PaperlinX Limited
ABN 70 005 146 350
7 Dalmore Drive
Scoresby, Victoria 3179
Australia
Tel: +61 3 9764 7300
Fax: +61 3 9730 9754

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PAPERLINX 2014 ANNUAL GENERAL MEETING:
1. CHAIRMAN'S AND MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER'S ADDRESSES

2. CHAIRMAN'S COMMENTS ON: - REMUNERATION REPORT

CHAIRMAN'S ADDRESS

This morning I will provide an overview of the Company's results for the year and our performance as an international merchant. Firstly, I would like to make some comments about the progress that PaperlinX has made with its turnaround strategy to return your Company to a business that is producing sustainable profits and returns.

Progress at PaperlinX

In the last financial year, your Company's performance continued to move in a positive direction, and this is a reflection of the significant restructuring initiatives that were undertaken to reduce costs. This has meant a 14% reduction in our employee base and rationalisation of our property footprint.

We have reduced the trading losses, trading expenses are down by 12% in constant currency, net debt is down to an historic low and we have the liquidity in place to execute our current business plan.

Our businesses in Canada and ANZA regions have improved their performance, and while our business in Europe is still loss-making, it has improved its position. Growth in our diversified businesses is positive, with gross margins on the increase.

This time last year, as part of this turnaround strategy, we undertook a capital simplification project as promised. We believed that addressing the capital structure would also enable the Group to access additional resources to scale up our diversified portfolio.

In making a takeover offer for the step up preference securities (SPS) to merge the two classes of capital, we set a conversion ratio we believed would satisfy both classes of holders. Ultimately the lack of participation by the larger holders of SPS units caused the proposal to fail in achieving the intended outcome.

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While the Board still believes the capital structure needs to be simplified, we cannot do so without the support of large holders of both classes. The Board has no immediate plans to revisit the capital structure and will concentrate its efforts to assist management with the operational turnaround.

2014 results

Now I will review the Group's financial results for 2014. I will mention a few of the financial components, and then I will pass over to Andrew later for a more detailed review of the operations in each region.

PaperlinX has reported a statutory loss of $63.6 million for financial year 2014, a reduction of $29 million over the prior year. Included in this loss are significant charges of $34 million for restructuring activities. Sales revenue of $2.83 billion is up slightly in Australian dollars but down 9.5% when using a constant currency for conversion. This reduction was on the back of lower paper volumes in our key markets.

I am pleased to report that PaperlinX delivered a positive Underlying EBIT[1] result for the second half of the 2014 financial year. The last time the Company reported a profitable six month Underlying EBIT[1] was in the first half of the 2011 financial year.

Although this shows progress, the Board is very conscious that the industry and the regions where we trade are experiencing significant challenges. If we are to see any significant improvement following on from these results, it has to come from improved sales and margins, further restructuring of our cost base and faster growth of our diversified businesses.

We saw a significant improvement in working capital cash flow in the period which was largely due to the focus on the key disciplines of management of terms with debtors and suppliers, and resetting inventory levels to current levels of demand. This improvement in working capital ensured a positive cash flow for the year that led to net debt reducing by 24% to an historical low of $94 million.

During the financial year we extended a number of lending arrangements in Europe and consequently there are currently no facilities expiring in financial year 2015. Our primary funding facilities across the group are linked to the regionally based business structures and based on the pledging of debtors and / or inventory.

The group defined benefit pension deficit decreased by 14% in the period to $108 million after an unfavourable foreign currency translation to Australian dollars was more than offset by improving asset returns in plans in some countries as well as higher than expected cash contributions. Importantly, in the UK where the largest deficit sits, a long-term recovery plan to hold cash contributions at current levels has been agreed with the local trustees.

I am very pleased to report a positive safety performance again this year. The Lost Time Injury Frequency Rate reduced by 17% over the prior year and 80 per cent of sites worked the year without a Lost Time Injury. All our employees should be proud of this significant achievement.

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Strategic priorities

Our turnaround strategy is focused on how we offset the continued structural decline in demand for our Commercial Print business (fine paper) as electronic media impacts the demand for paper.

Our actions here are three-fold. Firstly, we are aggressively taking costs out of our Commercial Print business that services the print and paper industry by restructuring our cost base. Areas such as procurement, our property portfolio, organisational processes and structures have been reviewed to identify cost savings. Where there was duplication, wastage, excess or dysfunction, we have taken steps to simplify our approach.

Secondly we are improving our gross margins through the procurement process and effective customer and product segmentation. We no longer want to be narrowly defined by the volume of paper we sell. Looking ahead, we want to be defined by the margin we earn on all our products, be they paper, hardware or consumables

Thirdly, beyond Commercial Print, we have diversified into alternative product areas that have higher margin opportunities such as Packaging, Sign & Display or 'Visual Technology Solutions' and Graphic Supplies. Andrew will go into more detail about the performance of these businesses, but we are committed to accelerating growth here and that means assessing strategic acquisition opportunities. While this is occurring at a slower pace than the ideal, we are pushing ahead.

For example, we recently acquired Total Supply Limited, a leading sign industry supplier in New Zealand, in a move to expand the Sign & Display business in the ANZA region.

For the longer-term, we have started Research and Development into product innovations that embrace new technologies and Andrew will speak further about some of these projects.

In reality, the print and paper industry needs rationalising. There are too many players on the manufacturing and distribution side. We are willing to participate in any rationalisation but won't allow our shareholders to be disadvantaged by it.

Summary

There is no doubt that we are heading in the right direction and have our priorities in place. But I must reiterate that delivering this turnaround in a short time frame is challenging. There is no quick fix here. We will continue to direct our efforts towards improving our unprofitable businesses and seeking growth from new product areas with higher margins.

Andrew Price has been in the role of Managing Director and Chief Executive Officer for just over twelve months, based in Europe. I would like to thank him and his senior management team for the enormous amount of activities they have put in place to steer this Company back towards profitability. Andrew brings a fresh approach to this role and he is dedicated to achieving success.

Before I hand over to Andrew who will give you an update on the operations, you may be aware that his contract as Managing Director and Chief Executive Officer is due to

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expire in April 2015. The Board are currently in discussions with Andrew to extend this contract and we expect to make an announcement in due course.

Your Board is a very small but nimble team who is in touch regularly beyond our official meeting calendar and is dedicated to the turnaround journey, so I would like to thank my fellow Board members for their unstinting dedication and hard work, and for making the swift decisions as required.

I would also like to acknowledge our employees across the globe for their efforts and enthusiasm as we continue this turnaround journey. I want them to know that their contributions are greatly valued and recognised by the Board. On behalf of my fellow board members I would like to express our gratitude, particularly to those employees who have generated some great ideas for making business improvements and identifying cost reductions in a bid to make this a better Company.

I thank our shareholders, our loyal customers, and our strategic business partners for their ongoing patience and support.

Finally, I want to assure you, our shareholders, that we remain firmly dedicated to turning around the fortunes of your Company and I hope I have your continuing support in that endeavour.

MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER'S ADDRESS

Last September when I increased my responsibilities by taking on the role of Managing Director and Chief Executive Officer, I was assuming full operational accountability to turn this business around.

I can now assure you that the turnaround of the PaperlinX Group is well underway. I feel we are moving closer to our goal of returning to profitability than we have been in a number of years, but there are still many challenges ahead of us

2014 Highlights

Over the past year we have significantly reduced our statutory loss and seen improved overall performances in all three regions.

For the first time in a number of years I am really pleased to report that we were profitable at the Underlying EBIT[1] level in the second half of the 2014 financial year.

These results are testament to an organisation that has embraced significant change following aggressive restructuring activities to lower costs and right size operations.

The key here has been taking action on what we can control. I like to think of this in terms of the 3 P’s – people, property and procurement.

For example, aligning our employment costs with our current circumstances has probably achieved the largest step change in reducing the cost base. In the 2014 financial year we reduced our global workforce by 14%, following a 12% reduction in the prior year.

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We have continued to review our global property portfolio and re-negotiated the lease terms of many of our properties to reduce costs.

By improving working capital we have been able to reduce our net debt for the period. Once again, controlling our inventory levels and terms of trade is making a difference and much of this relates to changes in our strategic supplier partnerships.

The decline of our established Commercial Print business is now well understood. What we can control is how we shape the future of our business and I am pleased to report that growth has continued in our diversified businesses, although at a moderate pace.

Before I talk about the path ahead for PaperlinX, I want to take some time to discuss our regional performance for 2014 and focus on the activities underway in our operations.

2014 Performance

This is a snapshot of our underlying results which show that our two profitable regions, Canada and ANZA, continued to improve performances, year on year.

It has been no secret that our main efforts are focused on improving our underperforming European business, and that is why I and our Chief Financial Officer, Joost, are based there. Each of the 11 businesses in Europe has its own market dynamics. By being based in Europe I am able to fully immerse myself in these operations, and I have gained an in depth understanding of local issues, our management teams, our customers, our competition and our suppliers.

Our European business has improved its position, reducing its Underlying EBIT[1] loss by 44% over the prior year. This is an encouraging outcome but we still have a lot of work to do to bring this part of our operations back to a profitable basis.

Europe

In Europe, revenue was down 13% in local currency. The key drivers for this are a combination of market decline for paper, our deliberate move away from unprofitable business, and some impact from changes to the competitive landscape.

While the Sign & Display business in Europe, renamed Visual Technology Solutions or VTS, saw a slight revenue fall, our gross margin improved as we focused on more profitable market segments.

The Packaging segment saw an increase in revenue and margin after organic growth in the Benelux, Poland and Scandinavia.

Trading conditions remained challenging for our largest businesses, specifically the UK, the Benelux and Germany, so we continued significant restructuring activities to further reduce costs. As a consequence, we reduced the total European workforce by 18%, removing 550 positions.

Our other businesses on the continent, although small, generated good returns. We had strong performing businesses in Spain, Poland and Scandinavia.

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Europe Restructuring

In the UK, we appointed a new management team who are tackling the challenge of how to move quickly to create a more variable cost model through property rationalisation and redesign of our product distribution and warehousing activities. Our workforce in the UK is the largest in the group, and this was reduced by 19%, down from 1,467 employees in FY13 to 1,190 employees in FY14. We should see the benefits of the redesign of our UK business model flowing through in the second half of FY15.

In the Benelux, a new management team is guiding further vigilance to improve the operational results with a primary focus on cost reductions. Site rationalisation is currently underway there and we continue to review the future of the envelope manufacturing business in the Netherlands.

In Germany, we implemented our restructuring plan to change the geographic footprint of the business and alter its cost base. While it is now smaller in size, we expect this business to halt ten years of losses.

Canada

Our North American business, which operates exclusively as Spicers in Canada generates revenue largely from Commercial Print. The business delivered a very strong profit performance, increasing Underlying EBIT[1] by 21% despite a 2% reduction in revenue. This was largely due to sustained margin disciplines held through continued market share gains following industry contraction, and identifying cost reduction opportunities, such as a 5% reduction in its labour force.

Efforts designed to assure reliable working capital and pricing efficiencies have reaped results. While market demand continued to be challenging, initiatives have achieved growth in adjacent segments such as digital substrates, graphic arts supplies and cut-size volumes specific to retail and reseller channels.

ANZA

The Spicers business in ANZA had a strong year overall, increasing Underlying EBIT[1] by 21%. While revenue was down slightly, strong expense and margin control in Australia and NZ more than offset the shortfall. Fixed costs continue to be reduced across all elements of the P&L, notably through right-sizing logistics operations and reviewing property leases.

The Asian business is experiencing contraction in the Commercial Print segment in its major markets of Malaysia and Singapore, which is impacting profitability. To counter this, we have employed expense reduction and margin management initiatives there, which are similar to those already successful in New Zealand and Australia.

The diversified businesses are experiencing significant growth and as Robert mentioned, Spicers in NZ recently acquired Total Supply to expand its sign and display business there.

The industry's move to more digital and inkjet printing is also creating some opportunities to innovate our offerings in the Commercial Print segment, with new digital paper ranges and Paper Xpress van delivery services in key city locations.

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Improving Europe's profitability

The reality is that the Group's turnaround is largely dependent on returning our European business to profitability. We believe that further strategic restructuring will be required in this region in FY15 if we are to continue to improve our overall performance.

Changing the way we manage and organise our business in Europe will also contribute to creating a positive culture focused on delivering the turnaround.

- During the year, I believe we built some organisational cohesion across the businesses in 11 European countries through the adoption of a single company brand 'PaperlinX', while also eliminating cost duplication and reducing complexity for our customers.
- We are continuing to implement our strategy to operate a borderless model in Europe for suitable products – moving the country-based business units into product-based divisions of Commercial Print, Packaging and Visual Technology Solutions.
- Management changes were also made as part of the restructuring efforts.

We are one of the largest independent merchants in the world, meaning we are not owned by a mill, so that gives us a competitive advantage and the ability to source 'best in class' products throughout the world.

For our Commercial Print business, we are championing a seismic shift in our business approach in Europe, by re-negotiating our terms with suppliers so we can move away from chasing volumes of paper sold towards securing greater profit margins. While this has been somewhat controversial, I make no apologies for continuing to review our procurement arrangements to ensure our product offering has breadth and quality.

The competitive landscape of our industry is changing, with high competition and low margins the norm. Recently we have seen some European mills going direct to market with varying success. We see this as an obvious precursor to their consolidation.

Paper is a commodity product, and as we see it, our role as an international merchant is to deliver value to our customers by providing commodity grades in a manner that is better, faster and cheaper. We will continue to manage our increasingly complex supply chain and logistics approach in an efficient manner and adapt to the changes that come our way.

Diversified businesses

What we currently refer to as our diversified businesses contributed $670m in revenue in FY14, which is an increase of 16% on FY13 and this is where we see our growth.

Growth is currently driven organically, with some small bolt-on acquisitions like Canterbury Packaging and Total Supply in New Zealand and Cadorit, a VTS company in our Scandinavian business. Acquisitions are undeniably the fastest way for us to grow, and we are identifying suitable bolt-on opportunities at the moment.

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Our Packaging business, which represented 9.4% of total sales in FY14, is showing further potential for growth. We offer a range of industrial supplies and packaging materials from cartons and adhesive tapes to protective packaging and shipping supplies. And we offer customised packaging solutions.

Our Sign & Display/VTS business represented 11.3% of total sales last year. This market continues to grow, fuelled by the 'Out of Home' segment. We supply not only screen, wide and grand format printing and finishing including consumables, hardware, software and accessories, but also an extensive range of material substrates. Everything from banners, self-adhesives and even thermoplastics.

I am pleased to announce here today an exciting development for our VTS business, initially in the UK and Ireland. This is a partnership with ArtSystems to sell the Stratasys Ideas 3D printer range. Stratasys is a world leading manufacturer of 3D printing equipment and materials that create physical objects directly from digital data.

There is a buzz around the potential of 3D printing – where will it go, and is it more than just a fad? What we are excited about are the commercial applications of this technology, not the desktop environment. We will undertake Stratasys product training to become a certified reseller and showcase demonstration units through our open house programme for UK customers in the coming months.

And in Australia we recently announced a partnership with 3M Australia to supply a broad range of 3M products for the screen, wide format and grand format markets. Along with a similar relationship with 3M in New Zealand, this will drive growth in our Sign and Display businesses in both countries.

As we seek new revenue streams, I am keen to nurture an entrepreneurial focus across our Company so we have started research and development into product innovations that embrace new technologies and align with our product mix and customer base.

One example of this innovation focus is an initiative called Maillinx. Maillinx is the creation of an online marketplace which enables an advertiser's message to hitch a ride with another company's mail for a fraction of the cost. The idea came to us when we were looking for ways to promote the use of printed communications in our UK market.

So you ask, how does PaperlinX get involved in this activity? We introduce advertisers to large bulk mailers. We provide the Maillinx website that acts as a 'marketplace' to match an advertiser's marketing material with a mailing ensuring their message gets into the hands of their target audience. Bringing advertisers together subsidises the total costs of mailing, for both the advertiser as well as the mailer.

PaperlinX also benefits directly from the commission received via the website match up. There are also indirect benefits for PaperlinX as the initiative promotes promotional mailing and thus demand for fine paper. We are hoping to develop this concept globally.

This is a good example of how we are continuing to build value for our customer base rather than just being a commodity supplier.

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FY15 Q1 Update

Three months into the start of this new financial year I am pleased to report that the Group's Underlying EBIT[1] has improved from the prior corresponding period.

All three regions have reported better results in the first quarter than prior.

At this point it is important to remind you that industry conditions remain very challenging in all our regions, and as a result we are in no position to provide full year guidance at this time.

We know we need to continue with our aggressive cost reduction programme and we expect to report further restructuring charges during this financial year.

Immediate Priorities

It is clear what we have to do this year.

- Provide our customers with products that are better, faster and cheaper
- Drive our European business towards a profitable foundation by continuing restructuring, cost reductions and securing margin growth
- Support the growth of our diversified businesses through securing bolt-on opportunities
- Create an entrepreneurial focus to drive product innovation that will serve us in the longer-term

Summary

Although we have seen improved performances year on year there is still much more to be done. We will continue our strategic restructuring activities in a bid to return the business to sustained profitability.

I sincerely thank our employees who continue to assist us in unlocking the true potential of your Company. It is disappointing that many good people have left our business in the last 12 months due to ongoing restructuring and we wish them all the best.

I am excited about the where the Company is heading. The turnaround is beginning to reap results and I am very enthusiastic about the initiatives we have in place and what lies ahead in the immediate future.

CHAIRMAN'S COMMENTS ON THE REMUNERATION REPORT

Organisation and management structure

Due to ongoing restructuring, the Board took the opportunity to reorganise PaperlinX's organisation and management structures. Employment costs are becoming more aligned with its current size and trading performance. These areas will remain a priority for the Board.

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Remuneration Levels

The Board consider the current remuneration practices reasonable for the purpose of attracting and retaining team members who are capable of delivering superior business results, as well as aligning with shareholder interests.

Senior executives received salary adjustments according to their individual and business units' performance and taking into account market comparisons.

FY2014 Incentive Payments

As in previous years, a large proportion of executive remuneration for the financial year 2014 was variable and "at risk", being subject to the achievement of stretching performance targets established under the Incentive Plan.

The two key management personnel who were eligible to receive a short-term incentive payment only received 50% of their incentive in cash. The balance was satisfied through share rights with a 2-year service period condition attached to them. Mr Price and Mr Smallenbroek did not receive any short-term incentive payments in FY2014.

Mr Smallenbroek was awarded 6 million options on terms similar to Mr Price's 35 million options in FY2014. The granting of the options are to reward Mr Smallenbroek for his performance and in particular his efforts in finalising a number of important refinancing agreements in the Company's European business during the year. Like Mr Price, Mr Smallenbroek has not yet received a financial benefit from these options. These options are heavily aligned to shareholder value due to the exercise prices being significantly above the current trading price of PaperlinX's ordinary shares.

FY2015 Incentive Programme

The short-term incentive plan for the financial year 2015 will be similar to FY14's programme where the emphasis is on meeting certain group and regional financial targets.

The Board is considering implementing a new long-term incentive plan in FY2015 for senior executives. No decision has been made at this stage.

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