loss before interest and tax</b>	<b>(4.6)</b>	<b>(123.4)</b>		
Net interest	(9.4)	(16.3)		
Loss before tax	(14.0)	(139.7)		
Tax relating to pre-significant items	(2.8)	(2.9)		
Tax relating to significant items	6.6	(32.7)		
Tax benefit/(expense)	3.8	(35.6)		
Group eliminations			(4.2)	(39.8)
<b>Statutory loss for the period/total revenue</b>	<b>(10.2)</b>	<b>(175.3)</b>	<b>2,442.3</b>	<b>2,738.1</b>
Adjust for following (gains)/losses included in statutory profit/revenue:				
Discontinued operations	1.9	135.1	(15.8)	(134.8)
Tax relating to discontinued operations	–	31.0		
Currency option	23.4	(3.7)		
Tax relating to currency option	(6.6)	1.7		
Group eliminations			4.2	39.8
<b>Underlying profit/(loss) for the period/revenue</b>	<b>8.5</b>	<b>(11.2)</b>	<b>2,430.7</b>	<b>2,643.1</b>
Key Ratios				
		As at 31 December 2010	As at 30 June 2010	As at 31 December 2009
Funds employed (net debt + net assets)	\$m	1,043	1,088	1,286
Gross debt	\$m	330	301	526
Net debt	\$m	200	164	251
Net debt/net debt and equity	%	19.2	15.1	19.6
Net tangible assets per share	\$	0.34	0.40	0.60

# Financial position

Funds employed of \$1,043 million reduced from \$1,286 million in December 2009 and average funds employed of \$1,133 million reduced from \$1,489 million for prior. This favourable result was due to lower working capital balances and the impact of a stronger A\$. Working capital was \$704 million down from \$947 million at 31 December 2009 due to favourable foreign exchange translation and lower working capital.

Net debt reduced to \$200 million down from \$251 million at 31 December 2009. Gross debt reduced to \$330 million down from \$526 million for prior, but is higher than \$301 million at June 2010, which reflects the additional funding required to support seasonality of the business at half year. Compared to December 2009, net debt and gross debt have benefited from improved cash management outcomes from the working capital facilities established in the 2010 financial year and a stronger Australian dollar resulting in favourable foreign exchange translation.

Interest costs reduced to \$8 million down from \$16 million in the prior due to lower average gross debt balances and lower interest rates negotiated when establishing the facilities last year.

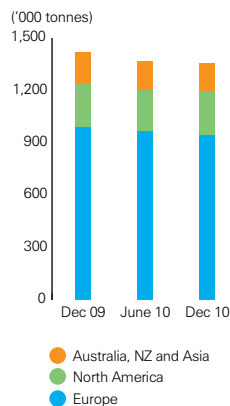
Capital expenditure for the period was \$7 million compared with \$13 million for the prior. Depreciation and amortisation was \$12 million compared with \$14 million for prior.

Operating cash flow improved to an \$8 million outflow, compared to a \$94 million outflow for prior due to improved earnings and favourable working capital. Although total cash flow on a net debt basis of \$51 million outflow was down from a \$42 million outflow for the prior, the current period included a hybrid distribution of \$11 million and Tasmanian operations closure payments of \$25 million, neither of which were incurred in the prior period.

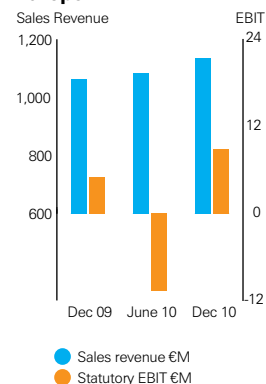
# Operations

While markets remained generally soft in the UK and Benelux, there were volume improvements in Central Europe and Germany. These volume improvements together with generally higher pricing resulted in improved sales revenue in Europe. In North America, improved pricing helped to offset slightly weaker demand. Market conditions remained weak in Australia, New Zealand and Asia. Despite challenging market conditions, each of the regions delivered a positive statutory EBIT and underlying EBIT for the half year.

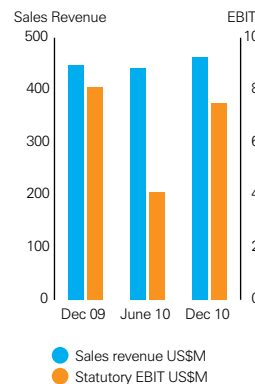
## Sales Volume



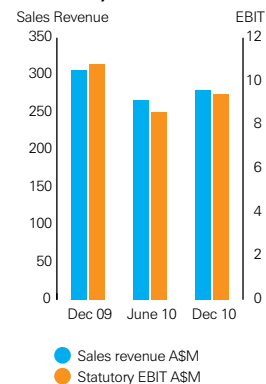
## Sales Revenue and EBIT Europe



## Sales Revenue and EBIT North America



## Sales Revenue and EBIT Australia, NZ and Asia



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