ASX RELEASE

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PAPERLINX 2015 FULL YEAR RESULTS

<u>PaperlinX reports a statutory loss; operations in Australia, NZ and Asia profitable</u>

PaperlinX Limited (ASX:PPX) today reported a statutory loss after tax of $(392.3) million for the year ended 30 June 2015 compared to a loss of $(63.6) million for the previous financial year.

During the financial year, PaperlinX withdrew from operations in Europe and sold its Canadian business. The Spicers businesses in Australia, New Zealand and Asia (ANZA) continue to operate profitably. The business in Germany continues to trade but the Company is pursuing options to divest or realise the assets of that business.

The statutory results include a loss after tax for discontinued operations of $(365.6) million which largely represents:

- The impairment and subsequent write off of the book value of the Group's two largest European businesses, the UK and Benelux, which entered administration following their continued poor performance, and the subsequent sales of other European businesses - $(300.3) million; and
- The net loss from the divestment of Canada - $(64.6) million

The Company reported an underlying EBIT(1) profit for the ANZA businesses of $14.7 million, compared with $15.3 million in the prior corresponding period (pcp).

Strategic Review & Europe

The results reflect a year in which the Company substantially restructured its asset portfolio. A serious decline in the performance of the European business in the December quarter of FY15 was caused by ongoing poor trading and restraint of terms by key suppliers. This triggered a critical decline in the cash and liquidity position of the UK operations and led to a sharp drop in European profitability which in turn put pressure on Europe-wide liquidity.

The state of the European businesses prompted the Company to commence a Strategic Review announced in December 2014. Supported by experienced financial and legal advisors, the review identified a number of non-performing European assets that required further investment and the long-term support from the financially stable businesses in the Group. This was despite significant restructuring activities performed over a number of years.

With no guarantee of success given the distressed state of the industry in Europe, the provision of further support would have put extreme pressure on the viability of the remainder of the Group and this was considered too great a risk for Directors to take on behalf of shareholders.

(1) Non-IRFS measure – refer Appendix
(2) Restated – refer Appendix

Further, the Spicers business in Canada had reached an inflection point in relation to its earnings potential and required significant additional capital to preserve and enhance its value. PaperlinX was not able to provide this capital investment so the business was consequently sold and the sale proceeds used to improve the Group's financial position.

Once the full impact of the financial position of the European businesses emerged from the Strategic Review, it was imperative to protect the interests of shareholders and preserve the stability and quality of the ANZA businesses. The businesses in the UK, Benelux and Austria were placed into administration and the businesses in Ireland, Poland, Scandinavia (Denmark and Sweden) and Spain were sold. Following the administration of its parent, a Dutch holding company, control of the business in the Czech Republic passed to the Trustee. PaperlinX is pursuing options to divest or realise the assets of its last remaining European business in Germany.

ANZA performance

The Spicers merchant businesses in the ANZA region generated sustainable returns in difficult trading conditions within an industry in structural decline. While revenue was down 5 per cent due to Commercial Print, gross revenue from the diversified segment increased by 33 per cent in FY15. This reflects the strong performance and further potential in the Sign & Display segment, which was supported by the recent acquisition of a leading sign industry supplier in New Zealand.

PaperlinX will focus on ensuring that its Spicers businesses continue to develop their diversified offering and deliver sustainable profitability from which to increase shareholder value in the coming years.

Commenting on the result, PaperlinX Managing Director & Chief Executive Officer, Andy Preece said "Our ANZA businesses have been adapting to changing circumstances for a number of years, making the necessary, hard decisions along the way to right-size costs and invest in new areas like Sign & Display. These businesses are now in good shape and provide a solid foundation for the Group to recover its momentum and pursue prudent opportunities to further diversify and grow."

Financial position

The net assets of the Group as at 30 June 2015 were $128.7 million including net cash of $43.0 million.

Strategic direction

The Company's principal objective is to become increasingly diversified within the ANZA region to offset the ongoing structural decline in its Commercial Print markets, by redirecting cash and investing to transform into a broader wholesale and distribution business. Aside from driving the growth of the current diversified portfolio, new business streams are being identified and developed through leveraging existing core competencies and supply chain relationships.

Change of name

The Company will seek the support of shareholders at the 2015 Annual General Meeting to change its corporate name from 'PaperlinX Limited' to 'Spicers Limited' so as to align the identity of the parent with the operating companies.

For further information

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(1) Non-IRFS measure – refer Appendix 2
(2) Restated – refer Appendix 2

<u>**RESULTS FOR THE YEAR ENDED 30 JUNE 2015**</u>

PaperlinX Limited has reported a statutory loss after tax of $(392.3) million for the year ended 30 June 2015.

Results Summary		**Actual 2015**	**Actual Restated *(2)* 2014**
Net sales revenue	$000	2,019,578	2,833,213
Net sales revenue - ANZA & unallocated	$000	403,961	424,012
Earnings before interest and tax - ANZA & unallocated	$000	(11,169)	(401)
Underlying earnings before interest and tax - ANZA *(1)*	$000	14,667	15,341
Underlying earnings before interest and tax - ANZA & unallocated *(1)*	$000	3,152	3,529
Profit/(loss) before tax - ANZA & unallocated	$000	(12,401)	(1,824)
Profit/(loss) after income tax - ANZA & unallocated	$000	(14,109)	(3,881)
Statutory profit/(loss) after tax	$000	(392,326)	(63,607)
Net working capital	$000	96,237	414,099
Net operating cash flow	$000	(58,071)	50,721
Net debt / net debt & equity	%	(50.3)	23.0
FTEs - ANZA & unallocated		461	477

OPERATING PERFORMANCE

Revenue

Group revenue was $2.0 billion (down from $2.8 billion pcp) largely as a result of the significantly reduced operating footprint following the exit from Europe and the sale of Canada.

Continuing revenue for the ANZA businesses was $404.0 million (down from $424.0 million pcp) mainly due to ongoing difficult trading conditions in the Commercial Print segment.

Earnings

The statutory loss after tax for the Group was $(392.3) million after allowing for losses on disposal of businesses, impairment of PPE and intangibles (1H), restructuring charges and Strategic Review costs.

Despite the revenue shortfalls, the underlying EBIT(1) result for the ANZA businesses was $14.7 million.

Restructuring activities

Restructuring charges (pre-tax)		**2015**	**2014**	**% Change**
ANZA	A$000	(2,474)	(2,295)	(8)
Unallocated	A$000	(1,938)	(1,635)	(19)
Europe	€000	(2,955)	(20,171)	85
Canada	C$000	(84)	(692)	88
Total	**A$000**	**(8,746)**	**(34,443)**	**75**

Restructuring spend is significantly lower than the prior period, particularly in Europe where the Company ceased investing in restructuring activities as part of the Strategic Review outcome. Predominantly, restructuring charges related to personnel changes in ANZA, Corporate and Europe.

(1) Non-IRFS measure – refer Appendix 2
(2) Restated – refer Appendix 2

OPERATING PERFORMANCE BY REGION

The following table shows underlying EBIT(1) and sales revenue by region for the year to 30 June.

Operating Summary		Sales Revenue 2015	Sales Revenue Restated (2) 2014	Underlying EBIT (1) 2015	Underlying EBIT (1) Restated (2) 2014
Segment:					
Australia, New Zealand, Asia	$000	403,961	424,012	14,667	15,341
Corporate/Unallocated	$000	-	-	(11,515)	(11,812)
Total continuing operations pre Europe exit	**$000**	**403,961**	**424,012**	**3,152**	**3,529**
Merchanting Europe Exit		154,185	235,414	(12,801)	(7,969)
Total continuing operations	**$000**	**558,146**	**659,426**	**(9,649)**	**(4,440)**
Europe	$000	1,190,774	1,764,977	(29,950)	(17,973)
Canada	$000	272,729	411,995	8,591	15,468
Other	$000	-	-	(268)	(234)
Discontinued operations	**$000**	**1,463,503**	**2,176,972**	**(21,627)**	**(2,739)**
Group eliminations	$000	(2,071)	(3,185)	-	-
Total	**$000**	**2,019,578**	**2,833,213**	**(31,276)**	**(7,179)**

Spicers Australia, New Zealand and Asia

ANZA - continuing		**2015**	**2014**	**% Change**
Net sales revenue	A$000	403,961	424,012	(5)
Profit/(loss) before interest and tax	A$000	5,396	13,046	(59)
Underlying EBIT *(1)*	A$000	14,667	15,341	(4)
Underlying EBIT/sales revenue *(1)*	%	3.6	3.6	0 bpts
Expense/sales revenue	%	18.5	18.6	(10) bpts
Average working capital/sales revenue	%	23.3	21.7	160 bpts
Diversified revenue (gross)	A$000	60,899	45,725	33
Diversified margin	A$000	16,170	11,929	36
Diversified margin/total margin	%	19.1	13.0	610 bpts

With a history spanning almost 100 years, Spicers is a merchant group of independent operating companies with market leading positions in Australia, New Zealand and Asia.

The ANZA businesses reported an underlying EBIT(1) of $14.7 million, down on prior year ($15.3 million pcp) with the gap almost entirely attributable to weaker than expected demand in Commercial Print. In December 2014, an impairment charge of $6.3 million related to Asian goodwill was booked given the market weakness in this region.

In ANZA, the diversified business represents 15 per cent of total sales. Sign & Display is the Company's largest diversified business and shows revenue and margin growth year on year. It supplies screen, wide and grand format printing and finishing, including consumables, hardware, software and accessories. From point-of-sale and vehicle graphics, through to exhibition stand construction and shop fit-out, Spicers distributes an extensive range of substrates including banners, synthetics, self-adhesives and rigid materials like polypropylene and aluminium composites. The Packaging segment is also demonstrating strong potential for growth. Spicers distributes industrial supplies and packaging materials ranging from cartons and adhesive tapes, to protective packaging and shipping supplies.

The region is experiencing dramatic growth in Sign & Display revenues, supported by a recent acquisition and enhanced strategic supplier relationships. Organic opportunities in niche paper segments such as Digital, Labels and Web-based ordering portals, combined with an ongoing investment in people continue to assist in further mitigating the attrition of Commercial Print.

Maintenance of cash flows through stringent debtor and inventory management remains a strength for ANZA, and supports the year on year profit achieved in FY15.

(1) Non-IRFS measure – refer Appendix 2
(2) Restated – refer Appendix 2

Corporate and other

Corporate / Unallocated		**2015**	**2014 Restated** *(2)*	**% Change**
Corporate and other costs	A$000	(9,964)	(10,963)	9
Net other finance costs	A$000	(1,551)	(849)	(83)
Underlying EBIT *(1)*	A$000	(11,515)	(11,812)	3

Corporate costs of $10.0 million were 9 per cent lower than the prior period reflecting lower headcount and tight control of discretionary costs.

Given the significant change in the Company's footprint, corporate costs will decrease in FY16 as a result of the removal of European-based personnel and further reductions in the cost base of the corporate office. Included in these savings are already agreed salary reductions for the Chief Executive Officer and Chief Financial Officer, as well as director fee reductions for all Board Members as a direct consequence of the reduced complexity of the Company.

PaperlinX Europe (Discontinued & EU exit)

Europe - Discontinued & EU exit		**2015**	**2014 Restated** *(2)*
Net sales revenue	€000	935,822	1,354,064
Profit/(loss) before interest and tax	€000	(209,646)	(35,539)
Underlying EBIT *(1)*	€000	(27,799)	(15,993)
Underlying EBIT/sales revenue *(1)*	*%*	(3.0)	(1.2)

NB. This table classifies the discontinued business in Europe and the continuing business in Germany together indicating the Company's plan to exit Europe.

During the financial year, the businesses in the UK, Benelux and Austria entered into administration and a number of businesses were sold in Ireland, Poland, Scandinavia (Denmark and Sweden) and Spain. PaperlinX continues to pursue options to divest or realise the assets of the last remaining European business in Germany.

Overall, the European businesses performed poorly and reported an underlying trading loss(1) of €(27.8) million, attributable mainly to the larger operating companies in the UK, Benelux and Germany.

The significant loss before interest and tax in the table above includes the impairment and subsequent write off of the book value of the Group's European businesses.

Spicers Canada (Discontinued)

Canada - Discontinued		**2015**	**2014 Restated** *(2)*
Net sales revenue	C$000	266,511	404,703
Profit/(loss) before interest and tax	C$000	(60,477)	15,015
Underlying EBIT *(1)*	C$000	8,577	15,467
Underlying EBIT/sales revenue *(1)*	*%*	3.2	3.8

The Spicers business in Canada was sold in March 2015. At the point of sale, Spicers Canada contributed C$266.5 million in sales and underlying earnings(1) of C$8.6 million.

The loss before interest and tax of C$(60.5) million is largely attributable to the loss on sale of the business. This includes a non-cash write-off of the Foreign Currency Translation Reserve of A$26.0 million.

(1) Non-IRFS measure – refer Appendix 2
(2) Restated – refer Appendix 2

FINANCIAL POSITION

Balance Sheet		As at 30 June 2015	As at 30 June 2014
Current assets	$000	245,161	919,904
Non current assets	$000	39,958	147,037
Total assets	$000	285,119	1,066,941
Current liabilities	$000	144,901	460,409
Non current liabilities	$000	11,556	293,223
Total liabilities	$000	156,457	753,632
Shareholders equity	$000	128,662	313,309
Net debt	$000	(43,032)	93,722
Funds employed (net debt + net assets)	$000	85,630	407,031

As a result of impairments and the subsequent write-off of book values, shareholders equity for the consolidated group has reduced from $313.3 million in the prior year to $128.7 million. The balance sheet now represents the net assets of the ANZA businesses, the business in Germany and the Corporate office in Australia.

Working capital and cash flow

Cash flow	Continu-ing $000	Discont-inued *(a)* $000	2015 $000	2014 $000
Operating cash flow excl working capital and restructuring	**37,892**	**(70,060)**	**(32,168)**	**(22,670)**
Restructuring	(2,939)	(24,372)	(27,311)	(36,279)
Working capital movement	(13,143)	14,551	1,408	109,670
Operating cash flow	**16,457**	**(74,528)**	**(58,071)**	**50,721**
Capital expenditure	(7,214)	(1,694)	(8,908)	(7,617)
Proceeds from sale of assets & businesses	753	55,380	56,133	1,192
Borrowing costs paid	157	(2,084)	(1,927)	(1,872)
Transaction costs paid for takeover offer - SPS Units	-	-	-	(1,700)
Tas Paper closure	-	(178)	(178)	(805)
Purchase of employee own shares	-	-	-	(284)
Other	83	1	84	22
Net cash flow	**10,235**	**(23,102)**	**(12,867)**	**39,657**

(a) For the purposes of this table, discontinued includes the German operations.

Operating cash outflows of $58.1 million are heavily influenced by the outflow of $74.5 million from discontinued operations and the business in Germany. In addition, ANZA and Unallocated segments delivered a net cash inflow of $16.5 million, a particularly strong result.

Total capital expenditure of $7.2m includes $4.5m relating to the acquisition of Total Supply in New Zealand.

(1) Non-IRFS measure – refer Appendix 2
(2) Restated – refer Appendix 2

Debt and Interest

Debt		2015	2014	% Change v Actual
Gross debt	$000	16,441	200,739	(92)
Cash and cash equivalents	$000	59,473	107,017	(44)
Net Debt	**$000**	**(43,032)**	**93,722**	**(146)**
Cash net interest on bank debt	$000	10,038	11,943	(16)
Non-cash interest	$000	451	750	(40)
Net interest expense	**$000**	**10,489**	**12,693**	**(17)**

The Group commences the new financial year with a positive net cash position of $43.0m. It is important to note that this position, being end of month, reflects the highest point of the cash cycle due to significant movements of cash intra-month.

Funding update

During the year, both the New Zealand and Australian receivables facilities were extended to FY18.

The Asian operations have cash on hand and minimal interest bearing debt.

German facilities remain in place whilst the Group pursues options to divest or realise the assets of this business.

The weighted average life of the working capital facilities is 1.9 years.

Dividends and distributions

There was no dividend paid on the Ordinary Shares for the year ended 30 June 2015.

No distributions relating to the PaperlinX Step-Up Preference securities were paid in the year ended 30 June 2015.

Safety

There was a marginal increase in lost time injuries in the ANZA businesses. More positively, 63 per cent of sites experienced no Lost Time Injuries. The operations remain acutely focused on achieving the goal of ‘Zero Harm’ and providing a safe workplace for every employee.

2015 Annual General Meeting

The PaperlinX Annual General Meeting (AGM) will be held on Friday, 23rd October 2015 at 10:00am at the Computershare Conference Centre, Yarra Falls, 452 Johnston Street, Abbotsford, Victoria.

The Notice of AGM will be sent to shareholders in September 2015.

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(1) Non-IRFS measure – refer Appendix 2
(2) Restated – refer Appendix 2

Appendix 1

The following table shows statutory earnings in Australian dollars.

Results for the year ended 30 June 2015	**2015**	**2014 Restated** *(2)*
	$000	**$000**
Group revenue	**2,019,578**	**2,833,213**
Earnings:		
Australia, New Zealand and Asia	14,667	15,341
Unallocated	(9,964)	(10,963)
Total continuing operations pre Europe exit	4,703	4,378
Merchanting Europe exit	(12,314)	(7,398)
Discontinued operations	(19,131)	(716)
Loss before net finance costs, tax and significant items	**(26,742)**	**(3,736)**
Net other finance costs	(4,534)	(3,443)
Significant items (pre-tax)	(346,661)	(32,588)
Loss before interest and tax	**(377,937)**	**(39,767)**
Net interest	(10,489)	(12,693)
Loss before tax	(388,426)	(52,460)
Tax relating to pre-significant items	(3,940)	(11,567)
Tax relating to significant items	40	420
Tax expense	(3,900)	(11,147)
Statutory loss for the period	**(392,326)**	**(63,607)**

The following table is a reconciliation of underlying EBIT(1)

Underlying earnings reconciliation for the year ended 30 June 2015	**2015**	**2014 Restated** *(2)*
	$000	**$000**
Statutory loss for the period, after tax	**(392,326)**	**(63,607)**
Adjust for following (gains)/losses included in statutory profit:		
Impairment of assets held for sale	-	-
Impairment of property, plant and equipment	468	(1,987)
Impairment of intangible assets	6,527	-
Restructuring costs	3,684	20,482
Group strategic review costs	3,111	-
Discontinued operations	378,737	45,095
Underlying loss for the period, after tax *(1)*	**201**	**(17)**
Continuing net interest	1,232	1,423
Continuing tax relating to pre-significant items	1,719	2,123
Underlying EBIT *(1)*	**3,152**	**3,529**

Appendix 2

Non-IFRS information

PaperlinX financial results are reported under International Financial Reporting Standards (IFRS). The tables and analysis provided in this document also include certain non-IFRS measures, including underlying statutory profit/(loss) after tax, underlying Earnings Before Interest and Tax (EBIT), and constant currency. These measures are presented to enable understanding of the underlying performance of the Company without non-trading items. Non-IFRS measures have not been subject to audit or review.

The non-IFRS measures used throughout this document are defined as:

- Underlying statutory profit/(loss) after tax: statutory profit/(loss) after tax before impairment of non-current assets, restructuring costs, and results from discontinued operations.
- Underlying Earnings Before Interest and Tax (EBIT): underlying statutory profit/(loss) before interest and tax for the continuing operations.

Restated comparative data

The prior year comparative data has been re-presented to reflect the sale/loss of control of the operations in Canada, Poland, Spain, Scandinavia, Ireland, United Kingdom, Netherlands, Austria, Belgium and Czech Republic as discontinued operations from the start of the comparative period.

(1) Non-IRFS measure – refer Appendix 2
(2) Restated – refer Appendix 2