

**CROSS RELEASE PXUPA  
ASX RELEASE**

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Tel: +61 3 8540 2211  
Fax: +61 3 8540 2255**PAPERLINX 2010 FULL YEAR RESULTS****SUCCESSFUL COMPLETION OF STRATEGIC RESTRUCTURE**

PaperlinX Limited (PaperlinX) today announced results for the year ended 30 June 2010. 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% on the prior year, with volume of 2.9 million tonnes down 20% (merchant volume of 2.8 million tonnes was down 7% 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). No final dividend will be paid.

Commenting on the result, PaperlinX Chief Executive Officer, Mr Tom Park, said: "The past year has been the most difficult but also the most transformational in the history of PaperlinX. Whilst the results are disappointing, we have completed a range of major strategic initiatives, which have resulted in the Company being more focussed, streamlined and flexible."

Key features of the result are:

- Strategic restructuring, including:
  - Exit from paper manufacturing. The 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.

- Repayment and restructuring of debt. 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.
- Net operating cash flow including working capital movement was an inflow of \$23 million compared with an outflow of \$(6) million in 2009.
- 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).
- Significant progress on PaperlinX's key business improvement activities:
  - Continued progress 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% below prior year (reduced headcount, efficiencies and currency benefits).
  - Focus on growing diversified merchandising 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 GFC, but are growth opportunities.

Commenting on the outlook, Mr Park said "Markets seem to have found a floor and volumes have stabilised versus the prior year in recent months, though the UK has suffered prolonged weakness. Pricing is variable by region, with a number of recent positive moves evident in Europe and North America. We see this overall position continuing without any accelerated improvements in the near term, and have begun the year at expected volume and profitability levels to-date."

"We are taking prudent steps to further streamline our organisation and further reduce overheads and working capital. Now, with the distractions of the refinancing, exit from historical lenders, and the closure of Tasmanian operations and various restructurings behind us, we are able to focus fully on our underlying business. Diversified business growth in areas including sign and display, graphics, digital, industrial packaging and converting will improve with overall economic improvement. Upside leverage also exists against our new cost and working capital base in our core paper merchandising activities if markets and volumes improve."

## 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)	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	<b>(23.5)</b>	<b>81.8</b>		
Total significant items (pre tax)	(139.3)	(697.4)		
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)	<b>(174.9)</b>	<b>(718.2)</b>		
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)	<b>(55.0)</b>	<b>(70.3)</b>		

(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

Key Ratios		12 months to June 2010	12 months to June 2009
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

## BALANCE SHEET

PaperlinX Limited and Controlled Entities				
		June 2010	December 2009	June 2009
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
<b>Total assets</b>	<b>\$m</b>	<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
<b>Total liabilities</b>	<b>\$m</b>	<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

### Operating Performance

Earnings before interest, tax, depreciation, amortisation and significant items (EBITDA) was a loss of \$(9.9) million. Net cash flow from operating activities excluding working capital was a net outflow of \$(60) million, while operating cash flow including working capital movements was an inflow of \$23 million.

Group EBIT before significant items and net other financing costs was a loss of \$(23.5) million, impacted by restructuring costs, unallocated costs, and operating losses associated with the Tasmanian operations.

Trading EBIT from merchanting operations (before significant items) was \$43.5 million, with Reported EBIT including a number of accelerated restructuring costs as previously announced.

### Significant Items

On a post-tax basis, significant items included in this result total \$(170.3) million. Of this amount \$(153.8) million post tax (\$(122.8) million pre tax) relates to the key strategic decision to close the Tasmanian operations, with the balance relating to an additional loss on the sale of Australian Paper as reported in the first half. Of the total, \$(148.8) million was included in the first half result with the balance primarily additional redundancies in Tasmania as previously indicated.

## Financial Position

Over the past 12 months, average funds employed have been reduced to \$1,374 million primarily due to the sale of Australian Paper and reduced working capital. Net working capital at 30 June 2010 was \$773 million, a 20% improvement on the 30 June 2009 level, reflecting management actions and currency benefits.

Net debt was \$164 million with gross debt at \$301 million (gross debt was \$1,518 million at 31 December 2008), with an average term of debt of three years. June represents the low point in the annual debt cycle, with the swing to December typically around \$150 million.

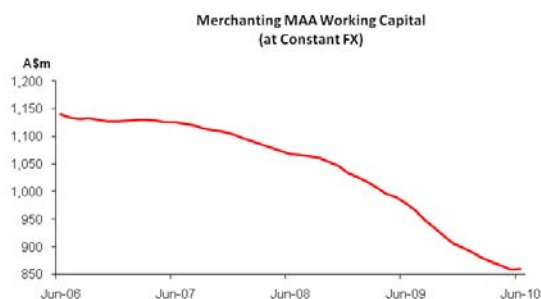
At 30 June 2010, PaperlinX had a gearing ratio of net debt to net debt plus equity of 15.1%.

As a part of the debt reduction programme, borrowings from PaperlinX bank syndicate and US Private Placement noteholders have been repaid in full. The establishment of new asset based borrowings has created greater flexibility, efficiency with a lower interest cost.

Capital expenditure in the period was \$18 million. Depreciation and amortisation was \$26 million.

## Merchant Working Capital

The moving annual average working capital (at constant currency) for the Merchants at 30 June 2010 was \$859 million (shown in graph). This was 11% lower than 30 June 2009 due to underlying reductions in working capital and currency. The average working capital to sales ratio for Merchants of 16.9% fell 80 points over the past year as working capital was well managed against a weak market.



## Dividend and Distributions

There will be no final dividend on the ordinary shares of PaperlinX Limited for the period ended 30 June 2010.

The 30 June 2010 distribution on the PaperlinX Step-up Preference Securities (SPS) was paid. No decision has yet been taken with respect to the missed 31 December 2009 distribution. A dividend block on the Ordinary shares remains in place until such time as two consecutive distributions on the SPS are paid.

## Employees

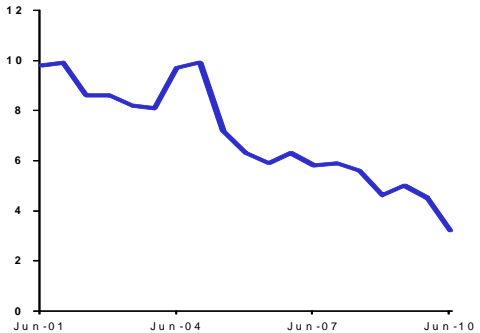
As at 30 June 2010, PaperlinX had 6,508 employees compared with 7,512 at June 2009. Of our employees 10% are in Australia, New Zealand and Asia, 70% in Europe and 20% in North America.

## Safety

Achieving our goal of no accidents and injuries is a continuous challenge. The overall Lost Time Injury Frequency Rate (LTIFR) has been reduced by 36% in the last year to the lowest level in the company's history.

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

**Rolling 12 month average LTIFR**  
(Injuries per million hours worked)



## Sustainability

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.

## DIVISIONAL COMMENTARY

### MERCHANTING - TOTAL

		12 months to June 2010	12 months to June 2009	% change
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	(1) (38.9)
Reported earnings before interest and tax and significant items	A\$m	<b>24.5</b>	85.9	(1) (71.5)
Trading EBIT / sales revenue	%	<b>0.9</b>	1.1	(1) (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

- 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% 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% 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% from 17.7% in the prior year.
- Gross profit from diversified businesses was 19% of total gross profit. Though particularly affected by the GFC in the year, these businesses have upside potential as economies recover.

### Europe

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

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

- Europe suffered a 6.2% volume decline and an 8.1% revenue decline against the prior year. There was a modest 0.1 pt gross profit percentage improvement for the year, but greater end of year momentum on this measure as well as on average sales price per tonne.
- Restructuring charges of €(8.2) million were taken largely toward year end to further recalibrate the northern European and UK business costs to current business size.

- Overall expenses were below prior year but did include a range of one-off items to adjust provisions and pension funds, and reflect IT impairments, onerous leases and severance costs.
- Average working capital to sales showed continued improvement, falling 1 percentage point from prior year.

## North America

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

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

- Total volume was down 10% versus prior with revenue off 7.6% reflecting some second half pricing that led to average price per tonne exceeding prior for the year.
- The gross profit percentage did improve over 1 percentage point for the year as improvements were secured throughout the year on this measure to mitigate the revenue falls. Trading expenses also continued to reduce versus prior.
- Of particular note, average working capital to sales was improved by 1.3 percentage points versus prior from a range of structural improvements.

## Australia, New Zealand and Asia

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

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

- Total volumes were down 8.7% versus prior though revenue was off 12.5% for the year. Despite this fall in pricing, gross profit percentage improved by 0.9 percentage points versus prior year.
- Expenses in this region showed 1.9% decline for the year, as expense reductions in the prior year were delayed pending the sale of Australian Paper.
- Though average working capital and year end working capital were below prior, year average working capital to sales increased for the year due to reduced sales revenue. Further opportunities are being pursued this fiscal year.

## DISCONTINUED OPERATIONS

		12 months to June 2010	12 months to June 2009	% change
Sales volume	'000 tonnes	<b>196</b>	769	(74.6)
Sales revenue	A\$m	<b>226</b>	977	(76.9)
Trading earnings before interest & tax	A\$m	<b>(31.6)</b>	30.4	(1)
Reported earnings before Interest, tax & significant items	A\$m	<b>(27.1)</b>	28.5	(1)

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

- Significant items of \$(154) million relating to the closure of Tasmanian operations includes \$(123) million relating to the operational closure and \$(31) million related to tax losses. The total compares with initial guidance of a cost of \$(170) million.
- The high Australian dollar put pressure on prices through the year and negatively impacted earnings from exports, reducing margins and overall profitability. Cost reductions, machine performance and safety were positive and a credit to our employees as they remained focussed throughout the closure process.
- Paper production in Tasmania ceased in June 2010. A process is underway to sell land, plant and equipment.

## UNALLOCATED

		12 months to June 2010	12 months to June 2009
Corporate and Other	A\$m	(20.9)	(32.6)
Net gain on loan / currency option	A\$m	0.0	-
Significant items	A\$m	-	(3.7)
Net other financing charges	A\$m	(19.9)	(71.6)
FX gains and losses	A\$m	7.8	(30.3)
Earnings before interest & tax	A\$m	(33.0)	(138.2)

- Corporate and Other includes a one-off gain on the sale of an asset of \$4.6 million for 2010 as reported in the first half.
- Corporate overhead includes the benefit of a lower head count following the recalibration of the Corporate Office after the sale of Australian Paper.
- The net gain on the currency option seen in the first half reversed in the second half to give a nil impact for the year.
- There were no significant items relating to corporate in the 2010 year.
- Net other financing charges were significantly lower due to reduced advisor and other related lender costs.
- The second half saw a one-off gain on a financial instrument relating to the refinancing programme. Foreign exchange losses seen in the prior year have not repeated, with improved processes well embedded.

### Forward looking Statements:

Certain statements in this release 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.

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