

**CROSS RELEASE PXU**

5 December 2013

**Off-market takeover bid by PaperlinX Limited for  
PaperlinX SPS Trust (ASX Code: PXU)**

In accordance with item 5 of subsection 633(1) of the *Corporations Act 2001* (Cth) (***Corporations Act***), PaperlinX Limited (***PaperlinX***) attaches a copy of the bidder's statement in relation to an off-market takeover bid by PaperlinX under Chapter 6 of the Corporations Act for all the step-up preference securities in the PaperlinX SPS Trust.

**For further information, please contact:****Investors**

**Wayne Johnston**  
**Deputy Chief Financial Officer and**  
**Executive General Manager Corporate Services**  
**PaperlinX Limited**  
**Phone : +61 (3) 9764 7393**

**Media**

**Felicity Allen**  
**Newgate Communications**  
**Phone : +61 413 946 701**

**ASX RELEASE**



---

# PaperlinX Limited

---

## Bidder's Statement – Off-market takeover offer

By PaperlinX Limited (ABN 70 005 146 350)  
to acquire all of your PaperlinX SPS Units in  
PaperlinX SPS Trust (ARSN 123 839 814)

---

PaperlinX's offer is 250 PaperlinX Shares for every PaperlinX SPS Unit you hold on the  
Register Date

This is an important document and requires your immediate attention.

If you are in any doubt as to how to deal with this document, you should consult your  
broker or financial, legal or other professional adviser as soon as possible.

You should call 1300 396 150 (local call cost for callers within Australia) or + 61 3  
9415 4261 (callers outside Australia), Monday to Friday between 8.30am and 5.30pm  
(Sydney time), if you have any questions or require assistance.

Financial Adviser

Legal Adviser

MOELIS & COMPANY

BAKER & MCKENZIE

## **Important Information**

This is a Bidder's Statement given by PaperlinX under Part 6.5 of Chapter 6 of the Corporations Act in relation to the Offer. This Bidder's Statement is an important document and should be read in its entirety before deciding whether to accept the Offer.

This Bidder's Statement is dated 5 December 2013 and includes an Offer dated <insert Date of Offer> on the terms set out in this Bidder's Statement.

## **ASIC**

A copy of this Bidder's Statement was lodged with ASIC on 5 December 2013. Neither ASIC nor any of its officers take any responsibility for the contents of this Bidder's Statement.

## **Investment decision**

The information contained in this Bidder's Statement does not constitute financial product advice and this Bidder's Statement does not take into account the individual investment objectives, financial situation or particular needs of each PaperlinX SPS Unitholder. You should seek independent financial and taxation advice before making the decision whether or not to accept the Offer.

## **Forward looking statements**

This Bidder's Statement may contain forward looking statements, which have not been based solely on historical facts, but are rather based on the Company's current expectations about future events. Such statements are subject to inherent risks and uncertainties in that they may be affected by a variety of known and unknown risks, variables and other factors many of which are beyond the control of PaperlinX. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement.

None of PaperlinX, its officers or any person named in this Bidder's Statement with their consent or any person involved in the preparation of this Bidder's Statement make any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, except to the extent required by law. You are cautioned not to place undue reliance on any such statement.

The forward looking statements in this Bidder's Statement reflect views held only as at the date of this Bidder's Statement.

## **Value of PaperlinX Shares**

The implied value of the Offer will vary with the market price of PaperlinX Shares. Further information on the implied value of the Offer is contained in this Bidder's Statement.

## **Application for quotation of PaperlinX Shares**

It is intended that PaperlinX Shares offered under this Bidder's Statement be quoted on the ASX once issued. An application for quotation of these PaperlinX Shares will be made within 7 days after the start of the bid period to the ASX.

## **Information on PaperlinX SPS Trust**

PaperlinX SPS Trust is listed on ASX and is obliged to comply with the continuous disclosure requirements of ASX. Information on PaperlinX SPS Trust may be obtained from the ASX website [www.asx.com.au](http://www.asx.com.au).

The information in this Bidder's Statement concerning PaperlinX SPS Trust, its assets and securities has been prepared by PaperlinX using publicly available information as at the date of this Bidder's Statement. PaperlinX has not had the opportunity to independently verify the information about PaperlinX SPS Trust contained in this Bidder's Statement. PaperlinX SPS Trust has not commented on or verified any of the information relating to PaperlinX SPS Trust in this Bidder's Statement. PaperlinX does not, to the maximum extent permitted by law, make any representation or warranty (express or implied), nor assume any responsibility, as to the accuracy or completeness of such information. The information on PaperlinX SPS Trust in this Bidder's Statement should not be considered to be comprehensive.

### **Notice to foreign PaperlinX SPS Unitholders**

PaperlinX SPS Unitholders should note that the consideration under the Offer is PaperlinX Shares. PaperlinX SPS Unitholders whose address in PaperlinX SPS Trust's register of unitholders is not in Australia or its external territories or New Zealand will not be entitled to receive PaperlinX Shares on acceptance of the Offer (unless PaperlinX determines otherwise). Ineligible Foreign Unitholders who accept the Offer will be paid net sale proceeds as a cash amount calculated in accordance with Section 9.20 of this Bidder's Statement.

This Bidder's Statement does not constitute an offer in any jurisdiction in which, or to any person to whom, it would be unlawful to make such an offer. In particular, PaperlinX Shares have not or will not be registered under the *Securities Act 1933* of the United States of America (*Securities Act*) and may not be offered or sold in the United States or to, or for the account or benefit of a US person (as defined in Regulation S under the Securities Act), except in a transaction exempt from the registration requirements of the Securities Act and applicable United States state securities laws.

PaperlinX SPS Unitholder(s) holding PaperlinX SPS Units on behalf of persons who are resident outside Australia and New Zealand are responsible for ensuring that taking up the Offer does not breach the laws and regulations in the relevant overseas jurisdiction.

The distribution of this Bidder's Statement may in some countries be restricted by law or regulation. Accordingly, persons who come into possession of this Bidder's Statement should inform themselves of and observe those restrictions.

### **Notice to PaperlinX SPS Unitholders in New Zealand**

In offering PaperlinX Shares under the Offer to PaperlinX SPS Unitholders in New Zealand, PaperlinX is relying on the *Securities Act (Overseas Companies) Exemption Notice 2002*. This document is not a prospectus or an investment statement under New Zealand law, and may not contain all the information that a prospectus or investment statement under New Zealand law is required to contain.

### **Privacy collection statement**

Personal information relating to your PaperlinX SPS Units has been collected by PaperlinX in accordance with its rights under the Corporations Act. PaperlinX will share this information on a confidential basis with its advisers, service providers and regulators such as ASIC and the Australian Taxation Office when necessary for the purposes of the Offer. PaperlinX and its advisers and service providers will use the information solely for purposes relating to the Offer. You can contact the Offer Information Line if you have any queries about the privacy practices of PaperlinX.

### **Time**

All references to time in this Bidder's Statement are to Sydney, Australia time.

## **Defined terms**

A number of defined terms are used in this Bidder's Statement. The definitions are in Section 11. All references to \$ refer to Australian dollars, except where otherwise stated.

## **Diagrams**

All diagrams appearing in this Bidder's Statement are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in charts, graphs and tables in this Bidder's Statement is based on information available as at the date of this Bidder's Statement.

## **Further information**

If you have any questions about the Offer or how to accept the Offer, you should call the Offer Information Line on 1300 396 150 (local call cost for calls within Australia) or +61 3 9415 4261 (calls outside Australia), Monday to Friday between 8.30am and 5.30pm (Sydney time).

## Contents

---

<b>Section Number</b>	<b>Heading</b>	<b>Page</b>
	<b>How to accept the PaperlinX Offer</b>	<b>1</b>
	<b>Important Dates</b>	<b>1</b>
	<b>Chairman's letter</b>	<b>2</b>
<b>1</b>	<b>Summary of the Offer, Investment Overview and Summary of Key Terms of PaperlinX SPS Units</b>	<b>3</b>
<b>2</b>	<b>Information about PaperlinX</b>	<b>13</b>
<b>3</b>	<b>Rights and liabilities attaching to PaperlinX Shares and comparison of key terms of PaperlinX Shares and PaperlinX SPS Units</b>	<b>24</b>
<b>4</b>	<b>Information about PaperlinX SPS Trust</b>	<b>31</b>
<b>5</b>	<b>PaperlinX's intentions for the business, assets and management of PaperlinX SPS Trust</b>	<b>35</b>
<b>6</b>	<b>Profile of Combined PaperlinX Group</b>	<b>38</b>
<b>7</b>	<b>Risks</b>	<b>42</b>
<b>8</b>	<b>Australian tax considerations</b>	<b>48</b>
<b>9</b>	<b>Additional information</b>	<b>52</b>
<b>10</b>	<b>Terms and Conditions of the Offer</b>	<b>60</b>
<b>11</b>	<b>Definitions and interpretation</b>	<b>75</b>

---

## How to accept the PaperlinX Offer

You may only accept this Offer for all of your PaperlinX SPS Units. Acceptances must be received before the end of the Offer Period at 7.00pm (Sydney time) <insert Closing Date>, unless the Offer Period is extended in accordance with the Corporations Act.

There are several ways to accept the Offer:

<b>Issuer Sponsored Unitholders</b>	<p>If there is an "I" next to your holder number on the Acceptance Form, your PaperlinX SPS Units are held on PaperlinX SPS Trust's issuer sponsored subregister.</p> <p>To accept the Offer, you must complete and sign the Acceptance Form and return it to the address indicated on the form so it is received before the Offer closes.</p>
<b>CHESS Unitholders</b>	<p>If there is an "X" next to your holder number on the Acceptance Form, your PaperlinX SPS Units are held in a CHESS Holding.</p> <p>To accept the Offer either:</p> <ul style="list-style-type: none"><li>▪ instruct your Controlling Participant (usually your broker) to accept the Offer on your behalf; or</li><li>▪ complete and sign the Acceptance Form and return it to the address indicated on the form,</li></ul> <p>in sufficient time for it to be processed before the Offer closes.</p>
<b>Participants</b>	<p>If you are a Participant, you must initiate acceptance of the Offer in accordance with the ASX Settlement Operating Rules before the Offer closes.</p>

Full details on how to accept the Offer are set out in Section 10.8.

If you have any questions about the Offer or how to accept the Offer, you should call the Offer Information Line on 1300 396 150 (local call cost for calls within Australia) or + 61 3 9415 4261 (calls outside Australia), Monday to Friday between 8.30am and 5.30pm (Sydney time).

---

## Important Dates

Bidder's Statement lodged with ASIC

**5 December 2013**

Date of the Offer

<insert Date of Offer>

Offer scheduled to close (unless extended) 7.00pm (Sydney time) <insert Closing Date and Time>

**Note: The closing date for the Offer may change in accordance with the Corporations Act.**

---

## Chairman's letter

5 December 2013

Dear PaperlinX SPS Unitholder,

On 18 October 2013, PaperlinX announced its intention to make an off-market takeover offer for all of the PaperlinX step-up preference securities (*PaperlinX SPS Units*) in the PaperlinX SPS Trust. On behalf of the PaperlinX Board, I am pleased to enclose this Bidder's Statement detailing the Offer.

At the time of making the announcement about the Offer, the PaperlinX Board strongly believed in the Offer's rationale, and that it would ultimately enhance value for PaperlinX SPS Unitholders. While the PaperlinX Board continues to believe in that rationale, it is mindful that as at the date of this Bidder's Statement, there is some uncertainty arising from its recent trading results. These results are described in more detail in Section 7.2(a) of this Bidder's Statement. As described in that section, PaperlinX is re-examining the outlook for its business and will provide updates to the ASX, and via a supplementary Bidder's Statement, once this information is available. Until that update can be provided, PaperlinX cautions you to read the balance of this Bidder's Statement in light of that uncertainty, as it may impact on the value that might otherwise have been obtained by PaperlinX SPS Unitholders.

PaperlinX is offering you the opportunity to receive **250** PaperlinX Shares for every PaperlinX SPS Unit you hold.

The inter-relationship between PaperlinX and the PaperlinX SPS Trust is complex, and has evolved into a dynamic that was unlikely to have been anticipated at the time the PaperlinX SPS Units were initially issued. The considerable decline in operating conditions and value that PaperlinX has experienced over the past 5 financial years has contributed to a 98.8<sup>1</sup> per cent decline in the ordinary equity value since PaperlinX SPS Units were issued on 30 March 2007, and an 88.0<sup>2</sup> per cent decline in the value of PaperlinX SPS Units over the same period.

In formulating the Offer, the PaperlinX Board has considered the relative market value of the PaperlinX SPS Units and the PaperlinX Shares.

The entire board and senior management of PaperlinX have changed since PaperlinX SPS Units were issued. As part of the turnaround initiatives, the current PaperlinX Board is endeavouring to simplify the Company's capital structure, which it views as fundamental in assisting the operational recovery.

This Bidder's Statement sets out further details of the Offer. I strongly encourage you to read it carefully together with any supplementary or replacement information about the Offer that PaperlinX issues. The Offer is open until 7pm Sydney time on <insert Closing Date>.

Yours sincerely,

Robert Kaye SC  
Chairman  
PaperlinX Limited

---

<sup>1</sup> Based on the closing price of PaperlinX Shares on the last trading day prior to the Lodgement Date.

<sup>2</sup> Based on the closing price of PaperlinX SPS Units on the last trading day prior to the Lodgement Date.



# 1 Summary of the Offer, Investment Overview and Summary of Key Terms of PaperlinX SPS Units

This Section provides a summary of the Offer but does not contain all of the information that you should consider before accepting the Offer. Section 10 contains the full terms and conditions of the Offer. You should read this Bidder's Statement and the Target's Statement in full before deciding whether or not to accept the Offer. The Target's Statement will be prepared by the RE in response to this Bidder's Statement and is required to be sent to PaperlinX SPS Unitholders no later than 15 days after the date of this Offer.

## 1.1 Key features of the Offer

Question	Answer	Further information
<b>What is the Offer?</b>	PaperlinX is offering to buy all of the PaperlinX SPS Units you hold on the Register Date and PaperlinX SPS Units you come to own during the Offer Period.	Section 10.3
<b>Who is making the Offer?</b>	The Offer is being made by PaperlinX.	Section 10.1
<b>What will I receive if I accept the Offer?</b>	If you accept the Offer, and the Offer becomes unconditional, you will receive <b>250</b> PaperlinX Shares for each PaperlinX SPS Unit you hold.  If you are an Ineligible Foreign Unitholder, you will not receive any PaperlinX Shares. Instead you will be paid the net proceeds of sale by the Sale Nominee of the PaperlinX Shares you would have been entitled to receive.	Sections 10.5  Section 9.20
<b>What is the value of the Offer Consideration?</b>	If you accept the Offer, the value you will receive under the Offer will depend on the price of PaperlinX Shares at the time they are issued to you.  For example, based on the: <ul style="list-style-type: none"> <li>closing price of PaperlinX Shares on 17 October 2013, being the last trading date before the announcement of the Offer, the Offer Consideration has an implied value of \$14.00 per PaperlinX SPS Unit.</li> <li>closing price of PaperlinX Shares on 4 December 2013, being the last trading date before the date of this Bidder's Statement, the Offer Consideration has an implied value of \$11.25 per PaperlinX SPS Unit.</li> </ul> If you are an Ineligible Foreign Unitholder and accept the Offer, because the PaperlinX Shares	Section 9.20



## 1.2 Key risks

Question	Answer	Further information
<p><b>What are the risks relating to an investment in PaperlinX?</b></p>	<p>If you accept the Offer, and the Offer becomes unconditional, you will be issued with PaperlinX Shares (unless you are an Ineligible Foreign Unitholder).</p> <p>There are risks associated with holding PaperlinX Shares. In summary, possible material risks associated with the Combined PaperlinX Group include:</p> <ul style="list-style-type: none"> <li>• Risks associated with the potential impact on PaperlinX's financial position relating to its trading results in October and November 2013</li> <li>• Risk of further structural decline in core markets</li> <li>• Access to debt, refinancing and insolvency risk</li> <li>• Risks associated with compliance with debt facilities</li> <li>• Risk associated with the availability and use of cash</li> <li>• Risks associated with the Realisation of PaperlinX SPS Units</li> <li>• Risk associated with capital structure destabilisation</li> <li>• Risks associated with restructuring initiatives</li> <li>• Execution risk regarding diversification strategy</li> <li>• Risk of not having access to capital to implement strategic change</li> <li>• Risk associated with pension liability estimates</li> <li>• Risk associated with disincentives to corporate transactions</li> <li>• Risk of loss of key personnel</li> <li>• Risks associated with dependency on third parties, including suppliers</li> </ul>	<p>Section 7.2</p>



Question	Answer	Further information
	<p>you can accept the Offer for the balance of your PaperlinX SPS Units; or</p> <ul style="list-style-type: none"> <li>do nothing.</li> </ul>	
<b>Can I accept the Offer for part of my holding in PaperlinX SPS Trust?</b>	No. You may only accept the Offer for ALL of your PaperlinX SPS Units.	Section 10.3
<b>Can I withdraw my acceptance?</b>	Under the terms of the Offer, you cannot withdraw your acceptance unless a withdrawal right arises under the Corporations Act.	Sections 10.19
<b>What happens if I do not accept the Offer?</b>	If you do not accept the Offer, you will remain a PaperlinX SPS Unitholder unless PaperlinX becomes entitled to proceed to compulsory acquisition of PaperlinX SPS Units under the Corporations Act.	Sections 5.2 and 9.11
<b>Can I be forced to sell my PaperlinX SPS Units?</b>	<p>Only if PaperlinX becomes entitled to proceed to compulsory acquisition under the Corporations Act.</p> <p>In the event you do not accept the Offer and PaperlinX proceeds to compulsorily acquire your PaperlinX SPS Units, the process may extend the period of time before your consideration would be available to you by more than 6 weeks.</p>	Sections 5.2 and 9.11
<b>Can PaperlinX extend the Offer Period?</b>	Yes. The Offer can be extended at the Company's election or otherwise in accordance with the Corporations Act.	Section 10.18
<b>Will I receive fractional PaperlinX Shares?</b>	No. If you accept the Offer and a fractional entitlement to PaperlinX Shares arises from the calculation of your entitlement under the Offer, any such fractional entitlement will be rounded to the nearest whole number of PaperlinX Shares.	Section 10.5
<b>What are the conditions to the Offer?</b>	<p>The Offer is not subject to a minimum acceptance condition, and is subject to a minimal number of Conditions as set out in full in Section 10. In summary, the Conditions to the Offer require that:</p> <p>(a) PaperlinX obtains a favourable ruling from the Australian Taxation Office confirming that the acceptance of the Offer should not impact the Australian tax losses of the group and that there should not be any assessable gain as a</p>	For a full list of conditions refer to Section 10.12

Question	Answer	Further information
	<p>result of PaperlinX acquiring all PaperlinX SPS Units;</p> <p>(b) there is No Target Material Adverse Change; and</p> <p>(c) there is No Prescribed Occurrence.</p>	
<b>What happens if the Conditions of the Offer are not satisfied or waived?</b>	<p>If the Conditions to the Offer are not satisfied or waived by the Closing Date, the Offer will lapse. In this case, even if you have accepted the Offer, your PaperlinX SPS Units will not be acquired by PaperlinX and you will not be paid the Offer Consideration.</p>	Sections 10.13
<b>What are the tax implications of accepting the Offer?</b>	<p>Please consult your financial, tax or other professional adviser on the tax implications of acceptance of the Offer. However, a general outline of the tax implications of accepting the Offer for PaperlinX SPS Unitholders is set out in Section 8.</p>	Section 8
<b>Will I need to pay brokerage or stamp duty if I accept the Offer?</b>	<p>You will not pay any stamp duty on the disposal of your PaperlinX SPS Units if you accept the Offer.</p> <p>If your PaperlinX SPS Units are registered in an Issuer Sponsored Holding in your name and you deliver them directly to PaperlinX, you will not incur any brokerage in connection with your acceptance of the Offer.</p> <p>If your PaperlinX SPS Units are registered in a CHESS Holding, or if you are a beneficial owner whose PaperlinX SPS Units are registered in the name of a broker, bank, custodian or other nominee, you should ask your Controlling Participant (usually your broker) or that nominee whether it will charge any transaction fees or service charges in connection with acceptance of the Offer.</p> <p>If you are an Ineligible Foreign Unitholder, brokerage will be payable by you in respect of the sale of the PaperlinX SPS Units that you would otherwise be entitled to receive under the Offer.</p>	Sections 10.23
<b>Is there a number that I can call if I have further queries in relation to the</b>	<p>If you have any further queries in relation to the Offer, you can call the Offer Information Line on 1300 396 150 (local call cost for callers within Australia) or +61 3 9415 4261 (callers outside Australia), Monday to Friday</p>	

Question	Answer	Further information
Offer?	between 8.30am and 5.30pm (Sydney time).	

#### 1.4 Additional information about PaperlinX

Question	Answer	Further information
<b>Who is PaperlinX?</b>	<p>PaperlinX is an ASX listed, leading merchant of paper and diversified materials, including packaging, sign and display and graphic supplies.</p> <p>PaperlinX operates in 20 countries, with approximately 4000 employees and sales revenue of \$2.8 billion, and links customers and suppliers through an international network of locally focused operating companies.</p>	Section 2
<b>What is the financial profile and performance of PaperlinX?</b>	<p>PaperlinX reported the following results for the most recent financial year ended 30 June 2013:</p> <ul style="list-style-type: none"> <li>• continuing operating revenue: \$2,777.9 million</li> <li>• PaperlinX Group net loss after tax: \$90.2 million</li> <li>• PaperlinX Group earnings per share: minus 14.8 cents</li> </ul>	Section 2.8
<b>Who are the directors of PaperlinX?</b>	<p>The directors of PaperlinX are:</p> <ul style="list-style-type: none"> <li>• Robert Kaye SC - Independent Non-executive Director</li> <li>• Michael Barker - Independent Non-executive Director</li> <li>• Andrew Price - Managing Director and Chief Executive Officer</li> </ul>	Section 2.5
<b>Who are the senior management of PaperlinX?</b>	<p>The senior management of PaperlinX are:</p> <ul style="list-style-type: none"> <li>• Andrew Price - Managing Director and Chief Executive Officer</li> <li>• Joost Smallembroek - Chief Financial Officer</li> <li>• Andy Preece - Executive General Manager, Australia, New Zealand &amp; Asia</li> <li>• Cory Turner - President, Canada</li> </ul>	Section 2.6

Question	Answer	Further information
<b>Do the PaperlinX Directors have any interests in PaperlinX Shares?</b>	The directors of PaperlinX each have interests in the following number of PaperlinX Shares: <ul style="list-style-type: none"> <li>• Robert Kaye SC: 615,000</li> <li>• Michael Barker: 800,000</li> <li>• Andrew Price: 7,010,372</li> </ul>	Section 9.14
<b>Do the PaperlinX Directors have any interests in PaperlinX SPS Units?</b>	The directors of PaperlinX do not have any interests in PaperlinX SPS Units.	Section 9.14

### 1.5 Summary of key terms of PaperlinX SPS Units

For ease of reference, a summary of key rights and liabilities attaching to PaperlinX SPS Units are set out below. However, this information should not be considered to be comprehensive. The rights and liabilities attaching to PaperlinX SPS Units are set out in full in the constitution of the PaperlinX SPS Trust and the PaperlinX SPS Terms which are available on the ASX website [www.asx.com.au](http://www.asx.com.au).

Question	Answer	Further information
<b>What are PaperlinX SPS Units?</b>	PaperlinX SPS Units are perpetual, preferred units in the PaperlinX SPS Trust, a managed investment scheme listed on ASX.	Clause 1 of PaperlinX SPS Terms
<b>What is the face value of PaperlinX SPS Units?</b>	PaperlinX SPS Units were issued with a face value of \$100 and, as at the date immediately prior to the Lodgement Date, had a closing price of \$12.00.	Clause 2 of PaperlinX SPS Terms
<b>What are the distribution rights attaching to PaperlinX SPS Units?</b>	Payment of distributions is subject to the RE exercising its discretion to pay a distribution and the PaperlinX SPS Trust having sufficient income during the relevant distribution period.  Any distributions paid are unfranked, semi-annual, floating rate, discretionary and non-cumulative.  No distributions have been paid since June 2011.	Clause 3 of PaperlinX SPS Terms
<b>How may PaperlinX SPS Units be Realised?</b>	Realisation of PaperlinX SPS Units may be by any one or more of the following: <ul style="list-style-type: none"> <li>• <i>Redemption</i> - Redemption for cash at a price determined having regard to the face value of PaperlinX SPS Units, as</li> </ul>	Definition of "Realise" in clause 20.2 of PaperlinX SPS Terms  Clause 8 of PaperlinX SPS Terms



Question	Answer	Further information
	<p>adjusted for any unpaid distributions for the preceding 12 months;</p> <ul style="list-style-type: none"> <li>• <i>Exchange</i> - Exchange for PaperlinX Shares at an issue price determined having regard to the face value of PaperlinX SPS Units, as adjusted for any unpaid distributions for the preceding 12 months; or</li> <li>• <i>Resale</i> - Resale, with cash proceeds equal to at least the price under a redemption to be remitted to PaperlinX SPS Unitholders.</li> </ul>	<p>Clause 10 of PaperlinX SPS Terms</p> <p>Clause 9 of PaperlinX SPS Terms</p>
<p><b>Do PaperlinX SPS Unitholders have a right to Realise PaperlinX SPS Units?</b></p>	<p>Yes. PaperlinX SPS Unitholders may demand a Realisation of PaperlinX SPS Units following a change of control of PaperlinX, but in no other circumstances can a unilateral demand be made.</p>	<p>Clause 7.1 and definition of "Change of Control" in clause 20.2 of PaperlinX SPS Terms</p>
<p><b>Does the RE have a right to Realise PaperlinX SPS Units?</b></p>	<p>Yes. The RE may request Realisation of PaperlinX SPS Units in various circumstances as detailed in clause 7.4 of the PaperlinX SPS Terms.</p>	<p>Clause 7.4 of the PaperlinX SPS Terms</p>
<p><b>What are the events that trigger mandatory Realisation obligations for PaperlinX?</b></p>	<p>PaperlinX must exchange PaperlinX SPS Units for PaperlinX Preference Shares if:</p> <ul style="list-style-type: none"> <li>• PaperlinX breaches certain undertakings it has made in the constitution of the PaperlinX SPS Trust; or</li> <li>• a court has made an order, or a resolution is duly passed by shareholders of PaperlinX or PaperlinX LLC to wind up PaperlinX or PaperlinX LLC (as the case may be) other than for the purposes of consolidation, amalgamation, merger or reconstruction (approved by a special resolution of PaperlinX Shareholders).</li> </ul>	<p>Clause 11.2 of PaperlinX SPS Terms</p>
<p><b>What rights attach to PaperlinX Preference Shares?</b></p>	<p>PaperlinX Preference Shares confer on holders the following key rights:</p> <ul style="list-style-type: none"> <li>• if the PaperlinX Board determines so at the time of issue of the PaperlinX Preference Shares, the right to convert into PaperlinX Shares;</li> <li>• the right to receive out of available profits, a preferential dividend at the</li> </ul>	<p>Section 3 of the constitution of PaperlinX</p>

Question	Answer	Further information
	<p>rate or amount determined by the PaperlinX Board at the time of issue of the PaperlinX Preference Shares;</p> <ul style="list-style-type: none"> <li>• the right on redemption and in a winding-up to payment in cash in priority to PaperlinX Shareholders; and</li> <li>• the right, in priority to any payment of dividend to PaperlinX Shareholders, to the preferential dividend.</li> </ul> <p>The PaperlinX Preference Shares do not confer on holders the right to vote at shareholder meetings, except if:</p> <ul style="list-style-type: none"> <li>• the dividend on PaperlinX Preference Shares is in arrears; or</li> <li>• the resolution relates to a reduction in PaperlinX share capital or buy-back, the winding-up PaperlinX, the disposal of the whole of PaperlinX's property, business or undertaking, or affects the rights attached to PaperlinX Preference Shares.</li> </ul>	
<b>Who may specify the method of Realisation?</b>	The method (or combination of methods) of Realisation is to be determined by PaperlinX.	Clause 7.3, 7.5 and 7.7 of PaperlinX SPS Terms
<b>Why is PaperlinX unlikely to elect a Realisation?</b>	<p>PaperlinX is unlikely to elect a Realisation for cash due to funding constraints.</p> <p>PaperlinX is also unlikely to elect a Realisation for PaperlinX Shares due to the unlikelihood of obtaining the necessary PaperlinX Shareholder approval to do so.</p>	Section 7.2(f)
<b>Do PaperlinX SPS Unitholders have a direct investment in PaperlinX?</b>	PaperlinX SPS Unitholders do not have a direct investment in PaperlinX. Further, PaperlinX has made no guarantee of payment of distributions to PaperlinX SPS Unitholders or the capital value and/or performance as an investment.	
<b>What are the restrictions that apply in case of non-payment of distributions on PaperlinX SPS Units?</b>	<p>Under the terms of the PaperlinX SPS Trust, if a distribution has not been paid in respect of PaperlinX SPS Units by a relevant Distribution Payment Date, PaperlinX must:</p> <ul style="list-style-type: none"> <li>• not declare or pay a dividend in respect of PaperlinX Shares; or</li> <li>• redeem, reduce, cancel, buy-back or acquire any share capital in PaperlinX,</li> </ul> <p>except in limited circumstances.</p>	Clause 4 of PaperlinX SPS Terms

---

## **2 Information about PaperlinX**

### **2.1 Introduction**

This Section provides an overview of PaperlinX, its principal activities and recent history. PaperlinX is listed on the ASX and is obliged to comply with the continuous disclosure requirements of the ASX. Information on PaperlinX may also be obtained from the Company's website at [www.paperlinx.com](http://www.paperlinx.com) and the ASX's website at [www.asx.com.au](http://www.asx.com.au).

### **2.2 Overview of PaperlinX and its business**

PaperlinX is a leading merchant of paper and diversified materials, including packaging, sign and display and graphic supplies.

PaperlinX operates in 20 countries, with approximately 4000 employees, and in the 2013 financial year had sales revenue of \$2.8 billion. PaperlinX links customers and suppliers through an international network of locally focused operating companies. In Canada, Australia, New Zealand and Asia, PaperlinX operates as 'Spicers'. In Europe, the businesses are branded 'PaperlinX'.

PaperlinX sources, stocks, markets and distributes a broad range of quality products to customers (printers and end users), while adding value through excellent service, knowledge and efficient supply chains and logistic platforms. Around the world, PaperlinX ensures that product ranges continue to meet the changing needs of its customers. PaperlinX has extended its product range beyond the traditional realm of the fine paper merchant, encompassing diversified products such as industrial packaging, sign and display hardware and material, and graphic supplies and systems.

PaperlinX sources its products with consideration of environmental and social criteria as specified in its "Sustainable Supply Chain Policy". Many of our operations have Forest Stewardship Council (FSC) or Programme for Enforcement of Forest Certification (PEFC) chain-of custody certifications, and PaperlinX is committed to providing a wide range of products with good environmental credentials.

### **2.3 PaperlinX strategy**

#### **Operational**

The business transformation programme at PaperlinX is focused on fundamental culture change, recalibrating the commercial print business and driving the growth of diversified products to offset the decline in paper.

In the immediate term, priorities include accelerating restructuring projects to resize the cost base of the PaperlinX Group and to address underperforming businesses, particularly Benelux, Germany and the UK. Rather than focus on the size of the business, and volumes, the Company is focused on profitability – lowering the costs in all aspects of its business such as purchasing, warehousing, property and logistics.

The growth of diversified product sales are primarily being driven through an organic approach, leveraging existing customer relationships, logistics and infrastructure platforms, and resourcing the divisions with skilled team members. Selective bolt-on acquisitions will also be made subject to funding and fit.

### **Capital structure simplification**

As part of the turnaround initiatives, the PaperlinX Board is endeavouring to simplify the Company's capital structure to assist the Company's operational recovery. The PaperlinX Board believes that a simplification of the rights and ownership of PaperlinX Shares and PaperlinX SPS Units is fundamental in unlocking value for both stakeholder groups.

## **2.4 PaperlinX regional operations**

### *Australia, New Zealand and Asia (ANZA)*

In Australia, New Zealand and Asia, PaperlinX conducts its business through a variety of independent operating companies, united under a single brand – 'Spicers'. 'Spicers' is the leading merchant group in Australia and New Zealand, with sales offices and distribution capabilities in most major cities. Further, the Company has a focused position in Asia. By leveraging the synergies between operating companies, it maximises the benefits to each local market by way of product range, quality and availability. The focus is on commercial print products, sign and display, label and packaging materials, industrial supplies and packaging, graphic supplies and systems, and logistics segments.

The Australian, New Zealand and Asian business improved Underlying EBIT<sup>3</sup> in the financial year ended 30 June 2013 to A\$13.0 million from A\$10.9 million in the prior corresponding period.

### *Europe*

PaperlinX in Europe operates across eleven (11) countries that provide a range of communication materials and diversified products to thousands of customers in the commercial print, office, packaging and display markets. The focus is a 'customer-centric approach' backed by technical support services and efficient local logistics. Sales teams have an in-depth knowledge and strong expertise in the industry.

In financial year 2013, the Underlying EBIT<sup>4</sup> loss increased to €(27.3) million from a loss of €(17.8) million in the prior year. Revenue from continuing operations in local currency was down 12 per cent. The key drivers for this decline were a combination of the market decline for paper and an anticipated loss of market share due to significant sales force restructuring.

Pan-European turnaround initiatives include:

- (a) the consolidation of all European operating company brands under the PaperlinX brand from 1 July 2013;
- (b) integration of the Company's multiple operating companies in the Netherlands and the UK into a single face to market in each country;
- (c) moving towards a new organisational model which has borderless thinking in respect of development plans for the region's three key businesses – commercial print, packaging and visual technology solutions (VTS);

---

<sup>3</sup> Non-IFRS Information

<sup>4</sup> Non-IFRS Information

- (d) a new paper procurement strategy focused primarily on using mill brands to improve marketing effectiveness and reduce inventory, and the roll-out of a new online indent desk service; and
- (e) further restructuring of underperforming businesses to reduce cost base.

### ***Canada***

In North America, the Company operates exclusively in Canada as a leading provider to the commercial print industry as well as national retail and reseller entities. Fifteen (15) distribution centres are strategically located across the country to reliably deliver fine paper, prepress and pressroom consumables, sign and display media and industrial packaging materials to over 5000 privately held and publicly traded customers.

The Canadian strategy relies heavily on ‘pursuing simplicity and delivering value’ as evident through the consolidation of all operations under one brand 'Spicers', creating opportunities to strengthen supply chain partnerships, establish clear brand equity in the market while increasing efficiency and productivity. Through managed investment into distribution excellence, the company is positioning itself for continued relevance in the delivery of relevant materials into all markets while leveraging locally empowered management to meet the unique market dynamics throughout Canada’s vast geography.

In 2013 financial year, the Canadian business delivered a very strong profit performance with Underlying EBIT<sup>5</sup> up from C\$8.4 million to C\$13.6 million.

### **2.5 PaperlinX Board**

The Company's Board and a brief description of their qualifications and other directorships are set out below:

- (a) **Mr Robert Kaye SC LLB (Syd), LLM (Cambridge) (Hons)**  
*Independent Non-executive Director (Chairman)*

Appointed a Director in September 2012 and Chairman effective 28 March 2013.

Mr Kaye was admitted to legal practice in 1978 and employed as a solicitor at Allen Allen & Hemsley Solicitors. Thereafter, he pursued his legal career at the NSW Bar and was appointed Senior Counsel in 2003, practising in commercial law. He has been involved extensively in an array of commercial matters, both advisory and litigious in nature, and served on a number of NSW Bar Association committees, including the Professional Conduct Committee. He has also served as a director for various private companies. In the conduct of his practice as a barrister, he has acted for many financial institutions and commercial enterprises, both public and private, and given both legal and strategic advice. He has had significant mediation experience and been involved in the successful resolution of complex commercial disputes. He is Chairman of the Nomination & Governance Committee. He is a director of Magontec Limited (effective 16 July 2013).

---

<sup>5</sup> Non-IFRS Information

- (b) **Mr Michael (Mike) Barker** MA (Oxon), FIAA, FIA  
*Independent Non-executive Director*

Appointed a Director in September 2012, held the position of Chairman from 1 October 2012 to 28 March 2013.

Mr Barker is an actuary, with a career background in institutional investment management. He has served as a non-executive director on a number of boards in the financial and property sectors. Mr Barker's last executive role was director of NatWest Investment Management in London from 1994 to 1996, responsible for Marketing and Sales in Europe and Asia. Prior to that he held senior positions in Sydney, Australia, with County NatWest Investment Management (1986 to 1994) and Aetna Life and Casualty (1968 to 1986). He has been extensively involved with the Actuaries Institute in the areas of education and governance and was elected a Life Member in 2007. Mr Barker was previously, a director of Metlife Insurance Ltd (1 May 2001 to 31 December 2012). He is Chairman of the Audit Committee and the Remuneration & HR Committee.

- (c) **Mr Andrew Price**  
*Managing Director & Chief Executive Officer*

Initially appointed a Director in September 2012, then Executive Director in November 2012, and Managing Director and Chief Executive Officer in September 2013.

Mr Price has 30 years of experience in the paper, print and supply chain fulfilment industries. In his early career in Australia, he held various senior management roles at 'Spicers'. In 1998, he established Stream Solutions, which provided the Australian print industry with an internet-based order fulfilment capability. Stream Solutions was sold to Toll Group in 2007, but Mr Price continued to manage the company until 2011.

## 2.6 Management and Company Secretaries

The Company's senior management and a brief description of their qualifications are set out below:

- (a) **Mr Joost Smallenbroek**  
*Chief Financial Officer*

Appointed Chief Financial Officer for PaperlinX, effective 18 December 2012.

Mr Smallenbroek, a resident of The Netherlands, joined PaperlinX in 2004 and was previously Corporate Finance Director for PaperlinX Europe, leading Treasury, Tax, and Merger & Acquisition functions in that area. He was previously an international tax adviser with Coopers and Lybrand (now PwC) and Ernst & Young.

- (b) **Mr Andy Preece**  
*Executive General Manager, Australia, New Zealand & Asia*

Appointed Executive General Manager, Australia, New Zealand and Asia in July 2012.

Previously, Mr Preece was appointed Group General Manager Australia in 2011, and prior to that was General Manager, 'Spicers' New Zealand from 2007. He originally joined PaperlinX in 2001 as the New Zealand Manager for Australian Paper, before joining 'Spicers' New Zealand as the National Operations Manager. His market experience spans some 20 years, originating in the UK carton industry.

- (c) **Mr Cory Turner**  
*President, Canada*

Appointed to his current role of President, 'Spicers' Canada, in May 2011.

After joining Coast Paper (now 'Spicers' Canada) in 1994, Mr Turner held sales roles in Western Canada before relocation to the United States in 2003. Since that time, Mr Turner has undertaken a number of leadership roles, including Regional Manager Northern California, and upon relocation back to Canada in 2009 as General Manager and then Vice President Sales.

The Company's company secretaries and a brief description of their experience are set out below:

- (a) **Ms Michelle Wong, AGIA, ACIS**

Appointed to her current role of Company Secretary in July 2012.

Previously, Ms Wong was appointed Assistant Company Secretary in March 2006. Ms Wong has more than 15 years' experience in company secretarial and governance functions.

- (b) **Mr Wayne Johnston**

Mr Johnston is currently the Deputy Chief Financial Officer of PaperlinX Limited (appointed in August 2010) and the Executive General Manager of Corporate Services (appointed 30 June 2012). He was also appointed as an additional Company Secretary in July 2012.

## **2.7 Corporate governance**

The PaperlinX Board seeks, where appropriate, to provide accountability levels that meet or substantially meet the ASX Corporate Governance Council's Principles for Good Corporate Governance and Best Practice Recommendations.

The Company's corporate governance statement can be found in its 2013 Annual Report. The Annual Report can be obtained from PaperlinX's website at [www.paperlinx.com](http://www.paperlinx.com).

## **2.8 Historical financial information on PaperlinX**

The historical financial information below relates to PaperlinX and does not reflect any impacts of the Offer. It is a summary only and the full financial statements for PaperlinX for the financial periods described below, including the notes to the accounts, can be found in the

Company's annual reports for those periods. Full copies of those annual reports are available from the Company's website at [www.paperlinx.com](http://www.paperlinx.com) and ASX's website at [www.asx.com.au](http://www.asx.com.au). Please note that past performance is not a guide to future performance.

(a) **Consolidated statement of financial position**

The summarised historical consolidated statement of financial position of PaperlinX set out below has been extracted from the audited financial statements for the financial periods ending 30 June 2011, 30 June 2012 and 30 June 2013 (being the last audited financial statements prior to the date of this Bidder's Statement).

\$million	<b>30 June 2013</b>	<b>30 June 2012 Restated<sup>6</sup></b>	<b>30 June 2011</b>
<b>Current assets</b>			
Cash and cash equivalents	87.8	80.0	125.3
Trade and other receivables	601.9	671.6	967.9
Income tax receivable	11.1	3.4	7.3
Inventories	302.4	305.5	439.4
Assets held for sale	-	43.4	0.5
<b>Total current assets</b>	<b>1,003.2</b>	<b>1,103.9</b>	<b>1,540.4</b>
<b>Non-current assets</b>			
Receivables	3.6	13.3	6.8
Investments	1.1	1.0	1.5
Property, plant and equipment	41.4	43.3	71.5
Intangible assets	78.8	96.6	257.3
Deferred tax assets	33.2	40.6	52.6
<b>Total non-current assets</b>	<b>158.1</b>	<b>194.8</b>	<b>389.7</b>
<b>Total assets</b>	<b>1,161.3</b>	<b>1,298.7</b>	<b>1,930.1</b>
<b>Current liabilities</b>			
Trade and other payables	396.8	435.3	731.9
Loans and borrowings	81.4	175.8	72.9
Income tax payable	8.8	2.7	1.9
Provisions and employee benefits	44.5	46.2	38.9
Liabilities held for sale	-	14.8	-
<b>Total current liabilities</b>	<b>531.5</b>	<b>674.8</b>	<b>845.6</b>
<b>Non-current liabilities</b>			
Payables	1.3	1.3	1.4

<sup>6</sup> As disclosed as comparatives in the 30 June 2013 consolidated statement of financial position. The restated amounts relate to current other payables and employee benefits.



Loans and borrowings	129.1	52.0	224.2
Deferred tax liabilities	1.5	2.2	12.6
Provisions and employee benefits	136.2	121.2	109.9
<b>Total non-current liabilities</b>	<b>268.1</b>	<b>176.7</b>	<b>348.1</b>
<b>Total liabilities</b>	<b>799.6</b>	<b>851.5</b>	<b>1,193.7</b>
<b>Net assets</b>	<b>361.7</b>	<b>447.2</b>	<b>736.4</b>
<b>Equity</b>			
Issued capital	1,895.6	1,893.5	1,890.7
Reserves	(123.9)	(149.4)	(155.3)
Accumulated losses	(1,686.5)	(1,573.4)	(1,275.5)
<b>Total equity attributable to holders of ordinary shares of PaperlinX Limited</b>	<b>85.2</b>	<b>170.7</b>	<b>459.9</b>
<b>PaperlinX SPS Units</b>	<b>276.5</b>	<b>276.5</b>	<b>276.5</b>
<b>Total equity</b>	<b>361.7</b>	<b>447.2</b>	<b>736.4</b>

(b) **Consolidated statement of profit and loss**

The summarised historical consolidated statement of profit and loss of PaperlinX set out below has been extracted from the audited financial statements for the financial periods ending 30 June 2011, 30 June 2012 and 30 June 2013 (being the last audited financial statements prior to the date of this Bidder's Statement).

	<b>30 June 2013</b>	<b>30 June 2012 Restated<sup>7</sup></b>	<b>30 June 2011 Restated<sup>8</sup></b>
\$million			
<b>Continuing operations</b>			
Revenue from sale of goods	2,777.9	3,243.2	3,671.8
Cost of inventory sold	(2,232.3)	(2,619.8)	(2,952.3)
Gross profit	545.6	623.4	719.5
Other income	8.2	8.9	3.2
Impairment of tangible and intangible assets	(25.9)	(109.4)	(68.5)
Operating expenses	(599.1)	(682.5)	(738.7)
Result from operating activities	(71.2)	(159.6)	(84.5)
Net movement in fair value of currency option and loan	-	4.0	(20.8)
Net finance costs	(13.0)	(20.0)	(16.7)

<sup>7</sup> As disclosed as comparatives in the 30 June 2013 consolidated statement of profit and loss. The restatement relates to other income and operating expenses.

<sup>8</sup> As disclosed as comparatives in the 30 June 2012 consolidated statement of profit and loss. The restatement relates to the reclassification of the USA, Italy, South Africa, Slovakia, Hungary, Slovenia, Croatia and Serbia merchanting operations as discontinued.

Loss before tax	(84.2)	(175.6)	(122.0)
Tax expense	(7.4)	(11.8)	5.3
<b>Loss from continuing operations</b>	<b>(91.6)</b>	<b>(187.4)</b>	<b>(116.7)</b>
<b>Discontinued operations</b>			
Profit/(loss) from discontinued operations, net of tax	1.4	(79.3)	8.7
<b>Loss for the period</b>	<b>(90.2)</b>	<b>(266.7)</b>	<b>(108.0)</b>

## 2.9 PaperlinX's issued securities

As at the date of this Bidder's Statement, PaperlinX has on issue the following securities.

Securities	Number
PaperlinX Shares	609,280,761
Employee Options and Performance Options issued pursuant to PaperlinX Employee Share/Option Plans*	75,200
Employee Share Rights and Performance Rights issued pursuant to PaperlinX Employee Share/Rights Plans*	8,616,172
Options issued pursuant to the Executive Director Options Plan*	35,000,000

\* Unquoted securities

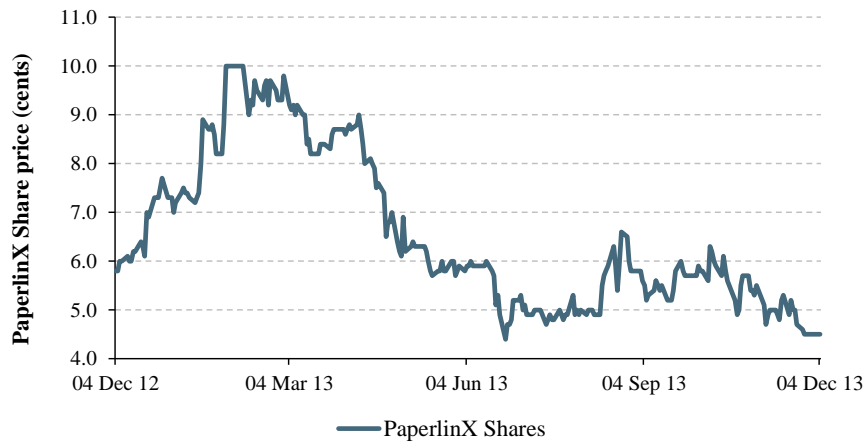
## 2.10 Recent PaperlinX Share prices

The last recorded sale price of PaperlinX Shares on the ASX as at close of trading on the ASX on 4 December 2013 was 4.5 cents.

The highest recorded sale price of PaperlinX Shares on ASX in the month prior to the Announcement Date was 6.3 cents and the lowest recorded sale price of PaperlinX Shares on ASX in the month prior to the Announcement Date was 5.2 cents.

The share price performance of PaperlinX over the last 12 months is contained in the graph below.

**Figure 2.10 - Recent PaperlinX Share price history**



### 2.11 Dividend history of PaperlinX Shares since 2007

The last dividend paid by PaperlinX was 3.5 cents per share and it was the final dividend for the financial year ended 2008. The below table sets out the dividend history of PaperlinX Shares since 1 January 2007.

Type of Dividend	Amount per PaperlinX Share	Payment Date
Interim Dividend for financial year ending 2007	5 cents	5/4/2007
Final Dividend for financial year ended 2007	6 cents	26/9/2007
Interim Dividend for financial year ending 2008	3 cents	4/4/2008
Final Dividend for financial year ended 2008	3.5 cents	15/10/2008

### 2.12 PaperlinX Substantial Shareholders

As at the date of this Bidder's Statement, the following entities had notified PaperlinX of current substantial shareholdings in PaperlinX:

Shareholder	Number of PaperlinX Shares held	%
Orbis Group	111,432,010	18.29%
Communications Power	55,500,000	9.11%

Shareholder	Number of PaperlinX Shares held	%
Incorporated (Aust) Pty Ltd		
Maple - Brown Abbot Ltd	42,531,155	6.98%

## 2.13 PaperlinX Share and Option Plans

As at the date of this Bidder's Statement, PaperlinX currently has the following share and option plans in operation:

### (a) PaperlinX Short-Term Incentive Plan

The PaperlinX Short-Term Incentive (*STI*) Plan comprises key financial targets of profit and working capital or return on funds employed, with the most significant weighting on profit.

Taken as a whole, these financial and strategic targets were identified as the key drivers to achieving budgets, improving performance and ultimately enhancing shareholder returns. Deferring a significant component of the STI reward is intended to build ownership, align executive STIs with the creation of value for shareholders and support the retention of senior executives.

Performance conditions are evaluated on a qualitative basis, which are then reviewed and approved by the Remuneration & HR Committee. Under the STI Plan for the 2013 financial year, some financial and strategic targets were achieved with payment made through a combination of cash and deferred equity. The STI Plan for the 2014 financial year will continue to place more emphasis on profit to align with PaperlinX Shareholders' interests.

No amount is payable on the grant of the short term equity. Measurement period is one year with an additional two year service period required in order for any equity component to be released from escrow.

### (b) PaperlinX Long-Term Incentive Plan

The PaperlinX Long-Term Incentive Plan (*LTI*) consists of two structures:

- Performance Rights - provide the right to potentially acquire fully paid ordinary shares in PaperlinX at nil cost to participants when performance conditions are met.
- Performance Options - provide participants with the opportunity to purchase PaperlinX Shares at a predetermined exercise price when performance conditions are met.

No amount is payable by PaperlinX on the grant of the performance rights or options.

Performance conditions under the LTI Plan relate to relative total shareholder return (TSR) and earnings per share (EPS) growth.

Measurement period is three years with further measurement periods in relation to the TSR performance condition only.

No new grants were made under the existing LTI plan during the 2013 financial year. There will also be no new grants made in the 2014 financial year. It is the PaperlinX Board's intention to review the LTI Plan before making grants in future years.

(c) **Executive Director Options Plan**

This plan relates to the grant of 35 million options to Mr Andrew Price. The exercise prices of the options ranges from 10 cents to 50 cents and the exercise period is between two and five years commencing from 25 October 2013 (the date the options were approved by shareholders). The options are spread out in six tranches. No amount was paid on the grant of those options to Mr Price.



<b>Key rights and liabilities attaching to PaperlinX Shares</b>		
<b>Topic</b>	<b>Summary</b>	<b>Reference</b>
	shareholder by, among other methods, serving it personally on the PaperlinX Shareholder, sending it to the shareholder's registered address or other electronic means determined by the Board for the giving of notices.	of the PaperlinX constitution.
<b>Voting rights</b>	<p>Subject to any rights or restrictions for the time being attached to any class or classes of shares, at a meeting of PaperlinX shareholders or classes of shareholders, each shareholder present has one vote on a show of hands, and one vote for each fully paid share held on a poll or for each other share held, a vote proportionate to the amount of the share that is paid up.</p> <p>A shareholder who is entitled to attend and vote at a meeting may appoint a proxy or attorney to attend and vote on their behalf in accordance with the provisions of the constitution and the Corporations Act.</p>	Section 43, 45, and 48 of the PaperlinX constitution.
<b>Dividends</b>	<p>The PaperlinX Board may from time to time determine that a dividend or interim dividend is payable and fix the amount, time and method of payment. Each PaperlinX share has the same dividend right, except for newly created shares which may provide for different dividend rights. The PaperlinX Board may also establish dividend plans under which a shareholder may elect to receive or deal with some or all of their dividends in a certain manner.</p> <p>Payment of ordinary dividends is subject to restrictions contained in the terms of the PaperlinX SPS Trust.</p>	<p>Sections 81, 82, and 83 of the PaperlinX constitution.</p> <p>Clause 4 of PaperlinX SPS Terms</p>

<b>Key rights and liabilities attaching to PaperlinX Shares</b>		
<b>Topic</b>	<b>Summary</b>	<b>Reference</b>
<b>Restrictions in case of non-payment of distributions on PaperlinX SPS Units</b>	<p>Under the terms of the PaperlinX SPS Trust, if a distribution has not been paid in respect of PaperlinX SPS Units by a relevant Distribution Payment Date, PaperlinX must:</p> <ul style="list-style-type: none"> <li>• not declare or pay a dividend in respect of PaperlinX Shares; or</li> <li>• redeem, reduce, cancel, buy-back or acquire any share capital in PaperlinX,</li> </ul> <p>except in limited circumstances.</p>	Clause 4 of PaperlinX SPS Terms
<b>Winding-up</b>	<p>If PaperlinX is wound up, the liquidator may divide among the PaperlinX shareholders in kind any part of the assets of PaperlinX and may vest any part of the assets of PaperlinX on any trusts for the benefit of all or any of the PaperlinX shareholders as the liquidator thinks fit.</p>	Section 95 of the PaperlinX constitution.
<b>Transfer of PaperlinX Shares</b>	<p>Subject to the procedure outlined in the constitution of PaperlinX as well as the Corporations Act, ASX Settlement Operating Rules and ASX Listing Rules, PaperlinX shares are transferable. The PaperlinX Board may request a holding lock to prevent a transfer of PaperlinX Shares subject to requirements of the ASX Settlement Operating Rules if it sees fit.</p> <p>The PaperlinX Directors may refuse to register any transfer of PaperlinX Shares, including in circumstances where the registration of the transfer would contravene or fail to observe any applicable law or ASX Listing Rules or if PaperlinX has a lien over the shares or if permitted to do so under the ASX Listing Rules.</p>	Sections 26 and 27 of the PaperlinX constitution.



<b>Key rights and liabilities attaching to PaperlinX Shares</b>		
<b>Topic</b>	<b>Summary</b>	<b>Reference</b>
<b>Issue of further PaperlinX Shares</b>	<p>Subject to the constitution and the ASX Listing Rules, PaperlinX has the right to issue shares or grant options over unissued shares to any person on terms that it sees fit.</p> <p>Without affecting any special rights conferred on the holders of any shares, any share in PaperlinX may be issued with preferred, deferred, or other special rights, obligations or restrictions, whether in regard to dividends, voting, return of share capital, payment of calls or otherwise, as the PaperlinX Directors may determine and on any terms the PaperlinX Board consider appropriate.</p>	Sections 2 and 4 of the PaperlinX constitution.
<b>Variation of rights</b>	<p>Under the Corporations Act, rights, privileges and restrictions attaching to PaperlinX shares or to any other class of shares which may be issued in the future can only be varied by a special resolution passed at a general meeting of PaperlinX and the holders of each relevant class of shares or with the written consent of PaperlinX shareholders with at least 75% of the votes in the relevant class.</p> <p>An issue of shares of the same class as an existing class of shares is not to be considered to constitute a variation of the rights of the holders of shares in the existing class.</p>	<p>Part 2F.2 of the Corporations Act.</p> <p>Section 4 of the PaperlinX constitution.</p>
<b>Alteration of capital and share buy-back</b>	<p>PaperlinX may, at a general meeting, reduce or alter its share capital in any manner permitted by the Corporations Act. This includes a reduction of capital, a buy-back or otherwise, in accordance with the constitution and the Corporations Act.</p>	<p>Section 31 of the PaperlinX constitution.</p> <p>Part 2J.1 of the Corporations Act.</p>

<b>Key rights and liabilities attaching to PaperlinX Shares</b>		
<b>Topic</b>	<b>Summary</b>	<b>Reference</b>
<b>Number of PaperlinX Directors</b>	The PaperlinX Board has the power at any time to appoint any person as a Director, who shall hold office until the next annual general meeting and is then eligible for election. The constitution provides that the number of PaperlinX Directors must be not less than three and not more than ten.	Sections 49 and 50 of the PaperlinX constitution.
<b>Amending the constitution</b>	The Corporations Act provides that the constitution may be modified or repealed by a special resolution of the members of the company (i.e. passed by at least 75% of the votes cast by members entitled to vote on the resolution).  The constitution of PaperlinX does not provide any further requirements to be complied with to effect a modification or to repeal, the constitution.	Section 136(2) of the Corporations Act.
<b>Sale of unmarketable parcel of shares</b>	Subject to the Corporations Act, ASX Listing Rules and ASX Settlement Operating Rules, PaperlinX may sell the shares of a shareholder if the total number of shares held by the shareholder on the date on which notice is given is less than a marketable parcel.	ASX Listing Rule 15.3 and section 99 of the PaperlinX constitution.

### 3.3 Comparison of holding PaperlinX Shares and PaperlinX SPS Units

The key differences between holding PaperlinX Shares and PaperlinX SPS Units are summarised below.

<b>Comparison of key terms of PaperlinX Shares and PaperlinX SPS Units</b>		
<b>Legal form</b>	<b>Shares</b>	<b>Units</b>
<b>Ranking in winding-up of PaperlinX</b>	<i>PaperlinX Shares</i> Ranks behind all other securities and obligations in PaperlinX.  <i>PaperlinX Preference Shares</i> Ranks ahead of PaperlinX Shares but behind all other securities and obligations in PaperlinX.	<i>PaperlinX SPS Units</i> None  <i>PaperlinX Ordinary Unit</i> None  Note that PaperlinX SPS Units may be Realised for PaperlinX Shares or

Comparison of key terms of PaperlinX Shares and PaperlinX SPS Units		
		exchanged for PaperlinX Preference Shares.
<b>Ranking in winding-up of PaperlinX SPS Trust</b>	<p><i>PaperlinX Shares</i> None</p> <p><i>PaperlinX Preference Shares</i> None</p>	<p><i>PaperlinX SPS Units</i> Ranks behind all other securities and obligations in the PaperlinX SPS Trust except for the PaperlinX Ordinary Unit.</p> <p><i>PaperlinX Ordinary Unit</i> Ranks behind all other securities and obligations in the PaperlinX SPS Trust.</p>
<b>Term</b>	Perpetual (unless bought back)	Perpetual (unless redeemed)
<b>Dividends/Distributions</b>	<p>Dividends, payable at the absolute discretion of the Board, subject to any restrictions imposed by banks and the PaperlinX SPS Terms</p> <p>Under the PaperlinX SPS Terms, if a distribution has not been paid in respect of PaperlinX SPS Units by a relevant Distribution Payment Date, PaperlinX must not declare or pay a dividend in respect of PaperlinX Shares.</p>	Distributions, payable at the absolute discretion of the RE and dependent on income of PaperlinX SPS Trust
<b>Payment amounts</b>	Based on the Company's level of profitability and the prevailing dividend policy	<p>Calculated as follows: (Distribution Rate x \$100 x D)/365</p> <p>Where:</p> <p>Distribution Rate = The aggregate of a market based rate (average mid-rate for bills having a term of 180 days) and the applicable margin determined under the PaperlinX SPS Terms</p> <p>D = Broadly means the number of days between either the issue date and the first Distribution Payment Date, or the number of days between a preceding Distribution Payment Date and the subsequent Distribution Payment Date</p>

<b>Comparison of key terms of PaperlinX Shares and PaperlinX SPS Units</b>		
<b>Payment accumulation</b>	None	None
<b>Participation in the Company's surplus on winding up</b>	Yes	No
<b>Rights to be repaid at end of Term</b>	Not applicable	Not applicable
<b>Voting rights at general meeting of PaperlinX shareholders</b>	Yes	No
<b>Transferability and liquidity</b>	Yes, quoted on ASX	Yes, quoted on ASX

---

## **4 Information about PaperlinX SPS Trust**

### **4.1 Introduction**

This Section provides an overview of the PaperlinX SPS Trust, its principal activities and recent history. The PaperlinX SPS Trust is listed on the ASX and is obliged to comply with the continuous disclosure requirements of the ASX. Information on the PaperlinX SPS Trust may also be obtained from the ASX website at [www.asx.com.au](http://www.asx.com.au).

The information on the PaperlinX SPS Trust in this Bidder's Statement has been prepared by PaperlinX using publicly available information and has not been independently verified. To the extent permitted by law, PaperlinX does not make any representation or warranty (express or implied), nor assume any responsibility, as to the accuracy or completeness of such information. The information on the PaperlinX SPS Trust in this Bidder's Statement should not be considered to be comprehensive. Further information in relation to the business of the PaperlinX SPS Trust will be included in the Target's Statement.

### **4.2 Overview of PaperlinX SPS Trust and its purpose**

The PaperlinX SPS Trust was established for the purpose of issuing PaperlinX SPS Units. PaperlinX SPS Units are perpetual, preferred units in the PaperlinX SPS Trust.

The RE has acted in the capacity of responsible entity of PaperlinX SPS Trust since it was established under PaperlinX SPS Trust's constitution dated 7 February 2007.

### **4.3 Relationship between PaperlinX SPS Trust and PaperlinX**

On 30 March 2007, 2,850,000 PaperlinX SPS Units were issued at an issue price of \$100 per security raising \$285 million. All funds raised from this issue were invested by the RE in preference shares in PaperlinX LLC (*LLC Preference Shares*), a subsidiary of PaperlinX.

The LLC Preference Shares entitle the RE to distributions on terms similar to PaperlinX SPS Units. In particular, distributions on the LLC Preference Shares are discretionary and non-cumulative. In order for distributions to be made on PaperlinX SPS Units and PaperlinX Shares, approval from lenders is required.

If a PaperlinX Winding-Up Event occurs:

- (a) under the PaperlinX SPS Terms, PaperlinX is obliged to exchange each PaperlinX SPS Unit on issue for a PaperlinX Preference Share; and
- (b) under the terms of the LLC Preference Shares:
  - (i) each LLC Preference Share held by the RE must be assigned to PaperlinX; and
  - (ii) PaperlinX must pay to the RE an amount equal to the aggregate issue price of the PaperlinX Preference Shares to be exchanged.

PaperlinX SPS Unitholders may also become holders of PaperlinX Preference Shares or PaperlinX Shares if certain Realisation events occur.

However, an investment in the PaperlinX SPS Trust is not an investment directly in PaperlinX and PaperlinX has provided no guarantee of the payment of any distributions on PaperlinX SPS Units or their capital value and/or performance as an investment.

#### **4.4 Payment of distributions on PaperlinX SPS Units**

Any distributions are paid on a floating rate, unfranked, non-cumulative, discretionary and semi-annual basis. If a distribution is not paid in full, the distribution does not accumulate and may never be paid on the PaperlinX SPS Unit.

If a distribution is not paid in full, PaperlinX will be restricted from paying dividends or making other distributions on any class of its share capital until such time as two consecutive distributions are paid by the PaperlinX SPS Trust or an optional distribution is paid equal to the unpaid amount of scheduled distributions for the 12 months preceding (but not including) the payment date of the optional distribution, in accordance with the PaperlinX SPS Trust Constitution which includes the PaperlinX SPS Terms. Please refer to Section 3.3 for further details on the method of calculation of distributions and Section 4.9 for the distribution history of PaperlinX SPS Units.

#### **4.5 RE Board of Directors**

The RE's Board is set out below:

- (a) John Atkin, Director
- (b) David Grbin, Director
- (c) Andrew Cannane, Director
- (d) Rupert Smoker, Alternate Director

#### **4.6 Historical financial information on the PaperlinX SPS Trust**

For the financial year ended 30 June 2013, PaperlinX SPS Trust made a net loss after tax of \$45.526 million.

For details of the PaperlinX SPS Trust's financial status, please refer to the PaperlinX SPS Trust's 2013 Annual Report available on the ASX website ([www.asx.com.au](http://www.asx.com.au)) or on the Company's website at [www.paperlinx.com](http://www.paperlinx.com).

#### **4.7 PaperlinX SPS Trust issued securities**

As at the date of this Bidder's Statement, there are 2,850,000 PaperlinX SPS Units on issue. PaperlinX SPS Units are quoted on the ASX under ASX Code PXUPA.

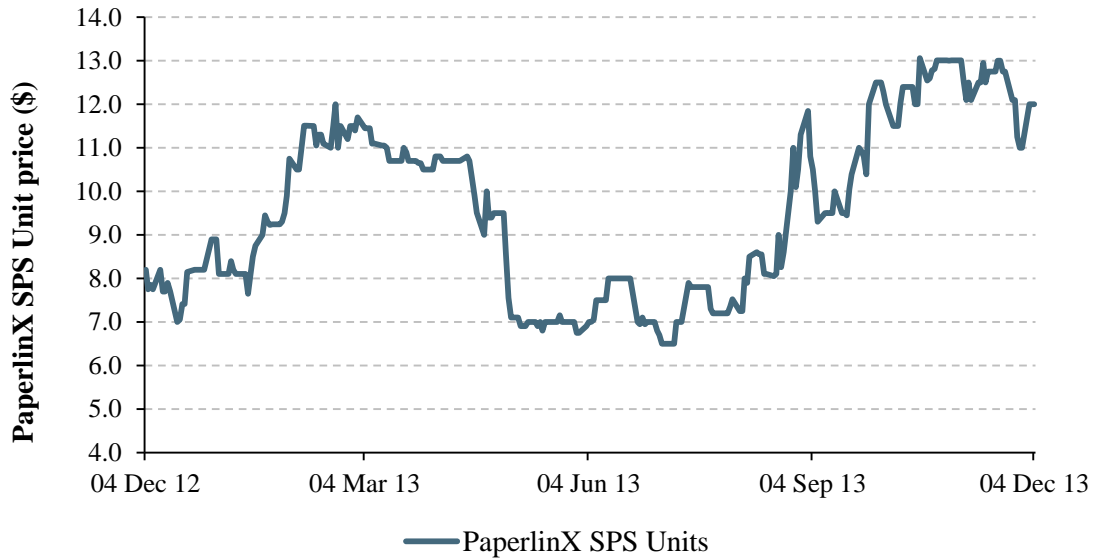
There is also one (1) ordinary unit in the PaperlinX SPS Trust, held by PaperlinX, currently on issue. Accordingly, in circumstances where approval is required to be obtained from each class of PaperlinX SPS Trust unitholders, PaperlinX would be the sole member of the class comprising ordinary units.

#### **4.8 Recent PaperlinX SPS Unit prices**

The last recorded sale price of PaperlinX SPS Units on the ASX as at close of trading on ASX on 4 December 2013 was \$12.00.

The highest recorded sale price of PaperlinX SPS Units on the ASX in the 12 months prior to the Announcement Date was \$12.90 and the lowest recorded sale price of PaperlinX SPS Units on ASX in the 12 months prior to the Announcement Date was \$6.50.

**Figure 4.8 - Recent PaperlinX SPS Unit price history**



**4.9 Distribution history of PaperlinX SPS Units**

No distribution has been paid since 30 June 2011. The table below sets out the distribution history of PaperlinX SPS Units.

No.	Period		Distribution rate per PaperlinX SPS Unit	Distribution amount per PaperlinX SPS Unit	Payment Date
1	30/3/2007	30/6/2007	9.0400	\$2.3033	2/7/2007
2	1/7/2007	31/12/2007	8.9700	\$4.5219	31/12/2007
3	1/1/2008	30/6/2008	9.7150	\$4.8442	30/6/2008
4	1/7/2008	31/12/2008	10.3583	\$5.2217	31/12/2008
5	1/1/2009	30/6/2009	6.02	\$2.9853	No distribution paid
6	1/7/2009	31/12/2009	5.685	\$2.8659	No distribution paid
7	1/1/2010	30/6/2010	6.7867	\$3.3655	30/6/2010
8	1/7/2010	31/12/2010	7.3650	\$3.7128	31/12/2010
9	1/1/2011	30/6/2011	7.5317	\$3.7349	30/6/2011
10	1/7/2011	31/12/2011	7.445	\$3.7531	No distribution paid

<b>11</b>	1/1/2012	30/6/2012	6.7417	\$3.3616	No distribution paid
<b>12</b>	1/7/2012	31/12/2012	8.1933*	\$4.1303	No distribution paid
<b>13</b>	1/1/2013	30/6/2013	7.5917*	\$3.7647	No distribution paid
<b>14</b>	1/7/2013	31/12/2013	7.4550*	\$3.7581	No distribution to be paid

\* Includes step-up margin of 2.25%

#### 4.10 PaperlinX SPS Unitholders

As at the date of this Bidder's Statement, the following entities had notified the RE of current substantial shareholdings in the PaperlinX SPS Trust.

<b>Unitholder</b>	<b>Number of PaperlinX SPS Units held</b>	<b>%</b>
Coastal Capital International, Ltd & its affiliates	389,658	13.67
Blann Properties Pty Limited	193,200	6.78
Fisher Funds Management Limited	178,482	6.26

#### 4.11 Interests of RE Directors

No RE Directors have any relevant interest in the securities of the PaperlinX SPS Trust and other related body corporates as notified by the RE Directors to the ASX in accordance with section 205G(1) of the Corporations Act, as at the date of PaperlinX SPS Trust's 2013 financial report. RE Directors are also not entitled to any equity based payments in the PaperlinX SPS Trust.



---

## **5 PaperlinX's intentions for the business, assets and management of PaperlinX SPS Trust**

### **5.1 Approach**

This Section 5 sets out the Company's intentions in relation to the PaperlinX SPS Trust, which have been formed on the basis of facts and information publicly available to PaperlinX concerning the PaperlinX SPS Trust at the date of this Bidder's Statement. Limited due diligence has been undertaken in relation to the PaperlinX SPS Trust and its businesses (see Section 4).

Final decisions on these matters will only be reached in the light of all material facts and circumstances (including the commercial, operational, financial and taxation implications of any decision) at the relevant time. Accordingly, the statements set out in this Section 5 are statements of the Company's current intentions only which may change as new information becomes available or as circumstances require.

### **5.2 Intentions upon becoming entitled to compulsorily acquire PaperlinX SPS Units**

Set out below are the Company's intentions if PaperlinX becomes entitled to compulsorily acquire all outstanding PaperlinX SPS Units after the Offer.

#### ***Compulsory acquisition***

If PaperlinX becomes entitled to compulsorily acquire all outstanding PaperlinX SPS Units, then it intends to exercise its rights of compulsory acquisition in respect of PaperlinX SPS Units in accordance with the Corporations Act.

#### ***Delisting***

PaperlinX intends to arrange for PaperlinX SPS Units to be removed from the official list of ASX.

#### ***Wind-up***

In the event PaperlinX compulsorily acquires all outstanding PaperlinX SPS Units, PaperlinX intends to cancel PaperlinX SPS Units and wind-up the PaperlinX SPS Trust and PaperlinX LLC.

### **5.3 Intentions for PaperlinX SPS Trust as controlled, partly owned asset (50.1% or greater holding)**

Set out below are the Company's current intentions if PaperlinX does not become entitled to compulsorily acquire all outstanding PaperlinX SPS Units but achieves greater than 50.1% of acceptances and, as such, the PaperlinX SPS Trust becomes a controlled, partly owned asset of PaperlinX. PaperlinX would only make a decision on any of the courses of action described below after it receives legal and financial advice and its intentions must be read as subject to:

- (a) the fiduciary and statutory duties of the RE Directors, including duty of the RE Directors to have regard to the interests of the PaperlinX SPS Trust as a whole; and

- (b) the Corporations Act and ASX Listing Rules, including in relation to related party transactions and conflicts of interest. These requirements may, in some circumstances, require the approval of the PaperlinX SPS Trust's minority Unitholders in order to implement a particular transaction.

The matters described in paragraphs (a) and (b) above may prevent a stated intention of PaperlinX being achieved.

#### ***Amendment to the Constitution***

PaperlinX will review the constitution of the PaperlinX SPS Trust, having particular regard to the Realisation rights of the PaperlinX SPS Unitholders, with a view to amending any provisions that give rise to uncertainty or adversely affect the confidence of the Company's key stakeholders, including customers, suppliers, employees and financiers.

#### ***ASX listing***

PaperlinX may, in some circumstances, where illiquidity and the ASX Listing Rules permit, seek to remove PaperlinX SPS Trust's listing on the ASX.

If the PaperlinX SPS Trust continues to be listed on ASX, PaperlinX SPS Unitholders who do not accept the Offer should be aware that the liquidity of PaperlinX SPS Units may be materially diminished given the reduced free float of PaperlinX SPS Units.

#### ***Responsible entity***

PaperlinX intends, subject to the Corporations Act and the PaperlinX SPS Trust's constitution, to retain the RE as the responsible entity of PaperlinX SPS Trust.

#### ***Distribution policy***

PaperlinX will review the distribution policy of the PaperlinX SPS Trust having regard to any capital funding and ongoing operational requirements of PaperlinX on the one hand and the appropriateness of paying distributions to Unitholders on the other.

#### ***Compulsory acquisition***

If PaperlinX becomes entitled at some future time to exercise general compulsory acquisition rights under the Corporations Act, it probably will exercise those rights.

### **5.4 Intentions for the PaperlinX SPS Trust as a non-controlled, partly owned asset (50% or less holding)**

Set out below are the Company's current intentions if PaperlinX acquires 50% or less PaperlinX SPS Units under the Offer and, as such, the PaperlinX SPS Trust becomes a non-controlled, partly owned asset of PaperlinX.

PaperlinX intends to hold on to PaperlinX SPS Units it acquires under the Offer. PaperlinX will seek to exercise the rights attaching to:

- (a) PaperlinX SPS Units it acquires under the Offer; and
- (b) the PaperlinX Ordinary Unit,

in the best interests of PaperlinX Shareholders, including to maximise value for PaperlinX Shareholders and to oppose any action that may adversely affect PaperlinX and PaperlinX Shareholders.

## **5.5 Business, assets and employees**

Except for the changes and intentions set out in this Bidder's Statement (including this Section 5), it is the present intention of PaperlinX (based on the information presently available to it) to:

- (a) continue the business of the PaperlinX SPS Trust in substantially the same manner as it is presently being conducted;
- (b) not to make any major changes to the business of the PaperlinX SPS Trust;  
and
- (c) continue the engagement of the RE as the responsible entity of the PaperlinX SPS Trust.

---

## 6 Profile of Combined PaperlinX Group

### 6.1 Capital structure of Combined PaperlinX Group

The actual number of PaperlinX Shares on issue at completion of the Offer will depend on the number of acceptances of the Offer during the Offer Period.

Assuming that PaperlinX acquires 100% of all PaperlinX SPS Units on issue. PaperlinX expects that the Combined PaperlinX Group will have a total of 1,321.8 million shares on issue. In this scenario, former PaperlinX SPS Unitholders will, in aggregate, hold approximately 54% of the Combined PaperlinX Group.

### 6.2 Pro-forma historical financial information of the Combined Group

This Section 6 contains pro-forma financial information for the Combined PaperlinX Group, reflecting the aggregation of the financial performance and financial position of PaperlinX and PaperlinX SPS Trust.

The pro-forma historical financial information has been prepared having regard to hypothetical acceptance levels of 25%, 50%, 75% and 100% in order to give PaperlinX SPS Unitholders an indication of the scale and size of the Combined PaperlinX Group and the hypothetical impact of PaperlinX acquiring these relevant interests in the PaperlinX SPS Trust. It does not necessarily illustrate the financial position that would have been obtained or the financial performance which would have occurred had the acquisition of PaperlinX SPS Trust by PaperlinX occurred on or before 30 June 2013.

### 6.3 Pro-forma consolidated statement of profit and loss for financial year ended 30 June 2013

\$million	actual	pro- forma 25% of units acquired	pro- forma 50% of units acquired	pro- forma 75% of units acquired	pro-forma 100% of units acquired
<b>Continuing operations</b>					
Revenue from sale of goods	2,777.9	2,777.9	2,777.9	2,777.9	2,777.9
Cost of inventory sold	(2,232.3)	(2,232.3)	(2,232.3)	(2,232.3)	(2,232.3)
Gross profit	545.6	545.6	545.6	545.6	545.6
Other income	8.2	8.2	8.2	8.2	8.2
Impairment of tangible and intangible assets	(25.9)	(25.9)	(25.9)	(25.9)	(25.9)
Operating expenses	(599.1)	(599.1)	(599.1)	(599.1)	(598.7)
Result from operating activities	(71.2)	(71.2)	(71.2)	(71.2)	(70.8)
Net movement in fair value of currency option and loan	-	-	-	-	-
Net finance costs	(13.0)	(13.0)	(13.0)	(13.0)	(13.0)

Loss before tax	(84.2)	(84.2)	(84.2)	(84.2)	(83.8)
Tax expense	(7.4)	(7.4)	(7.4)	(7.4)	(7.4)
<b>Loss from continuing operations</b>	<b>(91.6)</b>	<b>(91.6)</b>	<b>(91.6)</b>	<b>(91.6)</b>	<b>(91.2)</b>
<b>Discontinued operations</b>					
Profit/(loss) from discontinued operations, net of tax	1.4	1.4	1.4	1.4	1.4
<b>Loss for the period</b>	<b>(90.2)</b>	<b>(90.2)</b>	<b>(90.2)</b>	<b>(90.2)</b>	<b>(89.8)</b>

Under the 100% acquisition scenario, unwinding the PaperlinX SPS Trust structure may result in a saving of administration and audit fees of approximately \$0.4 million per annum. For all other scenarios, these cost savings are not expected to be achieved given that the PaperlinX SPS Trust structure is assumed to remain.

#### 6.4 Pro-forma consolidated statement of financial position as at 30 June 2013

\$million	actual	pro-forma 25% of units acquired	pro-forma 50% of units acquired	pro- forma 75% of units acquired	pro- forma 100% of units acquired
<b>Current assets</b>					
Cash and cash equivalents	87.8	85.0	84.2	82.9	81.8
Trade and other receivables	601.9	601.9	601.9	601.9	601.9
Income tax receivable	11.1	11.1	11.1	11.1	11.1
Inventories	302.4	302.4	302.4	302.4	302.4
Total current assets	1,003.2	1,000.4	999.6	998.3	997.2
<b>Non-current assets</b>					
Receivables	3.6	3.6	3.6	3.6	3.6
Investments	1.1	1.1	1.1	1.1	1.1
Property, plant and equipment	41.4	41.4	41.4	41.4	41.4
Intangible assets	78.8	78.8	78.8	78.8	78.8
Deferred tax assets	33.2	33.2	33.2	33.2	33.2
Total non-current assets	158.1	158.1	158.1	158.1	158.1
Total assets	1,161.3	1,158.5	1,157.7	1,156.4	1,155.3
<b>Current liabilities</b>					
Trade and other payables	396.8	396.8	396.8	396.8	396.8
Loans and borrowings	81.4	81.4	81.4	81.4	81.4
Income tax payable	8.8	8.8	8.8	8.8	8.8
Provisions and employee benefits	44.5	44.5	44.5	44.5	44.5
Total current liabilities	531.5	531.5	531.5	531.5	531.5

<b>Non-current liabilities</b>					
Payables	1.3	1.3	1.3	1.3	1.3
Loans and borrowings	129.1	129.1	129.1	129.1	129.1
Deferred tax liabilities	1.5	1.5	1.5	1.5	1.5
Provisions and employee benefits	136.2	136.2	136.2	136.2	136.2
<b>Total non-current liabilities</b>	<b>268.1</b>	<b>268.1</b>	<b>268.1</b>	<b>268.1</b>	<b>268.1</b>
<b>Total liabilities</b>	<b>799.6</b>	<b>799.6</b>	<b>799.6</b>	<b>799.6</b>	<b>799.6</b>
<b>Net assets</b>	<b>361.7</b>	<b>358.9</b>	<b>358.1</b>	<b>356.8</b>	<b>355.7</b>
<b>Equity</b>					
Issued capital	1,895.6	1,902.7	1,912.0	1,920.6	1,929.1
Reserves	(123.9)	(123.9)	(123.9)	(123.9)	(123.9)
Accumulated losses	(1,686.5)	(1,627.3)	(1,568.2)	(1,509.0)	(1,449.5)
<b>Total equity attributable to holders of PaperlinX Shares</b>	<b>85.2</b>	<b>151.5</b>	<b>219.9</b>	<b>287.7</b>	<b>355.7</b>
PaperlinX SPS Units - Issued Capital	276.5	276.5	276.5	276.5	-
Reserve - Own SPS Units	-	(69.1)	(138.3)	(207.4)	-
PaperlinX SPS Units	276.5	207.4	138.2	69.1	-
<b>Total equity</b>	<b>361.7</b>	<b>358.9</b>	<b>358.1</b>	<b>356.8</b>	<b>355.7</b>
Number of PaperlinX Shares (mill.)	609.3	787.4	965.5	1,143.7	1,321.8
Net Tangible Assets per PaperlinX Share (\$)	-0.04	0.05	0.11	0.15	0.19

The pro-forma consolidated statement of financial position has been prepared using the following key assumptions:

- (a) The issue of new PaperlinX Shares relating to the Offer are reflected in the pro-forma balance of issued capital based on the estimated fair value of PaperlinX Shares. The estimated fair value of PaperlinX Shares for accounting purposes has been based upon the closing price of PaperlinX Shares (\$0.056) on the day prior to the Announcement Date of the Offer.
- (b) In the scenario where less than 100% of PaperlinX SPS Units are acquired, the face value of PaperlinX SPS Units acquired, less the pro-rata share of the initial issue costs, less the fair value of the PaperlinX Shares issued in exchange for PaperlinX SPS Units is taken to a reserve for PaperlinX's owned SPS Units, with the credit taken directly to retained earnings as a transaction with owners.
- (c) The fees and costs incurred by PaperlinX relating to the Offer are assumed to be paid in cash and, as such, are reflected as a reduction in the pro-forma balance of cash and cash equivalents. The amount of fees and costs varies in each of the scenarios depending on the level of acceptance of the Offer.

## **6.5 Financial outlook for the Combined PaperlinX Group**

At the Company's 2013 annual general meeting, and as announced on the ASX on 25 October 2013, PaperlinX confirmed its guidance of August 2013 that the business will be marginally profitable in FY2014 at the underlying EBIT level, flowing from cost benefits of restructuring, cost reduction initiatives underway and margin improvements from diversified products. However, as set out in Section 7.2(a), while PaperlinX currently believes that its guidance for FY2014 can still be achieved, it is promptly undertaking a re-examination of the outlook for its business.

This Bidder's Statement does not otherwise include any financial forecasts or projections for revenue or profit in relation to PaperlinX, the PaperlinX SPS Trust or the Combined PaperlinX Group.

PaperlinX considers that the inclusion of financial forecasts would be speculative and potentially misleading for PaperlinX SPS Unitholders.

## **6.6 Disclaimer**

The information presented in this Section 6 in relation to the PaperlinX SPS Trust has been prepared by PaperlinX using publicly available information and has not been independently verified. To the extent permitted by law, PaperlinX does not make any representation or warranty (express or implied), nor assume any responsibility, as to the accuracy or completeness of such information. The information on PaperlinX, the PaperlinX SPS Trust and the Combined PaperlinX Group in this Section 6 should not be considered to be comprehensive.

---

## 7 Risks

### 7.1 Introduction

If the Offer becomes unconditional, PaperlinX SPS Unitholders who accept the Offer will become PaperlinX Shareholders, and PaperlinX will acquire an interest in the PaperlinX SPS Trust. In that event, PaperlinX SPS Unitholders who accept the Offer will be exposed to the risks associated with having an interest in the Combined PaperlinX Group (unless you are an Ineligible Foreign Unitholder). There are also risks associated with the Offer, and general risks.

### 7.2 Risks specific to the Combined PaperlinX Group

Following is a summary of the risks specific to the Combined PaperlinX Group.

(a) **Recent trading results**

On 21 August 2013, PaperlinX gave guidance to the market that its business would be "marginally profitable" in FY 2014 (*FY14 Guidance*).

At the end of November 2013, it became apparent that the actual October 2013 financial result was materially below PaperlinX's most recent internal forecasts (*Current Internal Forecasts*). This slippage was predominantly attributable to PaperlinX's European business. Interim November results indicate a further material slippage from Current Internal Forecasts, with the variance attributable entirely to PaperlinX's European business.

PaperlinX currently believes that the FY14 Guidance can still be achieved, but it is promptly undertaking a re-examination of the outlook for its businesses. PaperlinX will provide updates on its outlook to the ASX, and via a supplementary bidder's statement once this information is available.

(b) **Further structural decline in core markets**

PaperlinX's core markets are characterised by the declining consumption of paper due to factors including changing technologies and consumer preferences. This has resulted in PaperlinX's core products being impacted by falling consumption and/or pricing. This has had a material adverse impact on PaperlinX's business and continues to have a negative impact on its business. PaperlinX's ability to improve its financial performance in the future is very dependent upon the success of its sales strategies, including its ability to maintain or increase the selling prices and gross profit margins received from the sale of its products and forecasting correctly the level of structural decline in the consumption of paper. The recent trading results described in Section 7.2(a) above illustrate the challenges PaperlinX faces in executing its strategy.

(c) **Access to debt, refinancing and insolvency risk**

The PaperlinX Group relies to a significant extent on debt from banks and other traditional lenders and would be materially affected if it could not obtain such debt on satisfactory terms. During the 2013 financial year, the PaperlinX Group's largest funding facility in Europe was extended to September 2014 (*European Funding Facility*). This facility has been extended previously, and PaperlinX will shortly commence discussions to again seek to extend it



beyond its current term. If PaperlinX is unable to extend this facility or other facilities on acceptable terms, this would likely have a material adverse impact on the Company's financial position and, potentially, its solvency.

The recent trading results described in Section 7.2(a) above may make it more difficult for PaperlinX to extend its European Funding Facility, or otherwise access debt funding that it may need in order to carry on its businesses.

(d) **Risks associated with compliance with debt facilities**

The ability of the PaperlinX Group to meet its operational cash requirements and remain within the terms and conditions of the existing debt facilities in the foreseeable future is dependent in part on meeting forecast trading results and cash flows. These forecasts are necessarily based on best-estimate assumptions that may or may not occur as expected and are subject to influences and events outside of the control of PaperlinX. The current economic environment in some of the major operating jurisdictions and structural changes in the traditional paper markets present challenges in terms of sales volume, pricing and input costs.

The recent trading results described in Section 7.2(a) are an example of actual results departing from those budgeted and projected by PaperlinX internally.

(e) **Availability and use of cash**

Pressures on the availability of cash, which may arise as a result of adverse effects from the other significant risks or from such matters as working capital pressures, continuation of existing funding lines and/or availability of new funding, could result in liquidity risks and reductions in the ability of the business to invest, innovate and respond to market conditions and opportunities. Effective use of any cash available is also critical to the financial success of the PaperlinX business. In addition, the existing facilities include regional specific covenants and restrictions on the ability to draw down debt facilities and move cash within the PaperlinX Group.

The recent trading results described in Section 7.2(a), could increase the risks of PaperlinX not having sufficient cash to manage its businesses as it would like to, which ultimately may threaten its liquidity and its ability to carry on business.

(f) **Realisation of PaperlinX SPS Units**

Some PaperlinX SPS Unitholders may elect not to accept the Offer but, instead, continue to hold their PaperlinX SPS Units. If these PaperlinX SPS Unitholders or the RE seeks to Realise their PaperlinX SPS Units following the Offer, PaperlinX may be subject to a protracted legal process and challenge, which is likely to materially disrupt the Company's business.

This risk is relevant to PaperlinX SPS Unitholders who accept the Offer as, following the Offer, they will be holders of PaperlinX Shares (unless you are an Ineligible Foreign Unitholder).

It is noted that, if PaperlinX SPS Units are Realised following the Offer and the method of Realisation is (or a combination of):

- by way of issue of PaperlinX Shares - PaperlinX may not be able to fulfil its obligations to issue such PaperlinX Shares if PaperlinX Shareholders do not approve the issue or, alternatively if approved, PaperlinX Shareholders will be diluted to the extent PaperlinX issues PaperlinX Shares to satisfy the Realisation; or
- by way of cash redemption - PaperlinX may not be able to fulfil its obligations due to funding constraints, which, in turn, may give rise to solvency risks.

(g) **Capital structure destabilisation**

PaperlinX may not have the ability to exert the necessary influence and/or control over the PaperlinX SPS Trust to prevent possible amendments to the constitution of the PaperlinX SPS Trust (and/or other actions concerning the PaperlinX SPS Trust).

(h) **Restructuring initiatives**

A key strategy of the PaperlinX Board in attempting to restore PaperlinX to profitability is to reduce its existing cost base. In order for this strategy to be successful, PaperlinX must engage with and in some cases seek approval of a number of key stakeholders such as regulators, unions and works councils. If these approvals are delayed or not obtained, there are risks that an improvement in business performance may also be delayed or not materialise at all.

(i) **Execution of diversification strategy**

There is a risk that the diversification of the Group's product base to reduce reliance on core paper products is either not successful or the level of growth in diversified product offering is not sufficient to offset the loss of margin from ongoing reduction in paper volumes. The recent trading results described in Section 7.2(a) above illustrate the challenges PaperlinX faces in executing its diversification strategy.

(j) **Access to capital to implement strategic change**

PaperlinX believes that industry consolidation would improve the performance of industry participation in many of its markets. The Company's existing capital structure and debt levels prevent it from initiating or being able to participate in such consolidation. While the Offer, if successful, could simplify its capital structure, PaperlinX may still find it difficult to access funding to be involved in industry consolidation. If the Group does not implement strategic change and restructuring rapidly and effectively, there are risks that improvement in business performance may not materialise.

(k) **Pension liability estimates**

PaperlinX has disclosed its estimated pension liabilities in compliance with its reporting obligations and has calculated such pension liabilities in conformity with accounting standards. Relevantly, PaperlinX announced in its 2013 annual financial report that its defined benefit pension plan deficit increased by \$20.2 million to \$126.1 million in the financial year. PaperlinX SPS Unitholders should be aware that anticipated pension liabilities are based on

estimates, assumptions and judgements which are subject to fluctuation and revision. Accordingly, actual pension liabilities may differ from projected pension liabilities.

(l) **Disincentives to corporate transactions**

The PaperlinX Group believes that its current capital structure acts as a disincentive to potential bidders. There are also a number of contractual arrangements entered into between PaperlinX and counterparties that may provide disincentives to any potential acquirers of PaperlinX and/or parts of its business. Further, a change of control of PaperlinX is an event that gives rise to a Realisation right under the PaperlinX SPS Terms. While PaperlinX believes that simplifying the capital structure and its turnaround strategy will help address these issues, these issues may continue to represent a disincentive to persons seeking to control PaperlinX, which may adversely impact its share price.

(m) **Loss of personnel**

The Company's future success will depend in part on its continued ability to attract and train highly skilled and qualified personnel. There can be no assurance that key personnel, in particular, key senior executives, will continue to be employed by, or contracted to, PaperlinX or that PaperlinX will be able to attract and retain qualified personnel in the future.

(n) **Third party risk**

The success of the Company's operations is dependent on, in part, a number of third parties such as suppliers. While the situation is normal for the Company's industry, any failure by counterparties to perform their obligations may have a material adverse effect on the Combined PaperlinX Group and there can be no assurance that the Combined PaperlinX Group would be successful in attempting to enforce any of its contractual rights through legal action. In particular, PaperlinX notes that on 4 December 2013 it lodged a complaint against paper manufacturer and supplier Sappi Europe SA (*Sappi*) with the Bundeskartellamt, the German Federal Cartel Office, in respect of alleged ongoing infringements of European Union (*EU*) and German competition law. Sappi has supplied paper products to PaperlinX and its subsidiaries in Germany and in other EU member states for a number of years under the parties' longstanding commercial relationship.

### 7.3 Risks specific to the Offer

Following is a summary of the risks specific to the Offer:

(a) **Triggering change of control provisions**

As the Offer may result in a change in control of the PaperlinX SPS Trust and PaperlinX, there could be adverse consequences for the Combined PaperlinX Group. For example, contracts to which either is a party may contain "change of control" or similar clauses which may be triggered. There is a risk that the counterparties to the relevant contracts may seek to terminate their contracts with PaperlinX or the PaperlinX SPS Trust as a result of the Offer.

(b) **Receiving PaperlinX Shares in exchange for PaperlinX SPS Units**

PaperlinX SPS Unitholders are being offered PaperlinX Shares as consideration under the Offer. As a result, the value of the consideration will fluctuate depending upon the market value of PaperlinX Shares. Accordingly, the market value of PaperlinX Shares at the time you receive them may vary from the market value on the date of your acceptance of the Offer.

Further, the rights and liabilities attaching to PaperlinX Shares are different to those attaching to PaperlinX SPS Units. PaperlinX SPS Unitholders should consider these differences, in light of their personal circumstances, to evaluate whether a holding in PaperlinX Shares meets their financial and investment objectives. The summary of the rights and liabilities attaching to PaperlinX Shares are set out in Section 3.

(c) **Sale of PaperlinX Shares**

Under the Offer, PaperlinX will issue a significant number of new PaperlinX Shares. Some PaperlinX SPS Unitholders who receive PaperlinX Shares under the Offer may not intend to continue to hold their PaperlinX Shares and wish to sell them. There is a risk that increased sales of PaperlinX Shares may adversely impact the price of, and demand for, PaperlinX Shares.

(d) **Due Diligence**

In preparing the information relating to the PaperlinX SPS Trust contained in this Bidder's Statement, PaperlinX has relied on publicly available information relating to the PaperlinX SPS Trust. Risks may exist in relation to the PaperlinX SPS Trust of which PaperlinX may be unaware. However, as the PaperlinX SPS Trust is an ASX listed entity, any substantial risks to the PaperlinX SPS Trust should have been disclosed pursuant to PaperlinX SPS Trust's periodic and continuous disclosure obligations. Further, if any material risks are known to the RE Directors, they must be disclosed in the Target's Statement to be issued by the RE.

## 7.4 General risks

Following is a summary of the general risks:

(a) **Government Policy, regulatory risk and taxation**

Changes in relevant taxation laws, accounting standards, other legal, legislative and administrative regimes, and government policies may have an adverse effect on the assets, operations and, ultimately, the financial performance of the Combined PaperlinX Group. These factors may ultimately affect the Combined PaperlinX Group's financial position and performance and the market price of PaperlinX Shares.

(b) **General economic and financial conditions**

The operating and financial performance of the Combined PaperlinX Group is influenced by a variety of general economic conditions and business conditions, including the level of inflation, interest rates and exchange rates and government fiscal and monetary policies. A prolonged deterioration in general economic conditions could materially and adversely affect the

Combined PaperlinX Group's operations and/or financial position and performance.

(c) **Equity market conditions**

The market price of PaperlinX Shares will be affected by the financial performance of the Combined PaperlinX Group and also varied due to often unpredictable factors influencing the stock market generally. These factors include international share markets, interest rates, domestic and international economic conditions, domestic and international political stability, investor sentiment and the demand for equities generally.

(d) **Liquidity risk**

PaperlinX will apply to ASX for Official Quotation of all PaperlinX Shares issued under the Offer. Official Quotation of these PaperlinX Shares will depend on ASX exercising its discretion. However, as PaperlinX is already admitted to the official list of ASX and PaperlinX Shares are already quoted, PaperlinX is of the view that quotation of the PaperlinX Shares to be issued under the Offer will be granted.

(e) **Litigation risk**

PaperlinX is subject to the usual business risk that disputes or litigation may arise from time to time in the course of its business activities. Litigation risks relating to PaperlinX include, but are not limited to, contractual claims, employee claims, public liabilities, regulatory disputes and the costs associated with such claims and disputes.

---

## 8 Australian tax considerations



Ernst & Young  
8 Exhibition Street  
Melbourne VIC 3000 Australia  
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000  
Fax: +61 3 8650 7777  
ey.com/au

The Directors  
PaperlinX Limited  
7 Dalmore Drive  
Scoresby VIC 3179

5 December 2013

### **PaperlinX SPS Trust Australian Tax Implications of the off-market takeover offer**

Dear Directors

We have been requested to provide a tax opinion for inclusion in the Bidder's Statement in relation to the intended acquisition of PaperlinX step-up preference securities (PaperlinX SPS Units) in the PaperlinX SPS Trust by PaperlinX Limited (PaperlinX) which is to be effected by way of an off-market takeover offer (Offer).

#### 1. Introduction

This tax opinion provides a summary of the Australian income tax, Goods and Services Tax (GST) and stamp duty consequences for PaperlinX SPS Unitholders who participate in the Offer.

This tax opinion is not intended to provide an exhaustive or definitive statement as to all the possible tax outcomes for PaperlinX SPS Unitholders. Specifically, this tax opinion summarises the likely Australian tax implications for PaperlinX SPS Unitholders who participate in the Offer and dispose of their PaperlinX SPS Units to PaperlinX.

The information contained in this tax opinion is provided in relation to Australian resident and foreign resident PaperlinX SPS Unitholders who hold their PaperlinX SPS Units on capital account for income tax purposes.

This tax opinion does not consider the Australian tax consequences for PaperlinX SPS Unitholders:

- ▶ who hold their PaperlinX SPS Units on revenue account or as trading stock;
- ▶ who are Australian tax residents though hold their PaperlinX SPS Units as part of an enterprise carried on, at, or through a permanent establishment in a foreign country;
- ▶ that are financial institutions, insurance companies, partnerships, tax exempt organisations, trusts (except where expressly stated), superannuation funds (except where expressly stated) or temporary residents; or
- ▶ are subject to the taxation of financial arrangements rules contained in Division 230 of the *Income Tax Assessment Act 1997* (Cth) (the 1997 Act) in relation to gains and losses on their PaperlinX SPS Units.

The information contained in this tax opinion is based on the tax law at the date of the Bidder's Statement. The tax consequences outlined in this tax opinion may alter if there is a change in the tax law after the date of the Bidder's Statement.

The information contained in this opinion is general in nature and should not be relied upon by PaperlinX SPS Unitholders as tax advice. This opinion is not intended to be an authoritative or complete statement of the tax law applicable to the specific circumstances of every PaperlinX SPS Unitholder. PaperlinX SPS Unitholders should obtain their own independent professional advice on the tax consequences of disposing of their PaperlinX SPS Units under the Offer.

This tax opinion should be read with the remainder of the Bidder's Statement.

## 2. Australian Income Tax Implications

### 2.1. Disposal of PaperlinX SPS Units – Australian Tax Residents

The Australian income tax implications relevant for PaperlinX SPS Unitholders who dispose of their PaperlinX SPS Units under the Offer and that are Australian residents for tax purposes are outlined below.

#### 2.1.1. Capital gains tax (CGT) event

CGT event A1 should occur for PaperlinX SPS Unitholders when they dispose of their PaperlinX SPS Units to PaperlinX under the Offer. The CGT Event should occur on the later of:

- ▶ your acceptance of the Offer; and
- ▶ all Conditions of the Offer (as described in Section 10.12) being satisfied or waived.

PaperlinX SPS Unitholders should make a capital gain from the CGT event if the capital proceeds from the disposal of their PaperlinX SPS Units exceed their cost base. CGT roll-over relief should not be available in respect of any capital gain on the disposal of PaperlinX SPS Units in exchange for PaperlinX Shares. Alternatively, PaperlinX SPS Unitholders should make a capital loss if the capital proceeds received are less than the reduced cost base of their PaperlinX SPS Units.

The capital proceeds received on the disposal of the PaperlinX SPS Units should be the market value of the PaperlinX Shares received in exchange for the PaperlinX SPS Units on the date of the CGT Event as described above.

The cost base (or reduced cost base) of PaperlinX SPS Units should generally be the amount paid to acquire the PaperlinX Shares plus incidental costs of ownership (provided the costs have not previously been claimed as a tax deduction).

The cost base and reduced cost base of each PaperlinX SPS Unit will depend on the individual circumstances of each PaperlinX SPS Unitholder.

### 2.1.2. CGT discount

PaperlinX SPS Unitholders who are individuals, trusts or complying superannuation funds should be able to apply the CGT discount where they have held their PaperlinX SPS Units for at least 12 months (excluding the date of acquisition and disposal) before their disposal under the Offer.

The CGT discount rules will, broadly, enable the PaperlinX SPS Unitholders to reduce their capital gain (after the application of any current year or prior year capital losses) by 50% for individuals and trusts and 33 1/3% for complying superannuation funds.

The CGT discount is not available to PaperlinX SPS Unitholders that are companies.

### 2.1.3. Capital losses

Capital losses will arise where the capital proceeds received are less than the reduced cost base of the PaperlinX SPS Units.

A capital loss can offset other capital gains made by PaperlinX SPS Unitholders in the income tax year in which the CGT event arises. Where the capital losses are not utilised in that year, they may be carried forward to future income years (subject to any specific loss recoupment rules).

PaperlinX SPS Unitholders should seek tax advice in relation to the operation of these rules.

## 2.2. Disposal of PaperlinX SPS Units – Foreign Tax Residents

The Australian income tax consequences relevant for PaperlinX SPS Unitholders who dispose of their PaperlinX SPS Units under the Offer and that are foreign residents for tax purposes are outlined below.

PaperlinX SPS Unitholders who are foreign residents for income tax purposes and who do not carry on business in Australia at or through a permanent establishment should be exempt from CGT on the disposal of their PaperlinX SPS Units.

Foreign resident PaperlinX SPS Unitholders should obtain their own independent tax advice regarding the tax implications of the Offer in Australia and in their country of residence.

## 3. Stamp Duty

No stamp duty should be payable by the PaperlinX SPS Unitholders in respect of the disposal of their PaperlinX SPS Units or on the acquisition of PaperlinX Shares under the Offer.

## 4. GST

No GST should be payable by PaperlinX SPS Unitholders in respect of the disposal of their PaperlinX SPS Units or on the acquisition of PaperlinX Shares under the Offer, regardless as to whether the PaperlinX SPS Unitholder is registered for GST. In the event the PaperlinX SPS Unitholder is registered for GST, the disposal of the PaperlinX SPS Units should be considered an input taxed financial supply.

The PaperlinX SPS Unitholders may incur GST on costs (such as third party brokerage and advisor fees) that relate to their participation in the Offer. The PaperlinX SPS Unitholders that are registered, or required to be registered, for GST will not generally be entitled to full input tax credits for any GST



payable on such costs but may be entitled to partial “reduced input tax credits” for certain transaction costs, although this will depend on each PaperlinX SPS Unitholder’s individual circumstances.

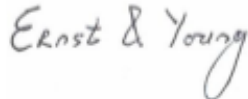
PaperlinX SPS Unitholders should seek their own independent tax advice in relation to the GST implications of their participation in the Offer.

## 5. Disclaimer

Our comments are general in nature and the individual circumstances of each PaperlinX SPS Unitholder may affect the taxation implications of the Offer for that PaperlinX SPS Unitholder. PaperlinX SPS Unitholders should seek appropriate independent professional advice that considers the taxation implications in respect of their own specific circumstances. Taxation is only one of the matters that must be considered when making a decision on whether to participate in the Offer. This summary does not constitute financial product advice as defined in the *Corporations Act 2001*. This summary is confined to taxation issues and is only one of the matters you need to consider when making a decision about your investments. You should consider taking advice from a licensed adviser before making a decision about your investments.

We disclaim all liability to any PaperlinX SPS Unitholder or other party for all costs, loss, damage and liability that the PaperlinX SPS Unitholder or other party may suffer or incur arising from or relating to or in any way connected with the contents of our opinion or the provision of our opinion to the PaperlinX SPS Unitholder or other party or the reliance on our opinion by the PaperlinX SPS Unitholder or other party.

Yours faithfully



Ernst & Young

---

## 9 Additional information

### 9.1 Requisitioned meeting to amend Constitution

On 1 October 2013, the RE announced that it had received a request from 5 members of PaperlinX SPS Trust (*Requisitioning Members*) to convene a general meeting to consider a special resolution to amend the constitution of the PaperlinX SPS Trust. On 4 November 2013, the RE announced that the Requisitioning Members had withdrawn their original request and had submitted a replacement requisition for the RE to convene a general meeting (*Requisitioned Meeting*) to consider a new special resolution (*Resolution*) for RE to amend the constitution of PaperlinX SPS Trust.

If passed, the Resolution may:

- (a) limit the Company's discretion to determine a Realisation Method; and
- (b) enable a Realisation Method to be determined by the RE or by a special resolution of PaperlinX SPS Unitholders,

in relation to Realisation initiated by the RE under the PaperlinX SPS Terms, (together, *Proposed Constitutional Amendments*).

In an ASX announcement on 7 November 2013, PaperlinX stated that:

- (a) it is not supportive of the Proposed Constitutional Amendments;
- (b) the Proposed Constitutional Amendments continue to incur costs for, and disruption to, PaperlinX SPS Trust and PaperlinX;
- (c) the Proposed Constitutional Amendments do not offer constructive solutions to the issues facing PaperlinX SPS Trust and PaperlinX;
- (d) the Proposed Constitutional Amendments demonstrate the complexity and lack of understanding surrounding the relationship between PaperlinX SPS Units and PaperlinX; and
- (e) the Offer seeks to address this complexity, whereas the Proposed Constitutional Amendments creates further confusion for all PaperlinX stakeholders.

On 20 November 2013, the RE stated in an ASX announcement that it will convene a meeting of PaperlinX SPS Unitholders to consider the Resolution on 17 December 2013. The RE has also informed the market that the Requisitioned Meeting will involve a general meeting of all unitholders of PaperlinX SPS Trust, a class meeting of PaperlinX SPS Unitholders and a class meeting of the PaperlinX Ordinary Unitholder (ie. PaperlinX).

### 9.2 Conditions of the Offer

There is no minimum acceptance condition attaching to the Offer.

As set out in full detail in Section 10.12, the Offer is subject to the following conditions:

- (a) PaperlinX obtains a favourable ruling from the Australian Taxation Office confirming that the acceptance of the Offer should not impact the Australian tax

losses of the group and that there should not be any assessable gain as a result of PaperlinX acquiring all PaperlinX SPS Units;

- (b) No Target Material Adverse Change; and
- (c) No Prescribed Occurrence.

Under the terms of the Offer and the Corporations Act, any or all of these Conditions may be waived by PaperlinX. If an event occurs which results (or would result) in the non-fulfilment of a Condition, PaperlinX might not make a decision as to whether it will either rely on that occurrence, or instead waive the Condition in respect of that occurrence, until the date for giving notice as to the status of the conditions of the Offer under section 630(3) of the Corporations Act. If PaperlinX decides that it will waive a Condition, it will announce that decision to ASX in accordance with section 650F of the Corporations Act.

As at the date of this Bidder's Statement, none of the Conditions has been fulfilled or waived by PaperlinX.

### **9.3 Date for determining holders of PaperlinX SPS Units**

For the purposes of section 633 of the Corporations Act the date for determining the persons to whom information is to be sent under items 6 and 12 of section 633(1) is the Register Date.

### **9.4 Details of relevant interests of PaperlinX in PaperlinX SPS Units and Voting Power in PaperlinX SPS Trust**

As at the date of this Bidder's Statement:

- (a) 2,850,000 PaperlinX SPS Units are on issue, and PaperlinX has no Relevant Interests in any PaperlinX SPS Units as at the date of this Bidder's Statement and immediately before the first Offer was sent;
- (b) one (1) PaperlinX Ordinary Unit is on issue, and PaperlinX has a Relevant Interest in this PaperlinX Ordinary Unit as at the date of this Bidder's Statement and immediately before the first Offer was sent; and
- (c) the Company's voting power in PaperlinX SPS Trust is 0.000035<sup>9</sup>%.

### **9.5 PaperlinX Shares issued under the Offer**

Based on the number of PaperlinX SPS Units on issue on the last trading day before the date of this Bidder's Statement, if every PaperlinX SPS Unitholder accepted the Offer:

- (a) the maximum number of PaperlinX Shares which would be required to be issued under the Offer is 712,500,000; and
- (b) former PaperlinX SPS Unitholders would hold, in aggregate, approximately 54% of the pro-forma capital of PaperlinX.

---

<sup>9</sup> PaperlinX's voting power has been calculated based on the interests PaperlinX and its associates have in PaperlinX SPS Trust (being 1 PaperlinX Ordinary Unit) as a percentage of the aggregate number of PaperlinX SPS Units and PaperlinX Ordinary Units on issue (being 2,850,000 PaperlinX SPS Units and 1 PaperlinX Ordinary Unit).

## **9.6 Independent Expert's Report**

Under section 640 of the Corporations Act, if a bidder's Voting Power in the target is 30% or more, or a director of the bidder is also a director of the target, the Target's Statement must include or be accompanied by a report by an expert that states whether, in the expert's opinion, the takeover offers are fair and reasonable and gives the reasons for forming that opinion.

As at the date of this Bidder's Statement, PaperlinX has only 0.000035% of the Voting Power in PaperlinX SPS Trust and no Director of PaperlinX is also a Director of the RE.

The RE Directors have not indicated whether they will commission an expert's report in relation to the Offer (*Independent Expert's Report*). If they do, the Independent Expert's Report will be set out in the Target's Statement.

## **9.7 Consideration provided for PaperlinX SPS Units during the previous four months**

Neither PaperlinX nor any of its Associates has provided or agreed to provide, any form of consideration for PaperlinX SPS Units under a purchase or agreement in the four months prior to the date of the Offer.

## **9.8 No collateral benefits**

Neither PaperlinX nor any of its Associates has, during the period of four months up to the date of the Offer, given or offered or agreed to give, a benefit to another person that was likely to induce the other person, or an associate of that person, to:

- (a) accept the Offer; or
- (b) dispose of PaperlinX SPS Units,

which benefit is not offered to all PaperlinX SPS Unitholders under the Offer.

## **9.9 Agreements or arrangements with the RE Directors**

Except as referred to above or elsewhere in this Bidder's Statement, there are no agreements or arrangements made between PaperlinX and the directors or senior management of the RE in connection with the Offer.

## **9.10 Interests of PaperlinX Directors in contracts entered into by the RE**

No PaperlinX Director has any interest in any contract entered into by the RE.

## **9.11 Post-bid compulsory acquisition provisions**

If PaperlinX becomes entitled to compulsorily acquire any PaperlinX SPS Units under section 661A of the Corporations Act, PaperlinX will give notices under section 661B of the Corporations Act to compulsorily acquire all outstanding PaperlinX SPS Units at the Offer Consideration.

PaperlinX will be entitled to compulsorily acquire PaperlinX SPS Units under section 661A of the Corporations Act if, during or at the end of the Offer Period:

- (a) PaperlinX and its Associates have Relevant Interests in at least 90% (by number) of PaperlinX SPS Units; and
- (b) PaperlinX and its Associates have acquired at least 75% (by number) of the PaperlinX SPS Units that PaperlinX offered to acquire under the Offer.

Holders of PaperlinX SPS Units covered by a compulsory acquisition notice under section 661B of the Corporations Act may apply to the court for an order that their Units not be compulsorily acquired. The court may only make such an order if it is satisfied that the consideration is not fair value for the securities.

### 9.12 Institutional Acceptance Facility

As at the date of this Bidder's Statement, PaperlinX has not made a decision as to whether to introduce an institutional acceptance facility in connection with the Offer. However, PaperlinX reserves the right to introduce such a facility.

### 9.13 Regulatory approvals and relief

The Sale Nominee is required to be approved by ASIC. There are no other regulatory approvals or other relief that PaperlinX needs to obtain before acquiring further PaperlinX SPS Units under the Offer.

### 9.14 Disclosure of interests of PaperlinX Directors

#### *Interests in PaperlinX securities*

As at the date of this Bidder's Statement, the PaperlinX Directors had the following relevant interests in PaperlinX securities.

Director	Number of PaperlinX Shares	Nature of interest
Mr Robert Kaye SC	615,000	Direct
Mr Michael Barker	800,000	Direct
Mr Andrew Price	7,010,372	Direct: 1,200,000 Indirect: 5,810,372 held through AJP Investment Services Pty Ltd <Camnat Super Fund A/C> 35,000,000 options pursuant to the Executive Director Options Plan. The options are unquoted securities.

#### *Interests in PaperlinX SPS Units*

As at the date of this Bidder's Statement, PaperlinX Directors had no relevant interests in PaperlinX SPS Units.

### ***Indemnity and insurance***

The constitution of PaperlinX permits the grant of an indemnity (to the maximum extent permitted by law) in favour of each director, the company secretary, past directors and secretaries and all past and present executive officers.

### **9.15 Disclosure of interests of certain persons**

Other than as set out elsewhere in this Bidder's Statement, no:

- (a) director or proposed director of PaperlinX;
- (b) person named in this Bidder's Statement as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Bidder's Statement;
- (c) promoter of PaperlinX; or
- (d) underwriter in relation to the issue of PaperlinX Shares under the Offer,

has, or had within 2 years before the date of this Bidder's Statement, any interest in:

- (e) the formation or promotion of PaperlinX;
- (f) any property acquired or proposed to be acquired by PaperlinX in connection with its formation or promotion or in connection with the issue of PaperlinX Shares under the Offer; or
- (g) the offer or issue of PaperlinX Shares under this Bidder's Statement,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of those persons as an inducement to become, or to qualify as, a PaperlinX Director or otherwise for services rendered by him in connection with the formation or promotion of PaperlinX or the issue of PaperlinX Shares under this Bidder's Statement.

### **9.16 Fees and other expenses of the Offer**

Other than as set out below or elsewhere in this Bidder's Statement, no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given:

- (a) to a director or proposed director of PaperlinX to induce them to become, or to qualify as, a director of PaperlinX (other than directors' fees and remuneration in the ordinary course); and
- (b) for services provided by a person in connection with the formation or promotion of PaperlinX or the offer of PaperlinX Shares under the Offer.

The following estimated fees (exclusive of GST) will be incurred by PaperlinX and paid to the following advisers in connection with the Offer:

- (a) Moelis & Company has acted as financial adviser to PaperlinX, and Sale Nominee, in relation to the Offer. Depending on the level of acceptances under the Offer, PaperlinX has paid, or agreed to pay, up to approximately \$500,000 to \$4.7 million (exclusive of GST) for these services, as at the date of this Bidder's Statement. Further amounts may be paid to Moelis & Company in accordance with its agreed retainer.

- (b) Baker & McKenzie has acted as legal adviser to PaperlinX in relation to the Offer. PaperlinX has paid, or agreed to pay, approximately \$180,000 (exclusive of GST) for these services, as at the date of this Bidder's Statement. Further amounts may be paid to Baker & McKenzie in accordance with its normal time based charge-out rates.
- (c) Ernst & Young has acted as tax adviser to PaperlinX in relation to the Offer. PaperlinX has paid, or agreed to pay, approximately \$60,000 (exclusive of GST) for these services.
- (d) Newgate Communications has acted as communications adviser to PaperlinX in relation to the Offer. PaperlinX has paid, or agreed to pay, approximately \$110,000 (exclusive of GST) for these services.

The total costs of the Offer to be borne by PaperlinX are estimated to approximately range between \$2.1 million and \$6.4 million (exclusive of GST) depending on the level of acceptances of the Offer. This includes financial advising, legal, tax, communications, share register, printing and postage, ASX, ASIC and other professional fees and expenses incurred in connection with the Offer.

PaperlinX will incur GST on the estimated fees and may be entitled to recover a portion of the GST element of the costs as an input tax credit or reduced input tax credit.

### **9.17 Consents**

The following persons have given and have not, before the date of this Bidder's Statement, withdrawn, their consent to being named in this Bidder's Statement in the form and context in which their name appears:

- (a) Moelis & Company to being named as financial adviser to PaperlinX, and Sale Nominee, in relation to the Offer;
- (b) Baker & McKenzie to being named as legal adviser to PaperlinX in relation to the Offer;
- (c) Ernst & Young to being named as tax adviser to PaperlinX in relation to the Offer;
- (d) Newgate Communications to being named as communications adviser to PaperlinX in relation to the Offer; and
- (e) Computershare to being named as the Company's share registry.

None of the above persons or entities has caused or authorised the issue of this Bidder's Statement, makes or purports to make any statement in this Bidder's Statement or any statement on which a statement in this Bidder's Statement is based and takes no responsibility for any part of this Bidder's Statement other than the reference to its name.

As permitted by *ASIC Class Order 07/429*, this Bidder's Statement contains security price trading data sourced from IRESS without its consent.

### **9.18 Approvals for payment of consideration**

As at the date of this Bidder's Statement, PaperlinX is not aware of any PaperlinX SPS Unitholder who requires any approval or clearance, in accordance with the following requirements in order to be entitled to receive any consideration under the Offer:

- (a) *Banking (Foreign Exchange) Regulations 1959* (Cth);
- (b) any regulations made under the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth);
- (c) *Charter of the United Nations Act 1945* (Cth) or any regulations made thereunder; or
- (d) any other applicable law.

### **9.19 PaperlinX is a disclosing entity**

PaperlinX, as a disclosing entity under the Corporations Act, states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with ASIC in relation to PaperlinX may be obtained from, or inspected at, an ASIC office;
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Bidder's Statement and the date the Offer closes:
  - (i) the annual financial report most recently lodged by PaperlinX with ASIC;
  - (ii) any half-year financial report lodged with ASIC by PaperlinX after the lodgement of the annual financial report referred to in paragraph (i) and before the lodgement of this Bidder's Statement with ASIC; and
  - (iii) any continuous disclosure notices given by PaperlinX after the lodgement of the annual financial report referred to in paragraph (i) and before the lodgement of this Bidder's Statement with ASIC.

A list of announcements made by PaperlinX since 30 June 2013 appears in Annexure A to this Bidder's Statement.

Copies of these announcements and financial reports are also available from the Company's website at [www.paperlinx.com](http://www.paperlinx.com).

### **9.20 Ineligible Foreign Unitholders**

PaperlinX SPS Unitholders who are Ineligible Foreign Unitholders will not be entitled to receive PaperlinX Shares as consideration for their PaperlinX SPS Units pursuant to the Offer, unless PaperlinX otherwise determines in its absolute discretion.

A PaperlinX SPS Unitholder is an Ineligible Foreign Unitholder if their address as shown in the register of members of PaperlinX SPS Trust is in a jurisdiction other than Australia and its external territories or New Zealand. However, such a person will not be an Ineligible Foreign Unitholder if PaperlinX is satisfied that it is not precluded from lawfully offering or issuing PaperlinX Shares either unconditionally or after compliance with conditions that PaperlinX regards as acceptable and not unduly onerous. Notwithstanding anything else in this Bidder's Statement, PaperlinX is not under any obligation to spend any money, or undertake any action, in order to satisfy itself concerning any of these matters.

The PaperlinX Shares which would otherwise have been issued to Ineligible Foreign Unitholders will instead be issued to the Sale Nominee, who will sell these securities. The net



proceeds of the sale of such PaperlinX Shares will then be remitted to the relevant Ineligible Foreign Unitholder. See Section 10.20(b) of this Bidder's Statement for further details.

### **9.21 Social security and superannuation implications of Offer**

Acceptance of the Offer may have implications under your superannuation arrangements or on your social security entitlements. If in any doubt, you should seek specialist advice.

### **9.22 No other material information**

There is no other information that has not been disclosed which:

- (a) is material to the making of the decision by a person to whom an Offer is made whether or not to accept the Offer, is known to PaperlinX and does not relate to the value of PaperlinX Shares; or
- (b) investors and their professional advisers would reasonably require to make an informed assessment of the assets and liabilities, financial position and performance, profits and losses and prospects of PaperlinX, and the rights and liabilities attaching to PaperlinX Shares.

### **9.23 Expiry of Bidder's Statement**

No securities will be issued on the basis of this Bidder's Statement after the date which is 13 months after the date of this Bidder's Statement.

### **9.24 Authorisation of Bidder's Statement**

This Bidder's Statement was approved by a unanimous resolution of all of the PaperlinX Directors of PaperlinX on 4 December 2013.

---

## **10 Terms and Conditions of the Offer**

### **10.1 Identity of offeror**

PaperlinX is incorporated in Australia under Australian Company Number 005 146 350. Details of PaperlinX are set out in Section 2.

### **10.2 Date**

The Offer is dated <insert Date of Offer>.

### **10.3 Off-market takeover offer**

PaperlinX offers to acquire all of your PaperlinX SPS Units on the terms of, and subject to the conditions set out in, this Section 10.

You may only accept the Offer in respect of all of your PaperlinX SPS Units.

### **10.4 Persons to whom the Offer is made**

The Offer is made to each holder of PaperlinX SPS Units registered in PaperlinX SPS Trust's register of Unitholders on the Register Date. It also extends to:

- (a) holders of securities that come to be PaperlinX SPS Units during the period from the Register Date to the end of the Offer Period due to the conversion of, or exercise of rights conferred by, such securities and which are on issue as at the Register Date; and
- (b) any person who becomes registered as the holder of your PaperlinX SPS Units during the Offer Period.

If at the time the Offer is made to you, or at any time during the period from the Register Date to the end of the Offer Period and before you accept the Offer, another person is registered as the holder of some or all of your PaperlinX SPS Units to which the Offer relates, then:

- (c) a corresponding offer on the same terms and conditions as the Offer will be deemed to have been made to that other person in respect of those PaperlinX SPS Units;
- (d) a corresponding offer on the same terms and conditions as the Offer will be deemed to have been made to you in respect of any other PaperlinX SPS Units you hold to which the Offer relates; and
- (e) the Offer is deemed to have been withdrawn immediately after making those corresponding offers.

If at any time during the Offer Period, you hold one or more parcels of PaperlinX SPS Units as a trustee or nominee, or otherwise on account of another person, a separate and distinct offer is deemed to have been made in relation to each of those parcels and any parcel you hold in your own right. You may accept two or more such deemed separate corresponding offers at the same time as if they were a single offer for each distinct portion of PaperlinX SPS Units. Your acceptance of one of the offers which is deemed to exist in respect of a distinct portion of PaperlinX SPS Units is ineffective unless you have given PaperlinX a notice which:

- (a) if it relates to PaperlinX SPS Units in an Issuer Sponsored Holding, must be in writing; or
- (b) if it relates to PaperlinX SPS Units in a CHESS Holding, must be in an electronic form approved under the ASX Settlement Operating Rules for the purposes of Part 6.8 of the Corporations Act,

stating that the relevant PaperlinX SPS Units consist of a distinct portion and your acceptance specifies the number of PaperlinX SPS Units in the distinct portion to which the acceptance relates. If this applies to you, you should call the Offer Information Line on 1300 396 150 (local call cost for calls within Australia) or + 61 3 9415 4261 (callers outside Australia), Monday to Friday between 8.30am and 5.30pm (Sydney time) for additional copies of this Bidder's Statement and the Acceptance Form, if required.

### **10.5 Offer Consideration**

The consideration which PaperlinX offers you is 250 PaperlinX Shares for each PaperlinX SPS Unit you hold. However, in accordance with Section 10.7, the amount of consideration you are paid by PaperlinX may be reduced by the amount or value of any Rights attaching to PaperlinX SPS Units which you (or any previous holder of your PaperlinX SPS Units) receive.

If you are an Ineligible Foreign Unitholder then, despite any other provision of this Offer, you will not receive PaperlinX Shares under this Offer. Instead, if you accept this Offer, you will be paid a cash amount determined in accordance with Section 10.20(b).

If you would otherwise be entitled to a fraction of a PaperlinX Share as a result of your acceptance of the Offer in respect of your PaperlinX SPS Units, then that fractional entitlement will:

- (a) if less than 0.5, be rounded down to zero; and
- (b) otherwise, be rounded up to one PaperlinX Share.

If PaperlinX reasonably believes that any parcel of PaperlinX Shares has been created or manipulated to take advantage of rounding up, then any applicable fractional entitlement will be rounded down to zero or aggregated.

The PaperlinX Shares issued under the Offer will be issued by PaperlinX fully paid and will rank equally with PaperlinX Shares from the date of issue.

### **10.6 Improved Offer Consideration**

If you have accepted the Offer and PaperlinX subsequently improves the Offer Consideration, you will be entitled to the improved consideration and PaperlinX will pay it to you:

- (a) if the Offer Consideration has not yet been paid to you, the improved consideration will be paid to you at the time when the consideration under the Offer is paid to you; or
- (b) if the Offer Consideration has been paid to you prior to the time PaperlinX improves the Offer Consideration, the improved consideration will be paid to you as soon as practicable.

## 10.7 Rights

PaperlinX will be entitled to all Rights (being those accruing after the Announcement Date) in respect of PaperlinX SPS Units which it acquires under the Offer.

If PaperlinX becomes entitled to any Rights in respect of your PaperlinX SPS Units on your acceptance of the Offer, you must give PaperlinX all documents that PaperlinX needs to give PaperlinX title to those Rights. If you do not give those documents to PaperlinX, or if you have received or become entitled to the benefit of those Rights before PaperlinX provides the consideration to you, PaperlinX will deduct from the consideration otherwise due to you the amount (or value, as reasonably assessed by PaperlinX) of those Rights in accordance with Section 10.5.

If:

- (a) you have (or any previous holder of your PaperlinX SPS Units has) received the benefit of any Rights whether in respect of non-cash benefits or otherwise;
- (b) you are (or any previous holder of your PaperlinX SPS Units is) entitled to receive the benefit of any Rights under the terms that provide for or otherwise apply to those Rights (e.g. if the Right is to receive a distribution, if you are (or any previous holder of your PaperlinX SPS Units is) the registered holder of the PaperlinX SPS Units at the record date for the distribution); or
- (c) your PaperlinX SPS Units were issued (or otherwise came into existence) on or after the record date in respect of any Rights to PaperlinX SPS Unitholders,

then:

- (d) in the case of Rights to non-cash benefits, PaperlinX may deduct the value (as reasonably assessed by PaperlinX) of such Rights from any consideration otherwise payable to you; or
- (e) in the case of Rights to cash benefits, PaperlinX may deduct the amount of any such Rights (together with the value, as reasonably assessed by PaperlinX, of any franking credits attached to the Rights) from any consideration otherwise payable to you.

If PaperlinX does not, or cannot, make such a deduction, you must pay such value or amount to PaperlinX within 14 days of PaperlinX making that demand.

## 10.8 How to accept the Offer

### *General*

The method by which you can accept the Offer will depend on whether your PaperlinX SPS Units are in an Issuer Sponsored Holding or in a CHES Holding.

Your PaperlinX SPS Units will be in an Issuer Sponsored Holding if they are sponsored directly by PaperlinX SPS Trust as issuer. Your PaperlinX SPS Units in a CHES Holding will normally be sponsored by a Controlling Participant (usually your Broker) or as a direct holding if you are a Participant. The accompanying Acceptance Form indicates whether you have an Issuer Sponsored Holding (indicated by an "I" next to your holder number on the Acceptance Form) or a CHES Holding (indicated by an "X" next to your holder number on the Acceptance Form).

### ***Issuer Sponsored Holdings***

If any of your PaperlinX SPS Units are in an Issuer Sponsored Holding, to accept the Offer in respect of those PaperlinX SPS Units you must:

- (a) complete and sign the enclosed Acceptance Form in accordance with the terms of the Offer and the instructions on the form; and
- (b) ensure that the Acceptance Form (including any other documents required by the terms of the Offer and the instructions on the Acceptance Form) is sent so that it is received before the expiry of the Offer Period at the address shown on the Acceptance Form.

### ***Mailing and delivery details***

A reply paid envelope has been enclosed with this Bidder's Statement to enable PaperlinX SPS Unitholders with Australian addresses to return their completed Acceptance Form. Overseas PaperlinX SPS Unitholders should return their Acceptance Form by airmail using the self-addressed envelope supplied.

The method chosen to deliver the Acceptance Form and other documents is at the risk of each accepting PaperlinX SPS Unitholder.

### ***CHESS Holdings***

If any of your PaperlinX SPS Units are in a CHESS Holding, to accept the Offer in respect of those PaperlinX SPS Units you must:

- (a) if you are not a Participant, you must instruct your Controlling Participant (usually your Broker) to initiate acceptance of the Offer on your behalf in accordance with the ASX Settlement Operating Rules before the expiry of the Offer Period; or
- (b) if you are a Participant, you must initiate acceptance of the Offer in accordance with the ASX Settlement Operating Rules before the expiry of the Offer Period.

Alternatively, you may authorise PaperlinX to request your Controlling Participant to initiate acceptance of the Offer on your behalf. To effect acceptance of the Offer in this manner you must complete, sign and send the Acceptance Form (including any other documents required by the terms of the Offer and the instructions on the Acceptance Form) in respect of your PaperlinX SPS Units which are in a CHESS Holding in accordance with the instructions on the Acceptance Form. You must ensure that the Acceptance Form is received by PaperlinX in time for PaperlinX to give instructions to your Controlling Participant and your Controlling Participant to carry out those instructions before the expiry of the Offer Period. You will be taken to have completed acceptance of the Offer when your Controlling Participant initiates acceptance of the Offer in respect of your PaperlinX SPS Units in accordance with the ASX Settlement Operating Rules.

If your CHESS holding is in a sponsored HIN, CHESS will send you written confirmation of the application of an acceptance by your Controlling Participant and application of a takeover subposition for the Offer. If you do not receive this written confirmation within a reasonable time after you give your instructions, please contact your Broker.

### ***PaperlinX SPS Units held in different holdings***

If some of your PaperlinX SPS Units are held in different parcels in different forms, you may need to take the steps set out under Section 10.4 in relation to the different parcels of your PaperlinX SPS Units to accept the Offer.

### ***Nominee holdings***

If your PaperlinX SPS Units are registered in the name of a Broker, investment dealer, bank, trust company or other nominee, you should contact that nominee for assistance in accepting the Offer.

### ***Status of Acceptance Form***

The personalised Acceptance Form which accompanies this Bidder's Statement forms part of the Offer. The requirements on the Acceptance Form must be observed in accepting the Offer.

### ***Power of attorney, deceased estate***

When accepting the Offer you must also forward for inspection:

- (a) if the Acceptance Form is executed by an attorney, a certified copy of the power of attorney; or
- (b) if the Acceptance Form is executed by the executor of a will or the administrator of the estate of a deceased PaperlinX SPS Unitholder, the relevant grant of probate, letters of administration or certificates of grant accompanied (where required by law for the purpose of transfer) by a certificate of payment of death or succession duties and (if necessary) a statement in terms of section 1071B(9)(b)(iii) of the Corporations Act.

If the Acceptance Form is executed under power of attorney, the attorney declares by executing the Acceptance Form that the attorney has no notice of revocation of the power of attorney.

## **10.9 When acceptance of the Offer is complete**

Subject to Section 10.8, acceptance of the Offer is complete once either:

- (a) in relation to holdings which are not CHESSE Holdings, the completed Acceptance Form (including any other documents required by the terms of the Offer and the instructions on the Acceptance Form) has been received at the address specified in the Acceptance Form and the requirements of Section 10.8 have been met; or
- (b) in relation to CHESSE Holdings, acceptance has been carried out in accordance with the ASX Settlement Operating Rules.

## **10.10 Validity of acceptances**

PaperlinX will determine, in its sole discretion, all questions as to the form of documents, eligibility to accept the Offer and time of receipt of an acceptance of the Offer. PaperlinX is not required to communicate with you prior to making its determination as to any of the matters referred to in this Section 10.10 or any determination to waive any requirement for a valid acceptance of the Offer in respect of any of your PaperlinX SPS Units. The determination of such matters by PaperlinX will be final and binding on you.

PaperlinX may at its sole discretion waive any requirement for a valid acceptance of the Offer in respect of any of your PaperlinX SPS Units. Without limiting the foregoing:

- (a) except in relation to any of your PaperlinX SPS Units in a CHESS Holding, PaperlinX may treat the receipt by it of an executed Acceptance Form as a valid acceptance of the Offer even though it does not receive any other documents required by the instructions on the Acceptance Form or there is non-compliance with any one or more of the other acceptance requirements; and
- (b) where the requirements for a valid acceptance of the Offer have been complied with for only some of your PaperlinX SPS Units, PaperlinX may deem your acceptance of the Offer complete in respect of all or none of your PaperlinX SPS Units.

PaperlinX will provide the consideration to you in accordance with Section 10.20 with respect to any of your PaperlinX SPS Units in relation to which PaperlinX has determined to waive any requirement for a valid acceptance of the Offer.

### **10.11 Effect of acceptance**

By accepting the Offer in accordance with Sections 10.8 to 10.10, you will have, or will be deemed to have:

- (a) irrevocably accepted the Offer (and any variation of it) for all of your PaperlinX SPS Units and irrevocably agreed, subject to the Conditions of the Offer being fulfilled or freed, to transfer (or consented to the transfer in accordance with the ASX Settlement Operating Rules) all your PaperlinX SPS Units to PaperlinX;
- (b) authorised PaperlinX (and its directors, officers or agents) to complete or alter the Acceptance Form by:
  - (i) inserting correct details of your PaperlinX SPS Units;
  - (ii) filling in any blanks remaining in the Acceptance Form; and
  - (iii) rectifying any errors in or omissions from the Acceptance Form, as may be necessary to make the Acceptance Form an effective acceptance of the Offer or to enable the transfer of all of your PaperlinX SPS Units to PaperlinX to be registered;
- (c) if you signed the Acceptance Form in respect of any of your PaperlinX SPS Units in a CHESS Holding, irrevocably authorised PaperlinX to:
  - (i) instruct your Controlling Participant to initiate acceptance of the Offer in respect of all such PaperlinX SPS Units in accordance with the ASX Settlement Operating Rules; and
  - (ii) give to your Controlling Participant any other instructions concerning those PaperlinX SPS Units on your behalf which are contemplated by the sponsorship agreement between you and the Controlling Participant and are necessary or appropriate to facilitate your acceptance of the Offer in respect of all such PaperlinX SPS Units,

and PaperlinX will be so authorised even though at the time of such transfer it has not paid the Offer Consideration due to you under the Offer.

- (d) represented and warranted to PaperlinX, as a fundamental condition of the contract resulting from your acceptance that, both at the time of acceptance of the Offer and at the time you transfer your PaperlinX SPS Units to PaperlinX:
  - (i) your PaperlinX SPS Units (including any Rights) will be fully paid and free from Encumbrances and that you have paid to PaperlinX SPS Trust all amounts which are due for payment in respect of your PaperlinX SPS Units;
  - (ii) you have full power, capacity and authority to sell and to transfer your PaperlinX SPS Units (including the power, capacity and authority to transfer the legal and beneficial ownership of your PaperlinX SPS Units and any Rights to PaperlinX); and
  - (iii) unless you have notified PaperlinX in accordance with Section 10.4, your PaperlinX SPS Units do not consist of several parcels of PaperlinX SPS Units;
- (e) unless Section 10.20(b) applies to you, have irrevocably authorised PaperlinX to issue to you PaperlinX Shares you are entitled to receive under this Offer and to enter (or cause the entry of) your name and address (as shown in the register of members of PaperlinX SPS Trust last notified to PaperlinX by the RE, and agree to be bound by the constitution of PaperlinX;
- (f) agreed that, if you are an Ineligible Foreign Unitholder, or if PaperlinX believes that you are an Ineligible Foreign Unitholder, Section 10.20(b) applies to you;
- (g) agreed with PaperlinX that you will execute all such instruments as PaperlinX may require for the purposes of vesting in it all Rights attaching to or arising from your PaperlinX SPS Units;
- (h) with effect from the date that any contract resulting from your acceptance of the Offer becomes unconditional (even where PaperlinX has not yet provided the consideration due to you), irrevocably appointed PaperlinX and each of its directors, secretaries and officers severally as your attorney, agent and proxy (such power of attorney, being coupled with an interest, being irrevocable) in your name and on your behalf, to:
  - (i) do all things which you could lawfully do concerning your PaperlinX SPS Units or in exercise of any right derived from the holding of your PaperlinX SPS Units, including powers and rights to requisition, convene, attend and vote in person, by proxy or by body corporate representative, at all general meetings of PaperlinX SPS Trust in respect of your PaperlinX SPS Units and to request PaperlinX SPS Trust to register in the name of PaperlinX or its nominee, your PaperlinX SPS Units, as appropriate, with full power of substitution; and
  - (ii) execute all documents, forms and notices (including an instrument appointing one of the Company's directors, secretaries or officers as a proxy in respect of any or all of your PaperlinX SPS Units) and



resolutions relating to your PaperlinX SPS Units, and generally to exercise all powers and rights which you have as a registered holder of your PaperlinX SPS Units;

- (i) agreed that in exercising the powers conferred by the power of attorney in Section 10.11(h), each attorney may act in the interests of PaperlinX as the intended registered holder and beneficial holder of your PaperlinX SPS Units;
- (j) agreed to do all such acts, matters and things that PaperlinX may require to give effect to the matters the subject of this Section 10.11 (including the execution of a written form of proxy to the same effect as this Section 10.11 which complies in all respects with the requirements of the constitution of PaperlinX SPS Trust) if requested by PaperlinX;
- (k) irrevocably authorised and directed PaperlinX SPS Trust to pay PaperlinX or to account to PaperlinX for all Rights in respect of your PaperlinX SPS Units it acquires under the Offer subject, however, to any such Rights received by PaperlinX being accounted for by PaperlinX to you if the Offer is withdrawn or the contract formed by your acceptance of the Offer is rescinded or rendered void;
- (l) except where the Rights have been paid or accounted for under clause (k) above, irrevocably authorised PaperlinX and the PaperlinX Directors to deduct from the consideration payable to you in accordance with the terms of the Offer the amount of all Rights referred to in clause (k) above or any amount equal to the value of those Rights as reasonably assessed by PaperlinX;
- (m) with effect from the date that any contract resulting from your acceptance of the Offer becomes unconditional (even where PaperlinX has not yet provided the consideration due to you), authorised PaperlinX (or its agents or nominees) to do all things necessary or desirable to transfer your PaperlinX SPS Units into the name of PaperlinX;
- (n) if at the time of acceptance of the Offer any of your PaperlinX SPS Units are in a CHESS Holding, with effect from the date that any contract resulting from your acceptance of the Offer becomes unconditional (even where PaperlinX has not yet provided the consideration due to you), authorised PaperlinX (or its agents or nominees) to cause a message to be transmitted to ASX Settlement in accordance with the ASX Settlement Operating Rules so as to transfer those PaperlinX SPS Units to the Company's takeover transferee holding;
- (o) if at the time of acceptance of the Offer any of your PaperlinX SPS Trust Units are in an Issuer Sponsored Holding, with effect from the date that any contract resulting from your acceptance of the Offer becomes unconditional (even where PaperlinX has not yet provided the consideration due to you), authorised PaperlinX (or its agents or nominees) to transfer those PaperlinX SPS Trust Units to the Company's name;
- (p) agreed to indemnify PaperlinX and each of its agents in respect of any claim or action against it or any loss, damage or liability whatsoever incurred by it as a result of you not producing your Holder Identification Number or Securityholder Reference Number or in consequence of the transfer of your PaperlinX SPS Units being registered by PaperlinX SPS Trust without

production of your Holder Identification Number or Securityholder Reference Number; and

- (q) with effect from the date that any contract resulting from your acceptance of the Offer becomes unconditional (even where PaperlinX has not yet provided the consideration due to you), agreed not to attend or vote in person at any meeting of PaperlinX SPS Trust in respect of your PaperlinX SPS Units or to exercise or purport to exercise any of the powers conferred on PaperlinX or any of its directors, secretaries or officers under Section 10.11(h) above.

The undertakings and authorities in Section 10.11 will remain in force after you receive the consideration for your PaperlinX SPS Units acquired by PaperlinX and after PaperlinX becomes the registered holder of them.

### 10.12 Conditions of the Offer

The Offer and any contract that results from the acceptance of the Offer is subject to the following conditions being fulfilled or waived by PaperlinX:

- (a) **(Tax ruling)** PaperlinX obtains a favourable ruling from the Australian Taxation Office confirming that the acceptance of the Offer should not impact the Australian tax losses of the group and that there should not be any assessable gain as a result of PaperlinX acquiring all PaperlinX SPS Units.
- (b) **(No Target Material Adverse Change)** Between the Announcement Date and the end of the Offer Period (each inclusive), no Target Material Adverse Change occurs.
- (c) **(No Prescribed Occurrence)** Between the Announcement Date and the end of the Offer Period (each inclusive) none of the following occur without the prior written approval of PaperlinX:
  - (i) the RE converts all or any of the PaperlinX SPS Units into a larger or smaller number;
  - (ii) the RE resolves to reduce PaperlinX SPS Trust's capital in any way or reclassifies, combines, splits, redeems or repurchases, directly or indirectly, any of PaperlinX SPS Units;
  - (iii) the RE:
    - (A) enters into a buy-back agreement; or
    - (B) resolves to approve the terms of a buy-back agreement under the Corporations Act;
  - (iv) the RE issues PaperlinX SPS Units, securities or other instruments convertible into PaperlinX SPS Units, grants an option over its Units, or agrees to make such an issue or grant such an option;
  - (v) an Insolvency Event occurs in relation to PaperlinX SPS Trust;
  - (vi) the RE disposes or agrees to dispose of, the whole, or a substantial part, of the business or property of PaperlinX SPS Trust; or
  - (vii) the RE charges or agrees to charge, the whole, or a substantial part, of its business or property of PaperlinX SPS Trust.

### **10.13 Nature and effect of Conditions**

Each of the Conditions is a condition subsequent and does not, until the end of the Offer Period (or in the case of the Condition in Section 10.12(c), until the end of the third Business Day after the end of the Offer Period), prevent a contract to sell your PaperlinX SPS Units from arising.

Each of the Conditions is separate, severable and distinct and will not be taken to limit the meaning or effect of any other Condition.

If at the end of the Offer Period (or in the case of the Condition in Section 10.12(c), at the end of the third Business Day after the end of the Offer Period) in respect of any Condition:

- (a) the Bidder has not declared the Offer (and it has not become) free from that Condition; and
- (b) the Condition has not been fulfilled,

all contracts resulting from the acceptance of the Offer and all acceptances that have not resulted in binding contracts are void. In such case, PaperlinX will notify ASX Settlement of the lapse of the Offer in accordance with the ASX Settlement Operating Rules.

### **10.14 The benefit of the Conditions**

Subject to the provisions of the Corporations Act, PaperlinX alone is entitled to the benefit of the Conditions and any non-fulfilment of such Conditions may be relied upon only by PaperlinX, which may waive (generally or in respect of a particular event) breach or non-fulfilment of that Condition.

### **10.15 Freeing the Offer from the Conditions**

Subject to section 650F of the Corporations Act, PaperlinX may, at any time in its sole discretion, declare the Offer free from any or all of the Conditions generally or in relation to any specific occurrence or any specific entity by giving notice in writing to PaperlinX SPS Trust:

- (a) in relation to a Condition relating to an event or circumstance referred to in subsection 652C(1) or (2) of the Corporations Act, not later than three Business Days after the end of the Offer Period; and
- (b) in relation to any other Condition, not later than seven days before the end of the Offer Period.

### **10.16 Notice of the status of the Conditions**

The date for giving the notice of the status of the Conditions required by section 630(3) of the Corporations Act is <date to be inserted post-ASIC lodgement when Offer made> (subject to extension in accordance with section 630(2) of the Corporations Act if the Offer Period is extended).

### **10.17 Date for determining holders of securities**

For the purposes of section 633 of the Corporations Act, the date for determining the persons to whom information is to be sent under items 6 and 12 of subsection 633(1) of the Corporations Act is the Register Date.

### **10.18 Offer Period**

The Offer will remain open for acceptance until 7.00pm (Sydney time) on <Closing Date>, unless it is withdrawn or extended in accordance with the Corporations Act.

PaperlinX expressly reserves its right under section 650C of the Corporations Act, exercisable in its sole discretion, to extend the period during which the Offer remains open for acceptance.

If within the last seven days of the Offer Period the Offer is varied to improve the consideration offered or if within the last seven days of the Offer Period the Company's Voting Power in PaperlinX SPS Trust increases to more than 50%, then in either case the Offer Period will be automatically extended in accordance with section 624(2) of the Corporations Act, so that it ends 14 days after the relevant event.

#### **10.19 Withdrawal of Offer**

The Offer may be withdrawn with the consent in writing of ASIC, which consent may be subject to conditions. If ASIC gives such consent, PaperlinX will give notice of the withdrawal to ASX and to the RE and will comply with any other conditions imposed by ASIC. If this occurs, PaperlinX will give notice of the withdrawal to ASX and to PaperlinX SPS Trust and will comply with any other conditions imposed by ASIC.

If, at the time this Offer is withdrawn:

- (a) all the Conditions have been freed, all contracts arising from acceptance of the Offer before it was withdrawn will remain enforceable; and
- (b) the Offer remains subject to one or more of the Conditions, all contracts arising from its acceptance will become void.

A withdrawal pursuant to this Section will be deemed to take effect:

- (c) if the withdrawal is not subject to conditions imposed by ASIC, after the date that consent in writing is given by ASIC; or
- (d) if the withdrawal is subject to conditions imposed by ASIC, after the date those conditions are satisfied.

#### **10.20 Timing of payment of the Offer Consideration**

Subject to Sections 10.9 and 10.20(b) and the Corporations Act, if you accept the Offer and the Conditions are fulfilled or waived, PaperlinX will provide the consideration for your PaperlinX SPS Units to you on or before the earlier of:

- (a) the day one month after the date you accept the Offer or, if the Offer is subject to any Condition when accepted, one month after the contract resulting from your acceptance becomes unconditional, whichever is the later; and
- (b) 21 days after the end of the Offer Period.

Where the Acceptance Form or the Offer requires any one or more additional documents to be given to PaperlinX with your acceptance (such as a power of attorney) to enable PaperlinX to become the holder of your PaperlinX SPS Units:

- (c) if the documents are delivered with your acceptance, PaperlinX will provide the consideration in accordance with Section 10.20;
- (d) if the documents are delivered after acceptance and before the end of the Offer Period at a time when the Offer is no longer subject to any Condition,

PaperlinX will issue you the Offer Consideration by the end of whichever of the following periods ends first:

- (i) one month after the documents are delivered to PaperlinX; and
  - (ii) 21 days after the end of the Offer Period;
- (e) if the documents are delivered after acceptance and before the end of the Offer Period at a time when the Offer is still subject to any Condition, PaperlinX will issue you the Offer Consideration by the end of whichever of the following periods ends first:
- (i) one month after the contract resulting from your acceptance of the Offer becomes unconditional; and
  - (ii) 21 days after the end of the Offer Period;
- (f) if the documents are delivered after the end of the Offer Period at a time when the Offer is no longer subject to any Condition, PaperlinX will provide the consideration to you within 21 days after the documents are delivered to PaperlinX; or
- (g) if the documents are delivered after the end of the Offer Period at a time when the Offer is still subject to any Condition, PaperlinX will provide the consideration to you within 21 days after the contract which arises upon your acceptance of the Offer becomes unconditional.
- (h) If you do not provide PaperlinX with the required additional documents within one month after the end of the Offer Period, PaperlinX may, in its sole discretion, rescind any contract resulting from your acceptance of the Offer.

If PaperlinX determines to waive any requirement for a valid acceptance of the Offer in respect of any of your PaperlinX SPS Units, payment of the Offer Consideration in accordance with the Offer may be delayed until any irregularity has been resolved or waived and PaperlinX has received any other documents required to procure registration of the relevant PaperlinX SPS Units.

The obligation of PaperlinX to allot and issue any PaperlinX Shares to which you are entitled under this Offer will be satisfied by PaperlinX:

- (a) entering your name on the register of members of PaperlinX; and
- (b) if your name is entered on the Issuer Sponsored Subregister of PaperlinX, no later than five business days after such entry, despatching or procuring the despatch to you, by pre-paid post to your address as shown on the latest copy of the register provided by the RE to PaperlinX before despatch, a holding statement in accordance with the ASX Listing Rules. If your PaperlinX SPS Units are held in joint names and those names are entered on the Issuer Sponsored Subregister of PaperlinX, the holding statement will be issued in the name of, and despatched to, the holder whose name appears first in PaperlinX SPS Unit's register of members.

## 10.21 Ineligible Foreign Unitholders

If you are an Ineligible Foreign Unitholder (or if PaperlinX believes that you are an Ineligible Foreign Unitholder) and you accept this Offer, you will not be entitled to receive PaperlinX Shares as consideration for your PaperlinX SPS Units.

Instead, you agree that:

- (a) PaperlinX will arrange for the issue to a nominee approved by ASIC (*Sale Nominee*) of the PaperlinX Shares to which you and all other Ineligible Foreign Unitholders would have been entitled but for this Section 10.20(b) and the equivalent section in each other offer under the Offer;
- (b) PaperlinX will cause those PaperlinX Shares to be offered for sale by the Sale Nominee on the ASX or another financial market licensed under section 795B of the Corporations Act through which retail clients may trade in securities as soon as practicable and otherwise in such manner, at such price and on such terms as are determined by the Sale Nominee;
- (c) PaperlinX will cause the amount ascertained in accordance with the formula below to be paid to you;

**Net proceeds of sale x (your PaperlinX Shares / total PaperlinX Shares)**

where:

*Net proceeds of sale* is the amount (if any) remaining after deducting the expenses of sale and any costs of appointing the nominee from the total proceeds of sale of the PaperlinX Shares issued to the Sale Nominee under this Section 10.20(b) and the equivalent provision in each other offer under the Offer;

*your PaperlinX Shares* is the number of PaperlinX Shares that would, but for this Section, have been issued to you under this Offer; and

*total PaperlinX Shares* is the total number of PaperlinX Shares issued to the Sale Nominee under this Section 10.20(b) and the equivalent provision in each other offer under the Offer;

- (d) payment of the amount calculated in accordance with Section 10.20(b) will be made by cheque drawn in Australian currency in your favour that is sent to you, at your risk, by ordinary mail (or, in the case of PaperlinX SPS Unitholders with addresses outside Australia, by airmail) to your address shown on the latest copy of the PaperlinX SPS Trust register provided by the RE to PaperlinX, and under no circumstance will any interest be paid on or in relation to that amount, regardless of any delay in remittance of the amount to you; and
- (e) you irrevocably appoint PaperlinX as your agent to receive any notice, including a Financial Services Guide (if any) (and any update of any such notice or document), that the Sale Nominee and/or broker may provide under the Corporations Act and you acknowledge and agree that any such notice or document will be made available by PaperlinX on the Company's website [www.paperlinx.com](http://www.paperlinx.com).

Neither PaperlinX nor the Sale Nominee makes any representation, warranty, undertaking or assurance as to the price that will be achieved for the sale of PaperlinX Shares described in this Section 10.20(b).

### **10.22 Clearances for offshore residents**

If, at the time you accept the Offer, any of the following:

- (a) *Banking (Foreign Exchange) Regulations 1959* (Cth);
- (b) any regulations made under the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth);
- (c) *Charter of the United Nations Act 1945* (Cth) or any regulations made thereunder; or
- (d) any other applicable law,

require an authority, clearance or approval of the Reserve Bank of Australia, the Australian Taxation Office or any other Government Agency to be obtained before you receive any consideration for your PaperlinX SPS Units, or would make it unlawful for PaperlinX to provide any consideration to you for your PaperlinX SPS Units, you will not be entitled to receive any consideration for your PaperlinX SPS Units until all requisite authorities, clearances or approvals have been received by PaperlinX.

### **10.23 Brokerage and other costs**

Except if you are an Ineligible Foreign Unitholder, no brokerage, stamp duty or goods and services tax will be payable by you if you accept the Offer.

If your PaperlinX SPS Units are registered in an Issuer Sponsored Holding in your name and you deliver them directly to PaperlinX, you will not incur any brokerage in connection with your acceptance of the Offer.

If your PaperlinX SPS Units are registered in a CHESS Holding, or if you are a beneficial owner whose PaperlinX SPS Units are registered in the name of a Broker, bank, custodian or other nominee, no brokerage is payable by you but you should ask your Controlling Participant (usually your Broker) or that nominee whether it will charge any transactional fees or services charges in connection with acceptance of the Offer.

### **10.24 Official quotation of PaperlinX Shares**

PaperlinX has been admitted to the official list of ASX. Shares of the same class as those to be issued as consideration under the Offer have been granted official quotation by ASX.

An application will be made within 7 days after the start of the bid period to ASX for the granting of official quotation of the PaperlinX Shares to be issued in accordance with the Offer. However, official quotation is not granted automatically on application.

Pursuant to the Corporations Act, this Offer and any contract that results from your acceptance of it are subject to a condition that permission for admission to official quotation by ASX of PaperlinX shares to be issued pursuant to the Offer being granted no later than 7 days after the end of the bid period. If this condition is not fulfilled, all contracts resulting from the acceptance of the Offer will be automatically void.

## **10.25 Variation**

PaperlinX may vary the Offer as permitted by the Corporations Act.

## **10.26 Notices**

Subject to the Corporations Act, any notice, nomination, or other communication to be given by PaperlinX to you under the Offer will be deemed to be duly given if it is given in writing and is signed or purports to be signed (whether in manuscript, printed or reproduced form) on behalf of PaperlinX by any of its directors, secretaries or officers and is delivered to or sent by post in pre-paid ordinary mail or by courier (or, in the case of addresses outside Australia, by prepaid airmail) to your address as recorded on the register of PaperlinX SPS Trust provided by the RE to PaperlinX.

Any notice or other communication given by you to PaperlinX in connection with the Offer will be deemed to be duly given if it is in writing and received by mail at the following address:

PaperlinX Limited c/- Company Secretary, 7 Dalmore Drive, Scoresby, VIC 3179, Australia.

## **10.27 Return of documents**

If you accept the Offer and:

- (a) the Offer is withdrawn after your Acceptance Form has been sent to PaperlinX but before it has been received; or
- (b) for any other reason PaperlinX does not acquire your PaperlinX SPS Units,

PaperlinX will elect to destroy your Acceptance Form together with all other documents forwarded by you.

## **10.28 Governing law**

The Offer and any contract that results from your acceptance of the Offer are governed by the laws in force in New South Wales. In relation to them and related non-contractual matters, each party irrevocably submits to the non-exclusive jurisdiction of courts with jurisdiction there, and waives any right to object to the venue on any ground.



---

## 11 Definitions and interpretation

In this Bidder's Statement the following words have these meanings unless the contrary intention appears or the context otherwise requires:

**Acceptance Form** means the acceptance form which accompanies this Bidder's Statement.

**AIFRS** means Australian equivalents to International Financial Reporting Standards, which are the Accounting Standards applicable to disclosing entities at the date of this Bidder's Statement.

**Announcement Date** means the date on which PaperlinX publicly proposed to make the Offer, being 18 October 2013.

**Approval** means:

- (a) any approval, consent, authorisation, registration, filing, lodgement, permit, franchise, agreement, notarisation, certificate, permission, licence, direction, declaration, authority, waiver, modification or exemption from, by or with a Government Agency; or
- (b) in relation to anything that would be fully or partly prohibited or restricted by law if a Government Agency intervened or acted in any way after lodgement, filing, registration or notification:
  - (i) the expiry of any applicable period without such intervention or action; or
  - (ii) the receipt of a statement in writing from the relevant Government Agency that it does not intend to intervene or take action.

**ASIC** means the Australian Securities and Investments Commission.

**Associate** has the meaning given in Division 2 of Part 1.2 of the Corporations Act as if section 12(1) of that Act included a reference to this Bidder's Statement and PaperlinX SPS Trust is the designated body.

**ASX Listing Rules** means the official listing rules of ASX, except to the extent of any waiver granted by ASX.

**ASX Settlement** means ASX Settlement Pty Limited (ACN 008 504 532) as a holder of a licence to operate a clearing and settlement facility.

**ASX Settlement Operating Rules** means the rules of ASX Settlement from time to time, except to the extent of any relief given by ASX Settlement.

**ASX** means ASX Limited ACN 008 624 691 or the financial market it operates, as the context requires.

**Bidder's Statement** means this Bidder's Statement in respect of the Offer given by PaperlinX under Part 6.5 of Chapter 6 of the Corporations Act and any supplementary or replacement bidder's statement.

**Broker** means a person who is a share broker and a participant in CHESS.

**Business Day** means a day on which banks are open for business in Sydney, Australia but not a Saturday, Sunday or public holiday.

**CGT** means capital gains tax.

**CHESS** means Clearing House Electronic Subregister System established and operated by ASX Settlement for the clearing, settlement, transfer and registration of approved securities.

**CHESS Holding** means a holding of PaperlinX SPS Units on the CHESS subregister of PaperlinX SPS Trust.

**Closing Date** means <insert Closing Date>, unless extended in accordance with the Corporations Act.

**Combined PaperlinX Group** means PaperlinX following the acquisition of PaperlinX SPS Units under the Offer .

**Computershare** means Computershare Investor Services Pty Limited ACN 078 279 277.

**Condition** means a condition set out in Section 10.12.

**Controller** has the meaning given in section 9 of the Corporations Act.

**Controlling Participant** means the Participant who is designated as the controlling participant for PaperlinX SPS Units in a CHESS Holding in accordance with the ASX Settlement Operating Rules.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Distribution Payment Date** means each of 30 June and 31 December, and the date of Realisation (not being 30 June or 31 December), where PaperlinX SPS Units are exchanged for PaperlinX Shares on that date and the RE has determined to pay a cash distribution under clause 10 of the PaperlinX SPS Terms.

**EBIT** means earnings before interest and tax.

**Encumbrance** means a right, interest, power or arrangement in relation to any property which provides security for, or protects against default by a person in, the payment or satisfaction of a debt, obligation or liability, including a mortgage, charge, bill of sale, pledge, deposit, lien, encumbrance or hypothecation and any security interest as defined in section 12(1) and (2) of the PPSA.

**Financial Services Guide** means a "Financial Services Guide" required by section 941A or 941B of the Corporations Act to be given in accordance with Division 2 of Part 7.7 of the Corporations Act.

**Government Agency** means, whether foreign or domestic:

- (a) a government, whether federal, state, territorial or local or a department, office or minister of a government acting in that capacity; or
- (b) a commission, delegate, instrumentality, agency, board, or other government, semi-government, judicial, administrative, monetary or fiscal body, department, tribunal, entity or authority, whether statutory or not, and includes any self-regulatory organisation established under statute or any stock exchange.

**HIN** means Holder Identification Number and has the meaning given to "HIN" in the ASX Settlement Operating Rules.

**IFRS** means the International Financial Reporting Standards, the standards under which PaperlinX prepares its financial statements.

**Independent Expert's Report** means an independent expert's report that may be commissioned by the RE in relation to the Offer.

**Ineligible Foreign Unitholder** means a PaperlinX SPS Unitholder whose address as shown in the register of members of PaperlinX SPS Trust is in a jurisdiction other than Australia and its external territories or New Zealand unless PaperlinX is satisfied that it is not precluded from lawfully offering or issuing PaperlinX Shares either unconditionally or after compliance with conditions that PaperlinX regards as acceptable and not unduly onerous.

**Insolvency Event** means:

- (a) process is filed in a court seeking an order that it be wound up or that a Controller be appointed to it or any of its assets, unless the application is withdrawn, struck out or dismissed within seven days of it being filed;
- (b) an order is made that it be wound up or that a Controller be appointed to it or any of its assets;
- (c) a resolution that it be wound up is passed or proposed;
- (d) a liquidator, provisional liquidator, Controller or any similar official is appointed to, or takes possession or control of, all or any of its assets or undertaking;
- (e) an administrator is appointed to it, a resolution that an administrator be appointed to it is passed or proposed, or any other steps are taken to appoint an administrator to it;
- (f) it enters into, or resolves to enter into, an arrangement, compromise or composition with any of, or any class of, its creditors or members, or an assignment for the benefit of any of, or any class of, its creditors, or process is filed in a court seeking approval of any such arrangement, compromise or composition;
- (g) a reorganisation, moratorium, deed of company arrangement or other administration involving one or more of its creditors is proposed or effected;
- (h) any action is taken by ASIC with a view to its deregistration or its dissolution, or an application is made to ASIC that any such action be taken;
- (i) it is insolvent within the meaning of section 95A of the Corporations Act, as disclosed in its accounts or otherwise, states that it is unable to pay its debts or is presumed to be insolvent under any applicable law;
- (j) as a result of the operation of section 459F(1) of the Corporations Act, it is taken to have failed to comply with a statutory demand;
- (k) it stops or suspends or threatens to stop or suspend the payment of all or a class of its debts or the conduct of all or a substantial part of its business;

- (l) any event or circumstance set out in section 461 of the Corporations Act occurs in relation to it; or
- (m) anything having a substantially similar effect to any of the events specified in paragraphs (a) to (l) inclusive happens to it under the law of any jurisdiction.

**Issuer Sponsored Holding** means a holding of PaperlinX SPS Units on PaperlinX SPS Trust's issuer sponsored subregister.

**Lodgement Date** means the date on which PaperlinX lodged this Bidder's Statement with ASIC, being 5 December 2013.

**LLC Preference Shares** means the limited liability company interests in PaperlinX LLC.

**Non-IFRS measure** means measures 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.

**Offer** means the offer to acquire PaperlinX SPS Units by PaperlinX as set out in this Bidder's Statement.

**Offer Consideration** has the meaning given in Section 10.5.

**Offer Information Line** means 1300 396 150 (local call cost for callers within Australia) or +61 3 9415 4261 (callers outside Australia), Monday to Friday between 8.30am and 5.30pm (Sydney time).

**Offer Period** means the period commencing <date to be inserted post-ASIC lodgement when Offer made> and ending at 7:00pm (Sydney time) on the Closing Date, unless withdrawn in accordance with the Corporations Act.

**Official Quotation** means official quotation on ASX.

**PaperlinX** or **Company** means PaperlinX Limited ABN 70 005 146 350.

**PaperlinX Board** or **PaperlinX Directors** means the board of directors of PaperlinX (and each of the directors of PaperlinX as the case may be).

**PaperlinX Group** means PaperlinX and its subsidiaries.

**PaperlinX LLC** means PaperlinX SPS LLC, a limited liability company established under the laws of Delaware, United States of America.

**PaperlinX Ordinary Unit** means the fully paid ordinary unit in PaperlinX SPS Trust.

**PaperlinX Preference Shares** means fully paid preference shares in the capital of PaperlinX.

**PaperlinX SPS Product Disclosure Statement** means the product disclosure statement issued by the RE in relation to PaperlinX SPS Units, dated 7 March 2007.

**PaperlinX Shares** means fully paid ordinary shares in PaperlinX.

**PaperlinX Shareholders** means holders of fully paid ordinary shares in PaperlinX.

**PaperlinX SPS Terms** means the terms under which PaperlinX SPS Units are issued, as set out in section 11 of the PaperlinX SPS Product Disclosure Statement.

**PaperlinX SPS Trust** means PaperlinX SPS Trust ARSN 123 839 814.

**PaperlinX SPS Unitholder** means a holder of PaperlinX SPS Units.

**PaperlinX SPS Units** means fully paid preferred units in PaperlinX SPS Trust.

**PaperlinX Winding Up Event** means:

- (a) an order made by a court of competent jurisdiction for the winding up of PaperlinX or PaperlinX LLC (as the case maybe) and 30 days have elapsed without that order having been successfully appealed, stayed or revoked; or
- (b) a resolution is duly passed by the members of PaperlinX or PaperlinX LLC for the winding up of PaperlinX or PaperlinX LLC (as the case may be),

in each case other than for the purposes of a consolidation, amalgamation, merger or reconstruction (the terms of which have been approved by a special resolution of PaperlinX SPS Unitholders).

**Participant** has the meaning given in the ASX Settlement Operating Rules.

**Person** means an incorporated or unincorporated body or association as well as a natural person.

**PPSA** means the *Personal Property Securities Act 2009* (Cth).

**Prescribed Occurrence** means an event listed in Section 10.12(c).

**RE** means The Trust Company (RE Services) Limited ABN 45 003 278 831, as responsible entity of the PaperlinX SPS Trust.

**RE Board** or **RE Directors** means the board of directors of the RE.

**Realise** means redeem for cash, exchange for PaperlinX Shares or resell, and **Realised** and **Realisation** have the corresponding meaning.

**Register Date** means the date set by PaperlinX under section 633(2) of the Corporations Act, being 7:00pm Sydney time on <date to be inserted post-ASIC lodgement when Offer made>.

**Relevant Interest** has the meaning given to that term in sections 608 and 609 of the Corporations Act.

**Rights** means all accretions, rights or benefits of whatever kind attaching to or arising from or in respect of PaperlinX SPS Units, whether directly or indirectly, including all rights to receive distributions or proceeds from any return or reduction of capital, to receive or subscribe for units, notes, options or other securities including by way of any return or reduction of capital and to receive all other distributions or entitlements declared, paid, made or issued by PaperlinX SPS Trust (including by way of any return or reduction of capital) after the Announcement Date which may be paid or payable to PaperlinX SPS Unitholders by the RE but only if the record date for any such distribution occurs before PaperlinX is registered as the holder of the relevant PaperlinX SPS Units.

**Sale Nominee** means Moelis Australia Securities Pty Ltd ACN 122 781 560.

**Securityholder Reference Number** means the security reference number allocated by the RE to identify a PaperlinX SPS Unitholder on the Issuer Sponsored Subregister of PaperlinX SPS Trust.

**Subsidiary** has the meaning given in the Corporations Act.

**Superior Proposal** means a bona fide, written proposal, offer or transaction in respect of PaperlinX SPS Trust, which the RE Board considers, acting in good faith and after taking advice from the RE's legal and financial advisers would, if implemented in accordance with its terms, result in a more favourable outcome for PaperlinX SPS Unitholders than would result from implementation of the Offer.

**Target Material Adverse Change** means one or more occurrences or any fact, matter or circumstance (whenever occurring or reasonably likely to occur) that is announced or becomes known to PaperlinX that individually, or when aggregated with all such occurrences, facts, matters or circumstances, has had or is reasonably likely to have, a material adverse effect on the business, assets, liabilities, financial or trading position, profitability or prospects of PaperlinX SPS Trust taken as a whole.

**Target's Statement** means the target's statement in respect of the Offer given by the RE under Part 6.5 of Chapter 6 of the Corporations Act and any supplementary or replacement target's statement.

**Tax Ruling** has the meaning given in Section 10.12(a).

**Voting Power** has the meaning given to that term in section 610 of the Corporations Act.

**VWAP** means the volume-weighted average price.

Capitalised terms used in this Bidder's Statement and not otherwise defined in this Bidder's Statement have the meaning (if any) given to them for the purposes of Chapter 6 of the Corporations Act or the ASX Settlement Operating Rules unless that meaning is inconsistent with the context in which the term is used.

In this Bidder's Statement headings are for convenience only and do not affect the interpretation of this Bidder's Statement, and unless the context otherwise requires:

- (a) the singular includes the plural and vice versa;
- (b) a gender includes all genders;
- (c) references to persons include corporations;
- (d) references to Clauses or Sections are to Clauses or Sections in this Bidder's Statement;
- (e) references to dollar or \$ are references to Australian currency;
- (f) references to "you" are to a person to whom the Offer is made under Section 10.4;
- (g) the word 'including' or 'includes' means 'including, but not limited to' or 'includes, without limitation';
- (h) references to legislation, rules or other documents include those instruments as amended, supplemented or replaced, and in the case of legislation includes regulations, rules and instruments made under that legislation; and
- (i) references to time are references to the prevailing time in Sydney, Australia.

## Annexure A - ASX announcements regarding PaperlinX

The following documents have been lodged with ASX since 30 June 2013:

Date	Continuous Disclosure Notices
04/12/2013	Competition Law Complaint in Germany Against Sappi Europe SA
20/11/2013	PXU: Notice of General Meeting and Class Meetings
18/11/2013	Notice of Change of Interest of Substantial Holder - Communications Power Incorporated (Aust) Pty Ltd
14/11/2013	Notice of Ceasing to be a Substantial Holder - Raymond Gonzalez
06/11/2013	Response to RE announcement of 4 November 2013
01/11/2013	Appendix 3B
01/11/2013	Change in Director's Interest - Andrew Price
25/10/2013	AGM Results
25/10/2013	SPS Distribution-31 December 2013
25/10/2013	AGM Presentations
25/10/2013	AGM Speeches
23/10/2013	Change in substantial holding - Maple-Brown Abbot Ltd
22/10/2013	Replacement - Response to amendment to SPS Constitution
22/10/2013	Response to SPS holders request to amend SPS Constitution
18/10/2013	PXU: Intention by PPX to make an offer for PXUPA
18/10/2013	Proposed Takeover Offer for PaperlinX SPS Trust
18/10/2013	Trading Halt
27/09/2013	Market Update in relation to PaperlinX SPS
23/09/2013	2013 Notice of Annual General Meeting/Proxy Form
23/09/2013	2013 Annual Report to shareholders
18/09/2013	Management Changes
27/08/2013	Change of Director's Interest Notice - Andrew Price
26/08/2013	Change of Director's Interest Notice - Michael Barker
21/08/2013	2013 Full Year Results Presentation with Speaker Notes
21/08/2013	PXU: Market Update - PaperlinX SPS Trust
21/08/2013	2013 Full Year Results Presentation Slides-Analyst Briefing

21/08/2013	Market Update in Relation to PaperlinX SPS (Hybrids)
21/08/2013	2013 Full Year Results and Update on Hybrid
21/08/2013	Preliminary Final Report and Financial Report 30 June 2013
14/08/2013	PaperlinX 2013 Full Year Results



## **CORPORATE DIRECTORY**

### **Directors**

Mr Robert Kaye SC  
Mr Michael Barker  
Mr Andrew Price

### **Company Secretaries**

Ms Michelle Wong  
Mr Wayne Johnston

### **Registered Office**

7 Dalmore Drive  
Scoresby VIC 3179  
Australia

### **Offer Information Line**

1300 396 150 (local call cost for callers in Australia)  
+61 3 9415 4261 (callers outside Australia)  
Monday to Friday between 8.30am and 5.30pm (Sydney time)

### **Share Registry for the Offer**

Computershare Investor Services Pty Limited  
GPO Box 52  
Melbourne VIC 3001  
Australia

### **Financial adviser**

Moelis & Company  
Level 27, Governor Phillip Tower  
One Farrer Place  
Sydney NSW 2000  
Australia

### **Legal adviser**

Baker & McKenzie  
Level 27, AMP Centre  
50 Bridge Street  
Sydney NSW 2000  
Australia

### **Tax Adviser**

Ernst & Young  
8 Exhibition Street  
Melbourne VIC 3000  
Australia

### **Communications Adviser**

Newgate Communications  
Level 18  
167 Macquarie Street,  
Sydney NSW 2000  
Australia



**PaperlinX Limited**

ABN 70 005 146 350

## Return your Form:



### By Mail:

Computershare Investor Services Pty Limited  
GPO Box 52  
Melbourne VIC 3001  
Australia

## For all enquiries:



### Phone:

(within Australia) 1300 396 150  
(outside Australia) +61 3 9415 4261

000001 000 PXU TKO

MR SAM SAMPLE  
UNIT 123  
SAMPLE STREET  
SAMPLETOWN NSW 2001

## Acceptance Form

## ISSUER SPONSORED

### Your form must be received by the end of the Offer Period.

This form and the Bidder's Statement are important documents that require your immediate attention. This form relates to an offer ("Offer") by PaperlinX Limited ("PaperlinX") to acquire all of your PaperlinX Step-up Preference Securities ("PaperlinX SPS Units") in PaperlinX SPS Trust (ARSN 123 839 814) the terms of which are set out in the Bidder's Statement from PaperlinX dated 5 December 2013 as replaced or supplemented (the "Bidders Statement"). Capitalised terms used in this form have the same meaning as in the Bidder's Statement, unless otherwise defined.

If you are in doubt about how to deal with this Offer, please contact your financial or other professional advisor.

Note this form can only be used in relation to the unitholding represented by the details printed above and overleaf.

### Step 1: Unitholding Details

Your consideration will be issued to the name(s) as they appear on the latest copy of the PaperlinX SPS Trust register, as provided to PaperlinX. The current address recorded by PaperlinX is printed above and overleaf. If you have recently bought or sold PaperlinX SPS Units your holding may differ from that shown. If you have already sold all your PaperlinX SPS Units in PaperlinX SPS Trust, do not complete or return this form.

### Step 2: Consideration and Accepting the Offer

The Consideration payable to you for each of your PaperlinX SPS Units accepted is set out in the terms of PaperlinX's Offer.

Sign and return this form to accept the Offer for **ALL** of your PaperlinX SPS Units.

### Step 3: Signing Instructions

**Individual:** Where the unitholding is in one name, the unitholder must sign.

**Joint Holding:** Where the unitholding is in more than one name, all of the unitholders must sign.

**Power of Attorney:** Where signing as Power of Attorney (POA), you must attach an original certified copy of the POA to this form.

**Companies:** Where the unitholding is in the name of a Company, this form must be signed in accordance with the Corporations Act, either as:

- a Sole Director and Sole Company Secretary **OR** a Sole Director (if no Company Secretary exists), **OR**
- two Directors, **OR**
- a Director and Secretary.

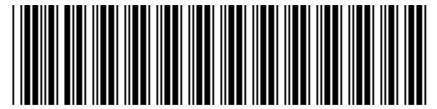
**Overseas Companies:** Where the unitholding is in the name of an Overseas company (companies incorporated outside Australia) the form must be signed as above, or documentation must be provided showing that the company can sign in an alternate manner.

**Deceased Estate:** All executors must sign and a certified copy of Probate or Letters of Administration must accompany this form.

### Contact Details:


Please provide us with the details of the person you authorise us to contact in relation to your acceptance.

**Turn over to complete the form** →



# Acceptance Form

I

 For your security keep your SRN/  
HIN confidential.

## STEP 1 Unitholding Details

MR SAM SAMPLE  
UNIT 123  
SAMPLE STREET  
SAMPLETOWN NSW 2001

Unitholding as at <Register Date>:

## STEP 2 Consideration and Accepting the Offer

If you accept the Offer, and the Offer becomes unconditional, you will receive PaperlinX Shares for your PaperlinX SPS Units.

If you are an Ineligible Foreign Unitholder and accept the Offer, you will not receive any PaperlinX Shares. The PaperlinX Shares you would have otherwise been entitled to receive will be sold in accordance with the Offer terms and you will be paid the net proceeds of the sale.

Full details of the Offer Consideration are outlined in PaperlinX's Bidder's Statement.

By accepting the Offer for **ALL** of your PaperlinX SPS Units, you are accepting the Offer for **ALL** the PaperlinX SPS Units as recorded by PaperlinX as being held by you at the date your acceptance is processed (even if different to the number stated in Step 1).

## STEP 3 Signature of Unitholder(s)

*This section must be completed.*

I/We accept the Offer made by PaperlinX for PaperlinX SPS Units in PaperlinX SPS Trust and I/we agree to be bound by the terms and conditions of the Offer and transfer **ALL** of my/our PaperlinX SPS Units as per the above instruction.

Individual or Unitholder 1

Sole Director and Sole Company Secretary/  
Sole Director (cross out titles as applicable)

Unitholder 2

Director

Unitholder 3

Director/Company Secretary  
(cross out titles as applicable)

Contact  
Name \_\_\_\_\_

Contact  
Daytime  
Telephone \_\_\_\_\_

Date \_\_\_\_ / \_\_\_\_ / \_\_\_\_

## Privacy Statement

Personal information is collected on this form by Computershare Investor Services Pty Limited ("**CIS**") for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. Your personal information may be disclosed to our related bodies corporate, to external service companies such as print or mail service providers, or as otherwise required or permitted by law. If you would like details of your personal information held by CIS, or you would like to correct information that is inaccurate, incorrect or out of date, please contact CIS. In accordance with the Corporations Act, you may be sent material (including marketing material) approved by PaperlinX Limited in addition to general corporate communications. You may elect not to receive marketing material by contacting CIS. You can contact CIS using the details provided on the front of this form or e-mail [privacy@computershare.com.au](mailto:privacy@computershare.com.au)



**PaperlinX Limited**

ABN 70 005 146 350

┌ 000002 000 PXU\_TKO  
MR SAM SAMPLE  
UNIT 123  
SAMPLE STREET  
SAMPLETOWN NSW 2001

## Return your Form:



**To Your Controlling Participant:**  
Return this form directly to your  
stockbroker



**By Mail:**  
Computershare Investor Services Pty Limited  
GPO Box 52  
Melbourne VIC 3001  
Australia

## For all enquiries:



**Phone:**  
(within Australia) 1300 396 150  
(outside Australia) +61 3 9415 4261

## Acceptance Form

**CHESS**

**Your form must be received with sufficient time to allow processing prior to the end of the Offer Period.**

This form and the Bidder's Statement are important documents that require your immediate attention. This form relates to an offer ("Offer") by PaperlinX Limited ("PaperlinX") to acquire all of your PaperlinX Step-up Preference Securities ("PaperlinX SPS Units") in PaperlinX SPS Trust (ARSN 123 839 814) the terms of which are set out in the Bidder's Statement from PaperlinX dated 5 December 2013 as replaced or supplemented (the "Bidders Statement"). Capitalised terms used in this form have the same meaning as in the Bidder's Statement, unless otherwise defined.

If you are in doubt about how to deal with this Offer, please contact your financial or other professional advisor.

Note this form can only be used in relation to the unitholding represented by the details printed above and overleaf.

### Step 1: Unitholding Details

Your consideration will be issued to the name(s) as they appear on the latest copy of the PaperlinX SPS Trust register, as provided to PaperlinX.

The current address recorded by PaperlinX is printed above and overleaf. If you have recently bought or sold PaperlinX SPS Units your holding may differ from that shown. If you have already sold all your PaperlinX SPS Units in PaperlinX SPS Trust, do not complete or return this form.

### Step 2: Consideration and Accepting the Offer

The Consideration payable to you for each of your PaperlinX SPS Units accepted is set out in the terms of PaperlinX's Offer.

Sign and return this form to accept the Offer for **ALL** of your PaperlinX SPS Units.

As your PaperlinX SPS Units are in a CHESS holding, you may contact your Controlling Participant directly (normally your stockbroker) with instructions to accept the Offer. If you do this, your Controlling Participant will provide you with details as to what they require in order to accept the Offer on your behalf. If you want PaperlinX to contact your Controlling Participant on your behalf, sign and return this form to the address above so that it is received in sufficient time to allow your instruction to be acted upon by the close of the Offer Period. This will authorise PaperlinX and Computershare Investor Services Pty Limited ("CIS") to request your Controlling Participant to initiate acceptance of the Offer on your behalf.

By signing this form, you warrant to PaperlinX (and authorise PaperlinX to warrant on your behalf) that you have full legal and beneficial ownership of the PaperlinX SPS Units to which this form relates and that PaperlinX will acquire them free from all mortgages, charges, liens, encumbrances (whether legal or equitable), restrictions on transfer of any kind and free from any third party rights. You should allow sufficient time for your Controlling Participant or PaperlinX to initiate the acceptance of PaperlinX's Offer on your behalf. Neither PaperlinX or CIS will be responsible for any delays incurred by the process of requesting your Controlling Participant to accept the Offer.

### Step 3: Signing Instructions

**Individual:** Where the holding is in one name, the unitholder must sign.

**Joint Holding:** Where the holding is in more than one name, all of the unitholders must sign.

**Power of Attorney:** Where signing as Power of Attorney (POA), you must attach an original certified copy of the POA to this form.

**Companies:** Where the holding is in the name of a Company, this form must be signed in accordance with the Corporations Act, either as:

- a Sole Director and Sole Company Secretary **OR** a Sole Director (if no Company Secretary exists), **OR**
- two Directors, **OR**
- a Director and Secretary.

**Overseas Companies:** Where the holding is in the name of an Overseas company (companies incorporated outside Australia) the form must be signed as above, or documentation must be provided showing that the company can sign in an alternate manner.

**Deceased Estate:** All executors must sign and a certified copy of Probate or Letters of Administration must accompany this form.

#### Contact Details:

Please provide us with the details of the person you authorise us to contact in relation to your acceptance.

**Turn over to complete the form** →

# Acceptance Form



X

## STEP 1 Unitholding Details

For your security keep your SRN/HIN confidential.

MR SAM SAMPLE  
UNIT 123  
SAMPLE STREET  
SAMPLETOWN NSW 2001

Controlling Participant Identifier:

Unitholding as at <Register Date>:

## STEP 2 Consideration and Accepting the Offer

If you accept the Offer, and the Offer becomes unconditional, you will receive PaperlinX Shares for your PaperlinX SPS Units.

If you are an Ineligible Foreign Unitholder and accept the Offer, you will not receive any PaperlinX Shares. The PaperlinX Shares you would have otherwise been entitled to receive will be sold in accordance with the Offer terms and you will be paid the net proceeds of the sale.

Full details of the Offer Consideration are outlined in PaperlinX's Bidder's Statement.

By accepting the Offer for **ALL** of your PaperlinX SPS Units, you are accepting the Offer for **ALL** the PaperlinX SPS Units as recorded by PaperlinX as being held by you at the date your acceptance is processed (even if different to the number stated in Step 1).

## STEP 3 Signature of Unitholder(s)

*This section must be completed.*

I/We accept the Offer made by PaperlinX for PaperlinX SPS Units in PaperlinX SPS Trust and I/we agree to be bound by the terms and conditions of the Offer and transfer **ALL** of my/our PaperlinX SPS Units as per the above instruction.

Individual or Unitholder 1

Sole Director and Sole Company Secretary/  
Sole Director (cross out titles as applicable)

Unitholder 2

Director

Unitholder 3

Director/Company Secretary  
(cross out titles as applicable)

Contact  
Name

\_\_\_\_\_

Contact  
Daytime  
Telephone

\_\_\_\_\_

Date

\_\_\_\_ / \_\_\_\_ / \_\_\_\_

## Privacy Statement

Personal information is collected on this form by Computershare Investor Services Pty Limited ("**CIS**") for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. Your personal information may be disclosed to our related bodies corporate, to external service companies such as print or mail service providers, or as otherwise required or permitted by law. If you would like details of your personal information held by CIS, or you would like to correct information that is inaccurate, incorrect or out of date, please contact CIS. In accordance with the Corporations Act, you may be sent material (including marketing material) approved by PaperlinX Limited in addition to general corporate communications. You may elect not to receive marketing material by contacting CIS. You can contact CIS using the details provided on the front of this form or e-mail [privacy@computershare.com.au](mailto:privacy@computershare.com.au)