



# 2011 Full Year Results Presentation

25<sup>th</sup> August 2011

# Agenda

---

- Results
- Financials
- Outlook
- Regaining Relevance
- Summary
- Questions

# Executive summary

---

- A significant loss
- Largely made up of non-recurring charges and costs
- A Transition Year
- Resolving legacy issues to create a platform for future profitability
- External environment in core paper markets remains hostile
- Strategic Review underway

# Key messages for 2011

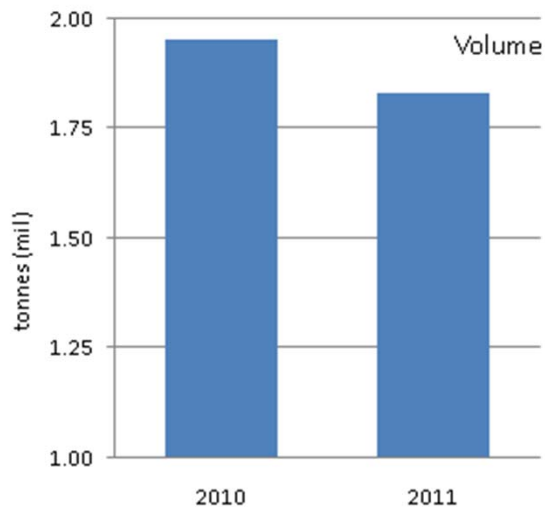
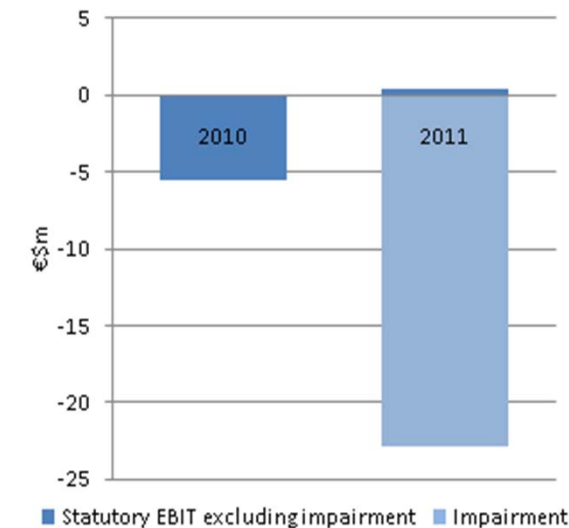
---

- A statutory loss of \$(108.0)m, prior year \$(225.3)m
- Goodwill impairment charge of \$(35.1)m in Australia and £(20.0)m in the UK due to decline in volumes and difficult ongoing trading conditions
- Volume down by 5.6% (excl. Tasmania)
  
- Share gains in many markets
- Expense to sales down 50 bpts
- Local selling prices up 8%, gross margin % down 10 bpts
- Average working capital to sales down 120 bpts
- Diversified gross margin represents 20.9% of total, up 220 bpts

# 2011 financial results

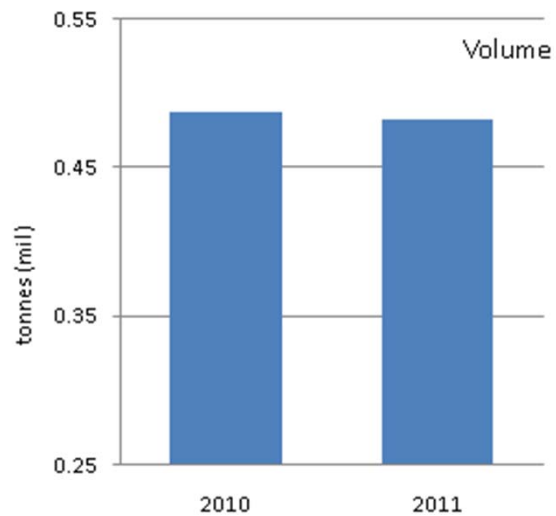
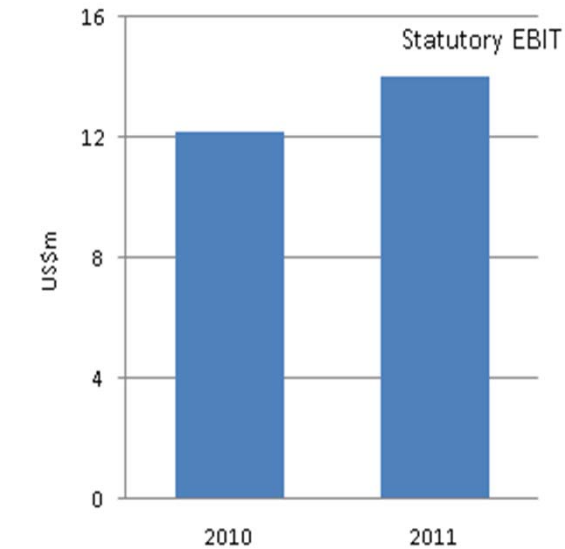
		Jun 11	Jun 10	% change
Volume	000 tonnes	<b>2,631</b>	2,911	(10)
Sales revenue	\$m	<b>4,670</b>	5,225	(11)
Sales revenue - constant FX	\$m	<b>5,115</b>	5,225	(2)
Average selling price	\$ / tonne	<b>1,775</b>	1,795	(1)
Average selling price - constant FX	\$ / tonne	<b>1,945</b>	1,795	8
Statutory EBIT	\$m	<b>(91.9)</b>	(174.9)	47
Statutory loss after tax	\$m	<b>(108.0)</b>	(225.3)	52
Underlying loss after tax	\$m	<b>(22.6)</b>	(27.6)	18
Working capital	\$m	<b>641</b>	776	17
Operating cashflow	\$m	<b>55</b>	23	136

# Europe



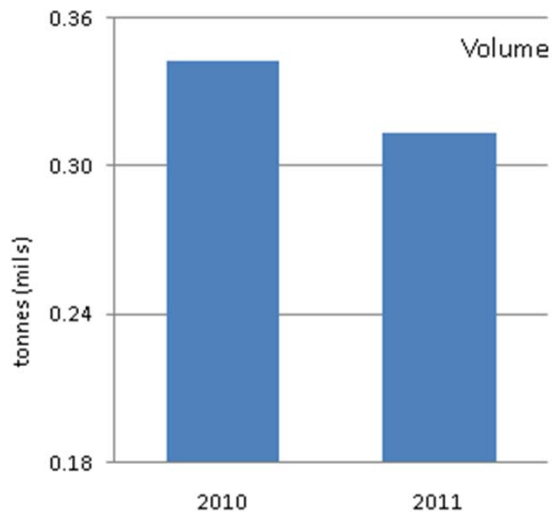
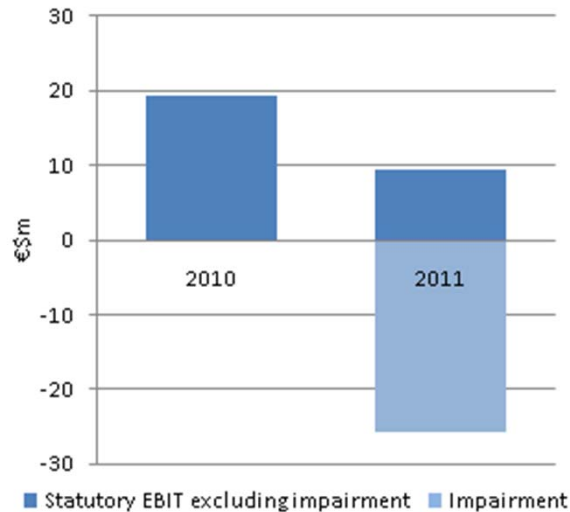
- Statutory EBIT loss of €(22.9)m, includes goodwill impairment of £(20.0)m
- Market share stable in UK, growth on Continent
- Volume down 6% on prior (10% in UK)
- Central Europe continues to grow
- Price rises partly offset volume shortfall
- Gross profit % impacted by growth in CEE
- Higher diversified sales and margin growth
- Average WC / sales down 10 bpts on prior
- Restructuring progressing in UK, Germany, Italy and Corporate

# North America



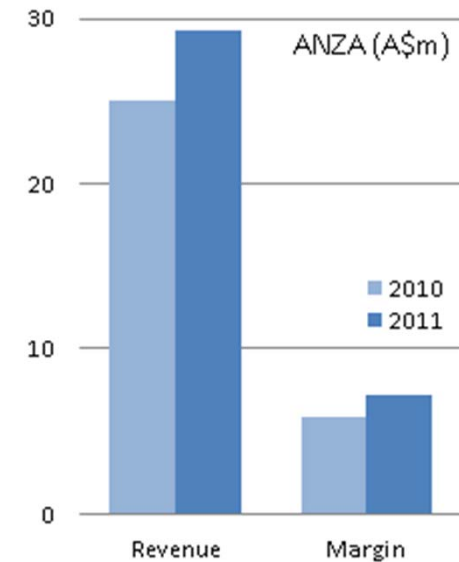
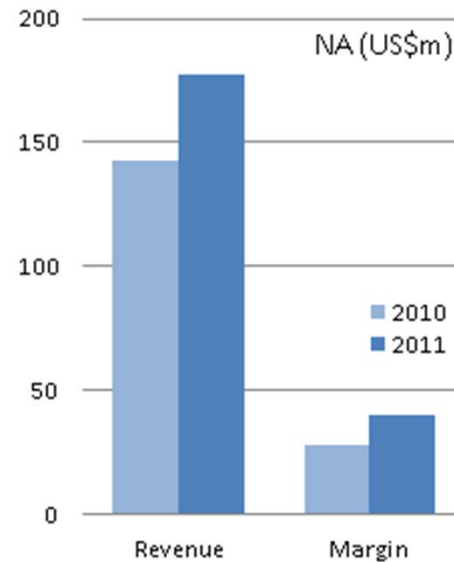
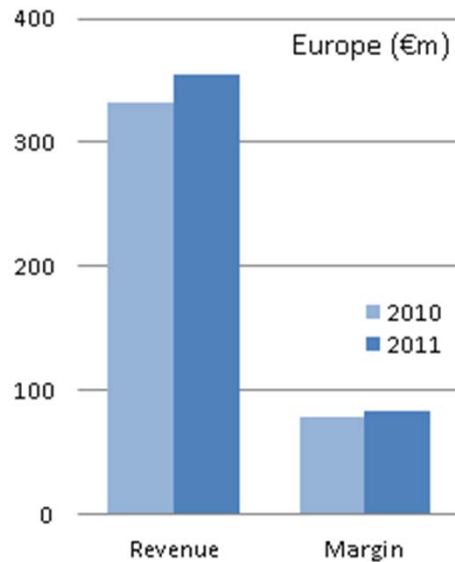
- Statutory EBIT growth of 15% in local currency
- Market share increased
- Volume down 1% on prior largely due to weaker coated paper demand
- Gross profit margins improved
- Margin from diversified sales increased in all segments and now represents 22% of total margin
- Working capital performance remains industry leading with AWC of 12.0%

# Australia, New Zealand, Asia



- Statutory EBIT loss of \$(25.7)m includes goodwill impairment of \$(35.1)m
- Market share decline in Australia due to not pursuing high risk business
- Volumes down 8% largely due to depressed Australian print market
- Lower selling prices due to stronger AUD
- GP% increased on prior reflecting strong pricing disciplines
- Christchurch still recovering from earthquakes
- Diversified revenues grew by 17%
- Ongoing restructuring to reduce expenses and working capital due to delayed structural decline

# Diversified products



- Europe: Revenue grew 6% with all segments improving on prior. Denmark is our first fully diversified business and delivered ROFE of 15%
- NA: Diversified gross margin / total gross margin increased to 22% from 16% largely due to development in digital technology
- ANZA: Largest market is sign and display where sales grew 19% over prior
- Group: Diversified GM% up from 22.6% to 23.2%. Represents 20.9% of total GM

# Financial discussion

## Key financial messages

---

- Goodwill asset impairment in Europe and Australia of \$68.5m post tax
- Valuation loss on the currency option of \$15.4m post tax
- Restructuring costs of \$17.7m post tax
- Interest cost was 31% lower than prior
- Gearing remains low at 18.9%
- Compliant with bank covenants
- Maturity of 2 largest borrowing facilities extended
- No full year ordinary dividend
- December 2010 and June 2011 SPS distributions paid
- No decision regarding SPS Remarketing Date

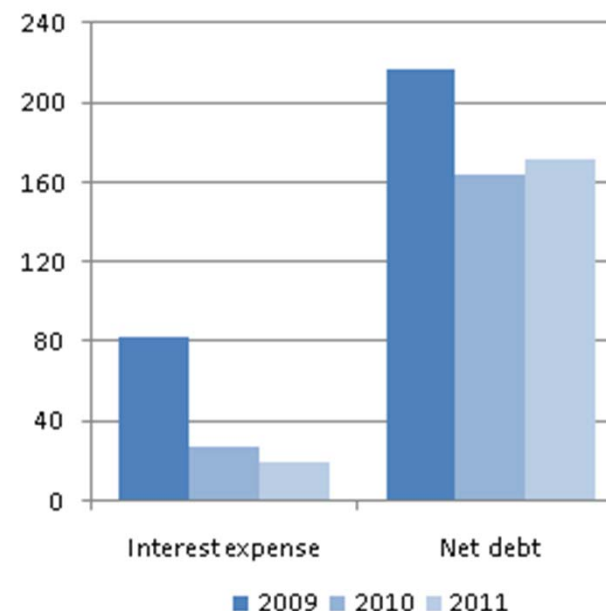
# Cash flow

\$m	Jun 11	Jun 10	% change
Operating cash flow excl working capital	(8)	(60)	87
Working capital movement	63	83	(24)
Operating cash flow	55	23	139
Capital expenditure	(18)	(19)	5
Proceeds from asset / investment sales	10	77	(87)
Borrowing costs paid	(1)	(19)	97
Distributions SPS	(21)	(10)	(110)
Tas Paper closure	(32)	(54)	40
Currency option / CF hedges	(4)	58	(106)
Net cash flow - net debt basis	(11)	55	(119)

- Positive operating cash flow benefited from improved results and favourable working capital
- The current period included 2 hybrid distributions versus 1 distribution in the pcp
- Cash outflow for Tas Paper closure largely incurred. Cash outflow to complete remediation estimated at \$15m excluding asset sales

# Debt & interest expense

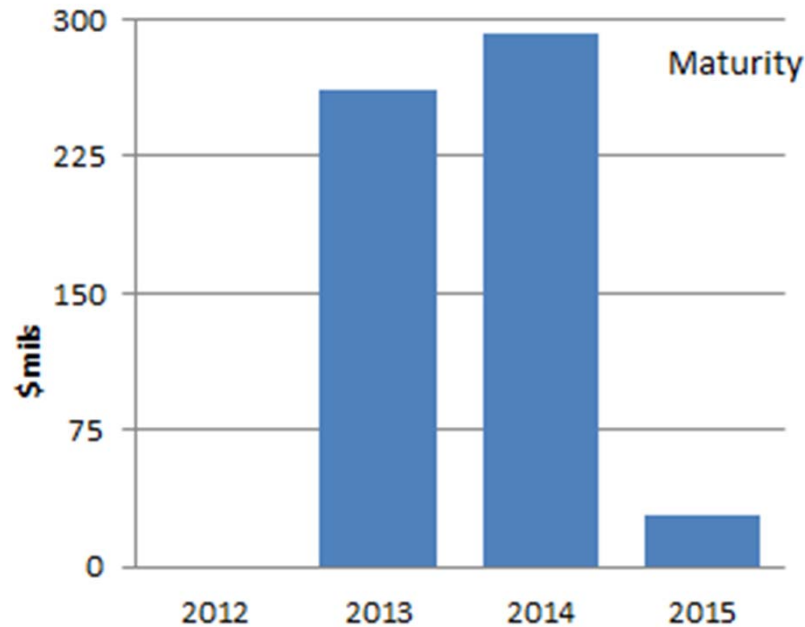
		Jun 11	Jun 10
Gross debt	\$m	<b>297</b>	301
Cash	\$m	<b>125</b>	137
Net debt	\$m	<b>172</b>	164
Net debt / debt & equity	%	18.9	15.1
Continuing	\$m	<b>16.9</b>	27.2
Discontinued (non-cash)	\$m	<b>2.0</b>	0.3
Net interest expense	\$m	<b>18.9</b>	27.5



- Compliant with all financial covenants
- Month end is low point in monthly debt cycle. \$75-125m intra month drawdown
- Higher debt levels in December reflect annual investment in working capital to support 2H trading levels
- Lower average gross debt balances and lower interest rates
- Interest cost is estimated at \$17-20m p.a. and financing charges of \$3m p.a. are included in the Unallocated segment

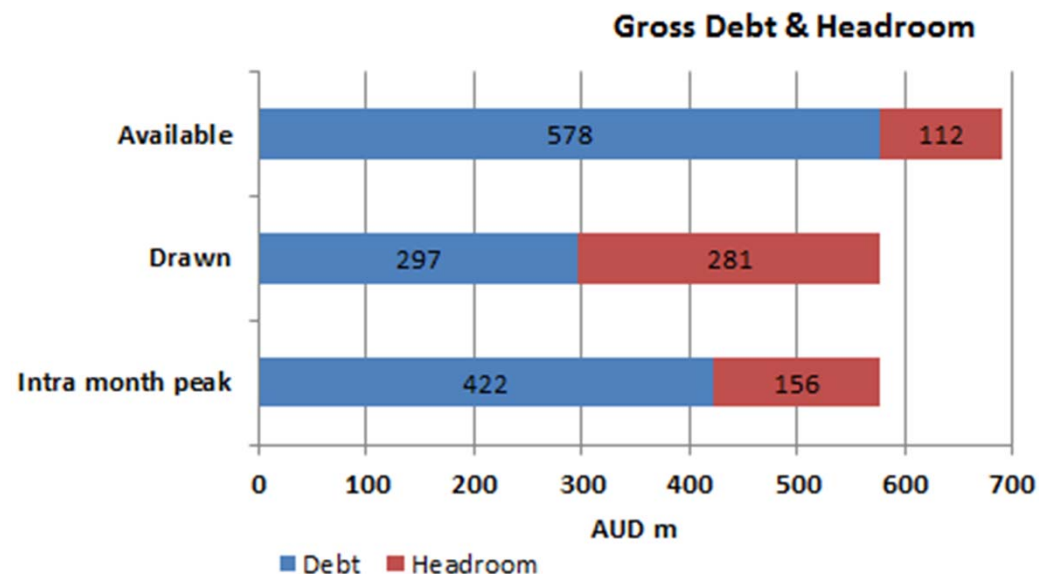
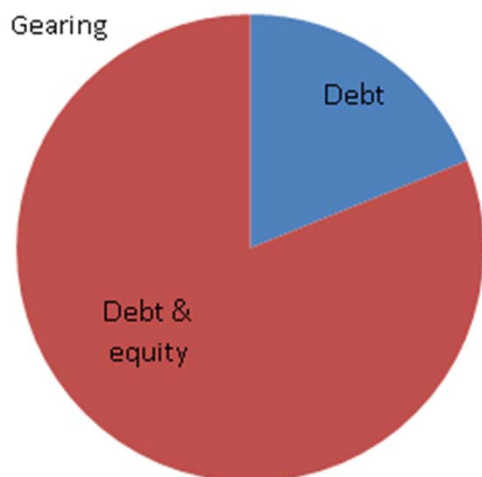
# Borrowings profile

---



- No cross default between facilities
- Weighted average life of working capital debt is 2.1 years
- No working capital facilities mature in FY12
- Interest expense profile managed by an interest cap
- Continental European receivable facility has dual AAA credit rating for Dutch and UK receivables

# Liquidity



- Sound balance sheet position with low gearing (18.9%)
- Positive operating cash flow continues to be generated.
- Unutilised funding facilities of circa \$281m depending on level of business
- Extension of the Group's 2 largest facilities (Europe)

# Outlook

# Business outlook

---

- Core paper market volumes volatile
- Growth in Central Europe and niche sectors
- Pricing holding with mill led increases anticipated in FY12 Q2 (upside)
- Diversified sectors show growth in market shares, margins and revenues
- Benefits of restructuring will flow through to bottom line in FY12
- Significant upside leverage to any cyclical recovery

# Regaining Relevance

# Regaining Relevance

---

- Context:**
- Structural decline continues in core business
  - Cyclical pressure from macro economic malaise
  - No overall recovery in volumes projected
  - Diversification strong but insufficient to offset core decline in short term

**Response:**

1. Resolve legacy issues
2. Get to grips with the basics
3. Reshape the future

# 1. Resolve Legacy Issues

---

- **Tasmania**
  - All remediation provided for
  - Equipment and land sales upside
- **Restructuring**
  - Corporate costs reduced by A\$15m
  - Additional restructuring of A\$14m announced in July results in savings of \$14m in FY12 and ongoing savings of A\$17m p.a. from FY13
  - Focus on appropriate businesses
  - New, streamlined and more flexible structure created in key markets

## 2. Get to grips with the basics

---

OpCo turnarounds achieved and sustainable – Italy, Denmark, Poland and Germany. Business transformations in UK and Benelux

### Optimise the Core

- Drive the KPIs – margin / expense / working cap to sales
- Simplify and streamline – a low cost and flexible cost base
- Maximise leverage – emphasis on procurement
- Align with growing & profitable customers
- Focus on niche growth sectors

### Accelerate Diversification

- From organic investment to real returns in FY12
- Significant share growth in key markets
- Margins higher than paper
- Logistics strength & synergies a key drive
- Long-term growth potential

# 3. Reshaping the Future

---

- **Liquidity secured**
  - Forecast compliance with all financing covenants
  - Further headroom if required through extension of working capital facilities
- **Strategic Review**
  - Address Capital Structure
  - All options considered
  - Action will be taken against well defined outcomes
- **Redefine the future of PaperlinX**
  - Before end FY12
  - To create a Company capable of investing in a sustainably profitable future

# Summary

# Summary

---

Why the future will be better than the past?

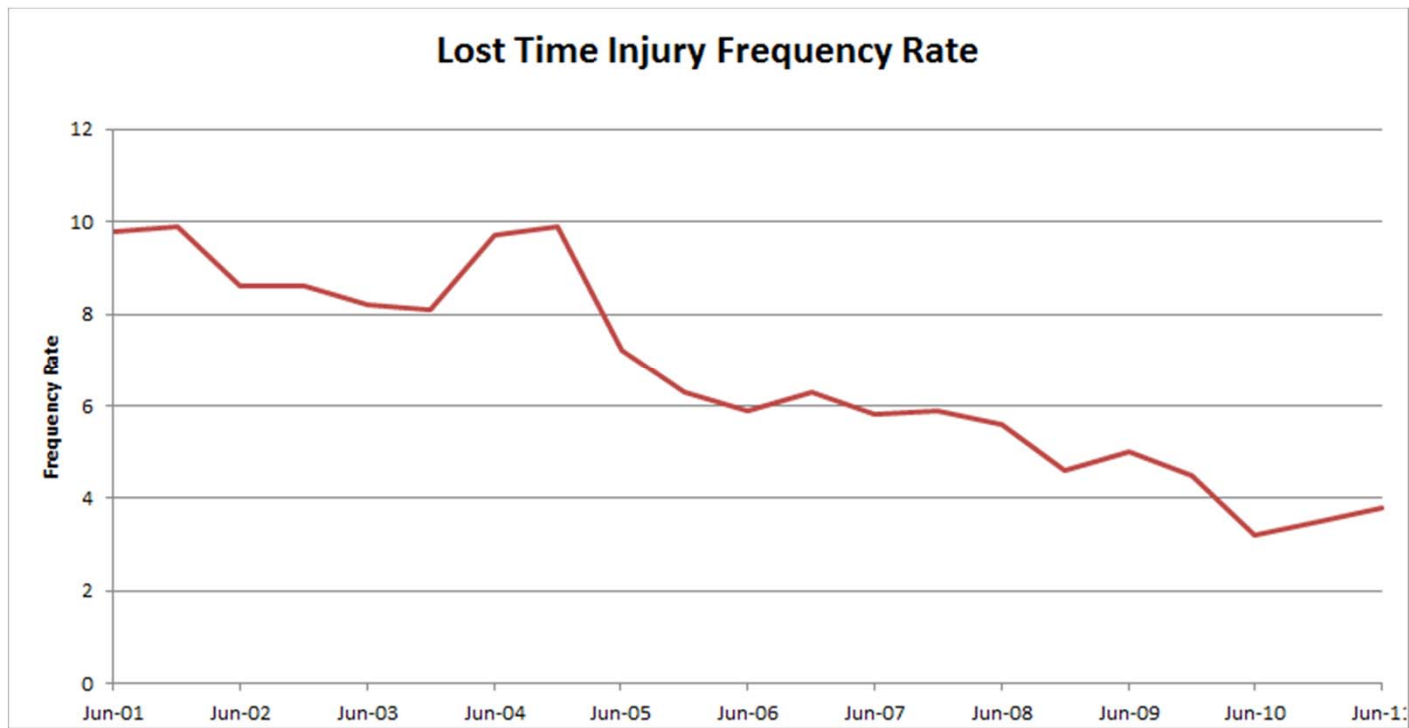
- We are resolving our legacy
- We are a group of inherently good businesses that are being recalibrated
- Our back to basics approach is working in the core
- Our diversified businesses are set for further growth and profitability
- We have leverage in scale and scope
- We are undertaking a Strategic Review and we will act on outcomes
- We will address our Capital Structure

The outcome will be a company with a sound balance sheet,  
a sustainably profitable future and a regained relevance

# Questions

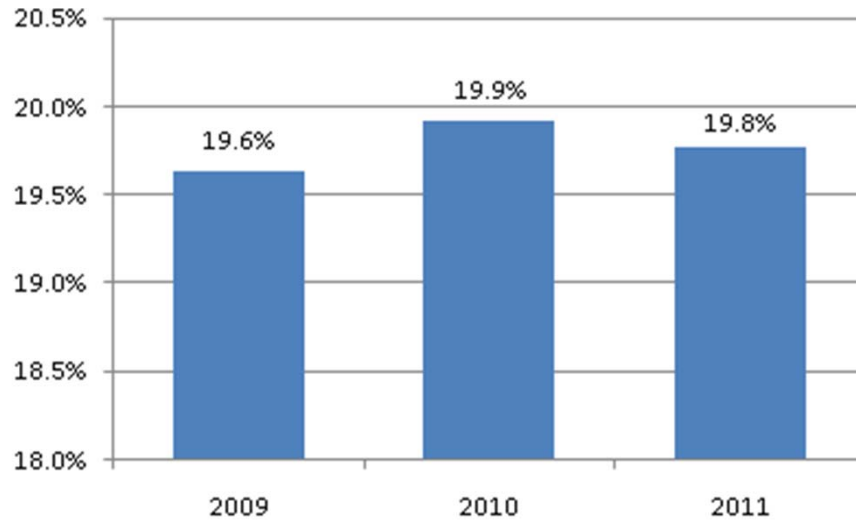
# Appendix

# Safety



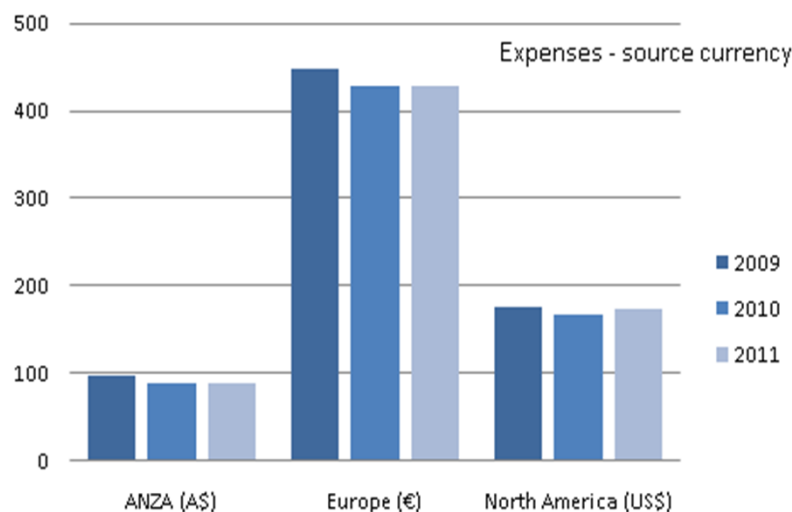
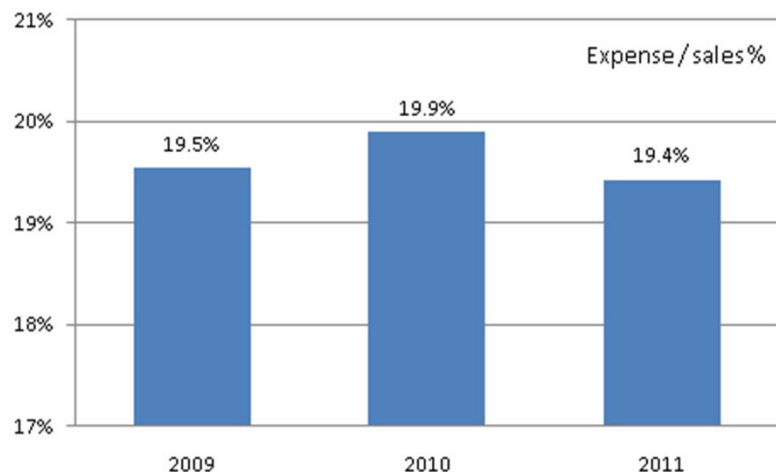
- The Lost Time Injury Frequency Rate increased from 3.2 to 3.8 and the Medically Treated Injury Frequency Rate increased from 7.2 to 7.3. Despite the slight increase in frequency rates over prior period, total injuries dropped 5% and days lost dropped 11%.
- Overall trend in the last 10 years has been very positive with a 61% reduction in lost time injury rates and 67% reduction in medically treated rates.

# Gross profit %



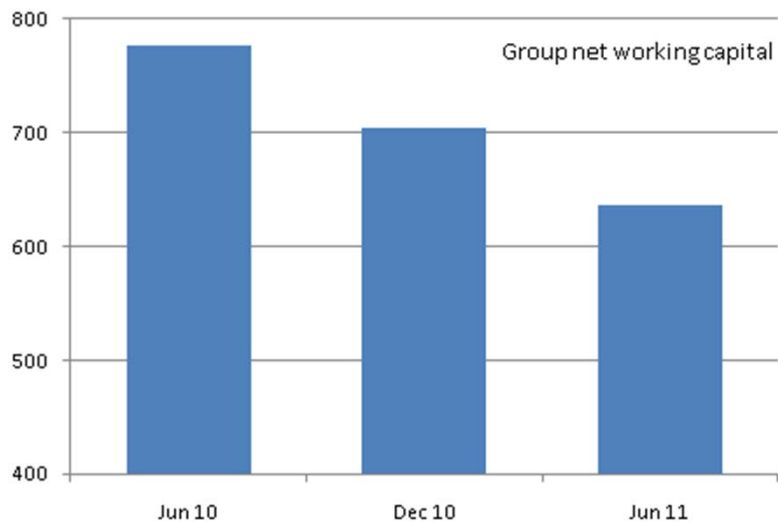
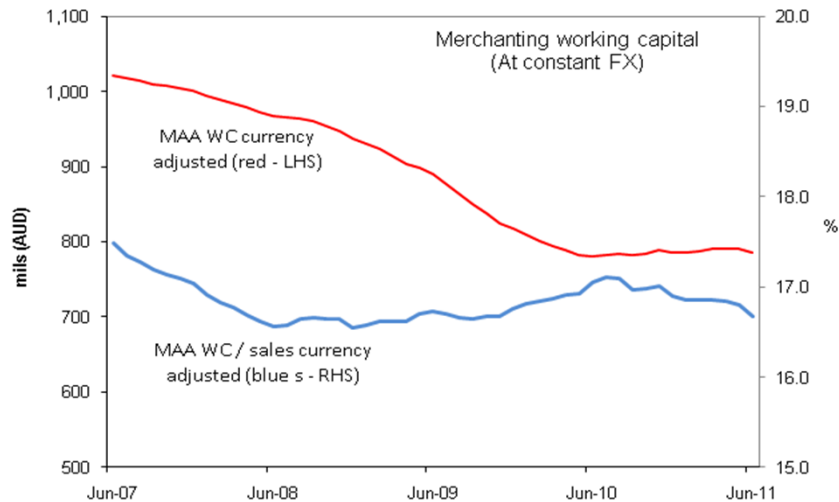
- In line with prior due to disciplined margin management
- European sales mix tending towards lower cost and lower margin sales and sales growth in lower margin countries
- Paper price increases and higher margins for diversified sales
- Target: GP% greater than 20%

# Expense / sales %



- Corporate and operational savings have driven favourable outcome versus prior
- Further operational costs reductions underway
- 2012 costs will benefit from the global operations and Head Office restructures
- Investing in skills to grow diversified paper activities
- Headcount down 296 on prior, before latest restructuring

# Average working capital / sales %



- AWC / sales of 16.8% is 120 bpts below prior. Strong result given weaker sales revenue
- On a constant currency basis AWC / sales was 16.7% versus prior of 17.1%
- Group NWC was 17.4% below prior due to stronger AUD, lower Tas Paper inventory and business performance
- Ongoing investment in inventory to support diversified activities
- Inventory optimisation continues

# Europe results

		Jun 11	Jun 10	% change
Continental Europe	`000 tonnes	<b>968</b>	977	(1)
UK, Ireland, Spain and South Africa	`000 tonnes	<b>860</b>	974	(12)
<b>Total sales volume</b>	<b>`000 tonnes</b>	<b>1,828</b>	<b>1,950</b>	<b>(6)</b>
Sales revenue	€m	<b>2,217</b>	2,148	3
Statutory EBIT	€m	<b>(22.9)</b>	(5.6)	(309)
Statutory EBIT / sales revenue	%	<b>(1.0)</b>	(0.3)	70 bpts
Average working capital / sales revenue	%	<b>17.1</b>	17.2	10 bpts
Diversified margin / total margin	%	<b>22.9</b>	21.4	150 bpts

# North America results

		Jun 11	Jun 10	% change
Sales volume	'000 tonnes	<b>482</b>	487	(1)
Sales revenue	US\$m	<b>923</b>	889	4
Statutory EBIT	US\$m	<b>14.0</b>	12.2	15
Statutory EBIT / sales revenue	%	<b>1.5</b>	1.4	10 bpts
Average working capital / sales revenue	%	<b>12.0</b>	12.4	40 bpts
Diversified margin / total margin	%	<b>22.0</b>	16.1	590 bpts

# Australia, New Zealand and Asia results

		Jun 11	Jun 10	% change
Sales volume	'000 tonnes	<b>314</b>	342	(8)
Sales revenue	A\$m	<b>516</b>	573	(10)
Statutory EBIT	A\$m	<b>(25.7)</b>	19.4	(232)
Statutory EBIT / sales revenue	%	<b>(5.0)</b>	3.4	(840) bpts
Average working capital / sales revenue	%	<b>23.3</b>	22.5	(80) bpts
Diversified margin / total margin	%	<b>7.4</b>	5.6	180 bpts

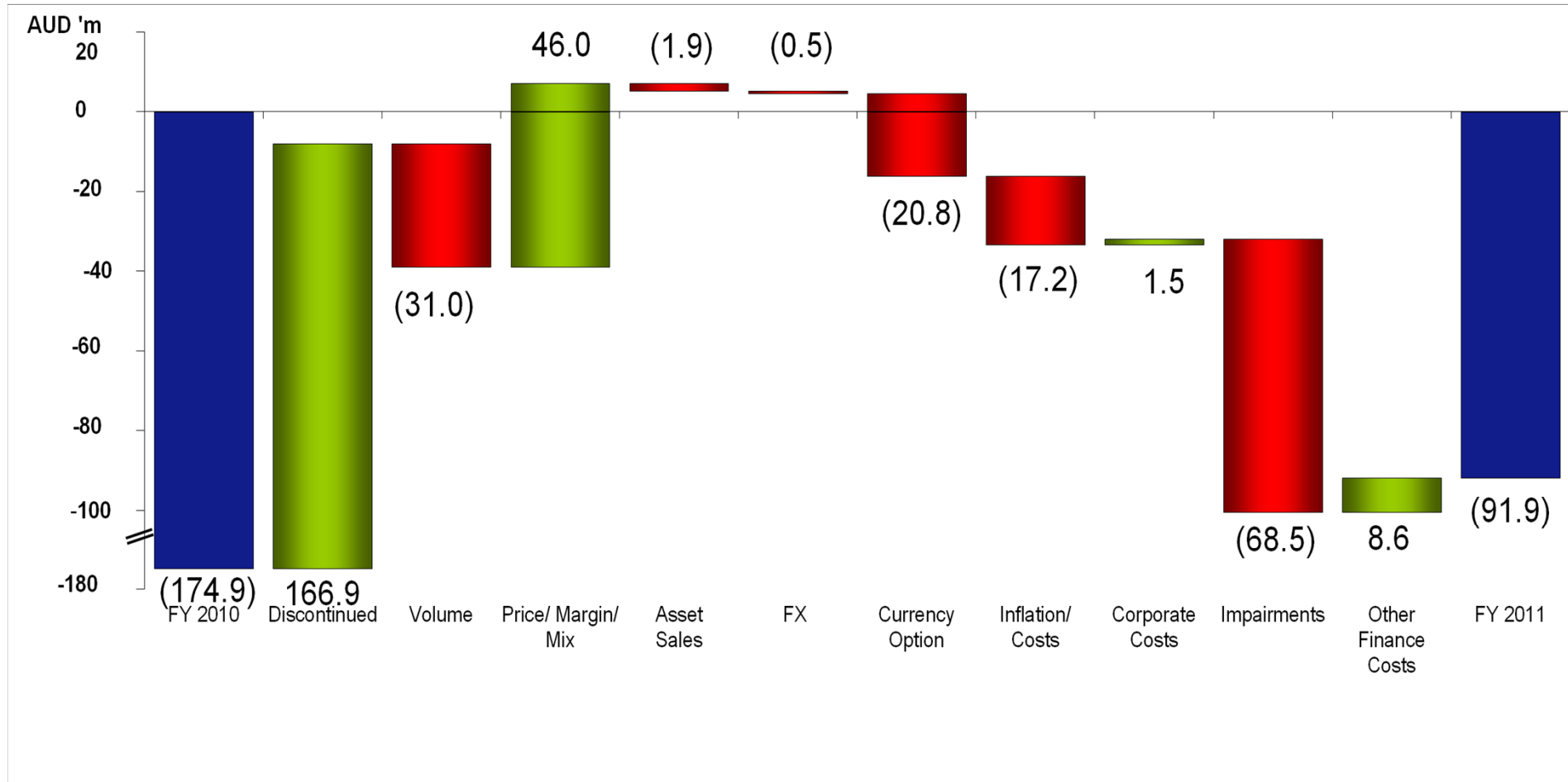
# Discontinued and Unallocated results

Discontinued		Jun 11	Jun 10
Sales volume	'000 tonnes	15	196
Sales revenue	A\$m	16	226
Statutory EBIT	A\$m	0.5	(166.4)

Unallocated \$m	Jun 11	Jun 10
Corporate and Other	(17.4)	(25.5)
Restructure costs	(6.6)	-
Gain on sale of non-core investment	-	4.6
Statutory EBIT excluding finance costs & significant items	(24.0)	(20.9)
Net other financing charges excl FX	(3.0)	(19.9)
FX gains and losses	(0.5)	7.8
Statutory EBIT excluding significant items	(27.5)	(33.0)
Net currency option and intercompany loan	(20.8)	-
Statutory EBIT	(48.3)	(33.0)

Corporate and Other is estimated at \$20-21 p.a. Other net finance costs is estimated at \$3m p.a.

# Statutory EBIT variances – Jun 11 v Jun 10



# Underlying result

---

\$m	Jun 11	Jun 10
Statutory loss after tax	<b>(108.0)</b>	(225.3)
Adjust for the following:		
Discontinued operations	<b>1.5</b>	197.7
Net currency option	<b>15.4</b>	0.0
Goodwill Impairment	<b>68.5</b>	-
Underlying loss after tax	<b>(22.6)</b>	(27.6)

# Balance sheet

Balance sheet		Jun 11	Dec 10	Jun 10
Current assets	\$m	<b>1,540</b>	1,604	1,774
Non current assets	\$m	<b>390</b>	489	531
<b>Total assets</b>	<b>\$m</b>	<b>1,930</b>	<b>2,093</b>	<b>2,305</b>
Current liabilities	\$m	<b>846</b>	913	996
Non current liabilities	\$m	<b>348</b>	337	385
<b>Total liabilities</b>	<b>\$m</b>	<b>1,194</b>	<b>1,250</b>	<b>1,381</b>
<b>Equity</b>	<b>\$m</b>	<b>736</b>	<b>843</b>	<b>924</b>
Current ratio	times	<b>1.8</b>	1.8	1.8
Net debt / debt & equity	%	<b>18.9</b>	19.2	15.1

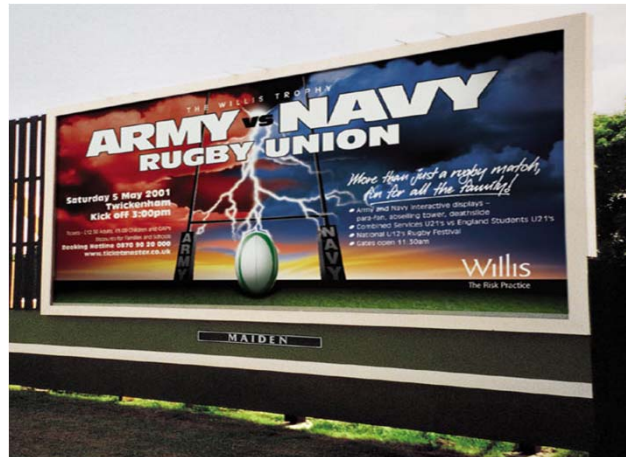
# Borrowing facilities

A\$m	Facility Size	Available at June 2011	Drawn at June 2011 (1)
ANZA	136	85	34
Europe	415	136	228
North America	139	60	35
<b>Total</b>	<b>690</b>	<b>281</b>	<b>297</b>

(1) Seasonal low point in debt

# Sign and display

- Printers and consumables
- Cardboard, plastics, metal, vinyl, textiles
- Signage – internal & external
- Point of sale displays
- Vehicle graphics
- Banners, posters
- Lighting



# Industrial packaging

- Packaging equipment
- Transit or “end of line” packaging
- Cardboard cartons
- Shrink wrap
- Bubble wrap
- Strapping
- Tapes



# Graphics

---

- Non-paper product offering to traditional printers (offset printers)
- Pre-press, press room and post press products
- Inks, chemicals, cleaning supplies, films, blankets, varnish, cutting and binding supplies



# Digital paper

- Diversification within the core business
- Changes in technology have reduced cost of purchasing digital printers e.g. laser printers
- Corporate end users are insourcing
- Partnerships with digital printer manufacturers
- Broad product offering of branded products

