Completion of Australian Paper Sale and Business Update

1 June 2009

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Overview

- Transaction completed
  - $600 million initial purchase price received
  - $70 million net asset adjustment (estimate) expected to be received in 90 – 120 days
- Major step in PaperlinX transformation
- Strengthened financial position
  - $500 million initial debt reduction
  - $83 million finance lease off books
- Permanent waivers for previous covenant breaches confirmed
- Essential principles for future funding finalised
- Review of Tas Paper nearing completion
- Focus on sustainable global merchanting platform
  - Competitive position and efficiency in core paper business
  - Growth in non-paper, own brands and environmental offerings
- 2009 earnings outlook

Sale of Australian Paper – Key numbers

- $600 million initial purchase price received 1 June 2009
- $100 million potential maximum upside from earn out over the next three years
- $70 million net asset adjustment (estimate) expected approximately 90 - 120 days after completion applied to further debt reduction
- $(85-90) million sale costs and related restructuring costs
- $500 million applied to immediate debt reduction
- $83 million finance lease off books
- $(150) million loss on sale (approximate – amount will be finalised with completion accounts)

Pro Forma Balance Sheet Impact

(A$ million)	Dec 2008 Actual	Estimated Pro forma Dec 2008 (prior estimate)	June 2009 Based on Estimated Pro forma Jun 2009
Total Assets	4,492	3,516	3,383
Total Liabilities	2,925	1,978	2,050
Shareholders Equity	1,567	1,538	1,333
Net Debt (included above)	1,062		327
Net Asset Adjustment (September '09)			(70)
Other Transaction Costs Paid in 09/10			20
Net Debt		338	277[1,2]
Gearing (Net debt/net debt + equity)	**40%**	**18%**	**17%[2]**

Assumes all funds received applied to debt reduction
For indicative purposes only, includes estimates

1) June working capital seasonally lower than December
2) Post net asset adjustment and other costs

AP Sale – Cash Impact (A$m)

Gross consideration on AP sale	
Consideration – received 1 June 2009	600
Consideration accrued – net asset adjustment – received Sept 09 (estimate)	70
Management fee (over 3 years)	6
	676
Less costs	
Transaction / transition costs	(51)
USPP make whole	(25)
Potential indemnity – Environmental (maximum)	(10)
Superannuation top up	(12)
	(98)
Net consideration on AP sale	**578**
Potential 3 year earn out (maximum)	100
Total potential cash impact from AP sale	**678**

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Key Points on Balance Sheet

- Debt paydown will be phased
  - $500 million paydown immediately, $70 million post net asset adjustment (estimate) expected in Sept 09, with agreed ongoing schedule until $700 million total debt reduction
  - Permanent waivers for previous breaches
  - Essential principles for covenants going forward agreed
    - To be agreed and documented post Board approval of company budget (and before end of August 2009)
- Future funding principles finalised
  - All bank debt maturities now February 2011
    - Extension of Dec 2009 tranche and shortening of Feb 2013 tranche
    - USPP’s shortened to 2013/2015
  - All syndicate banks and USPP holders have remained
- 2010 interest cost expected to be ($40-45) million
  - Additional borrowing costs through the Corporate costs line of ($15) million related to bank fees and charges
  - Higher rates initially, reducing via leverage ratio matrix schedule

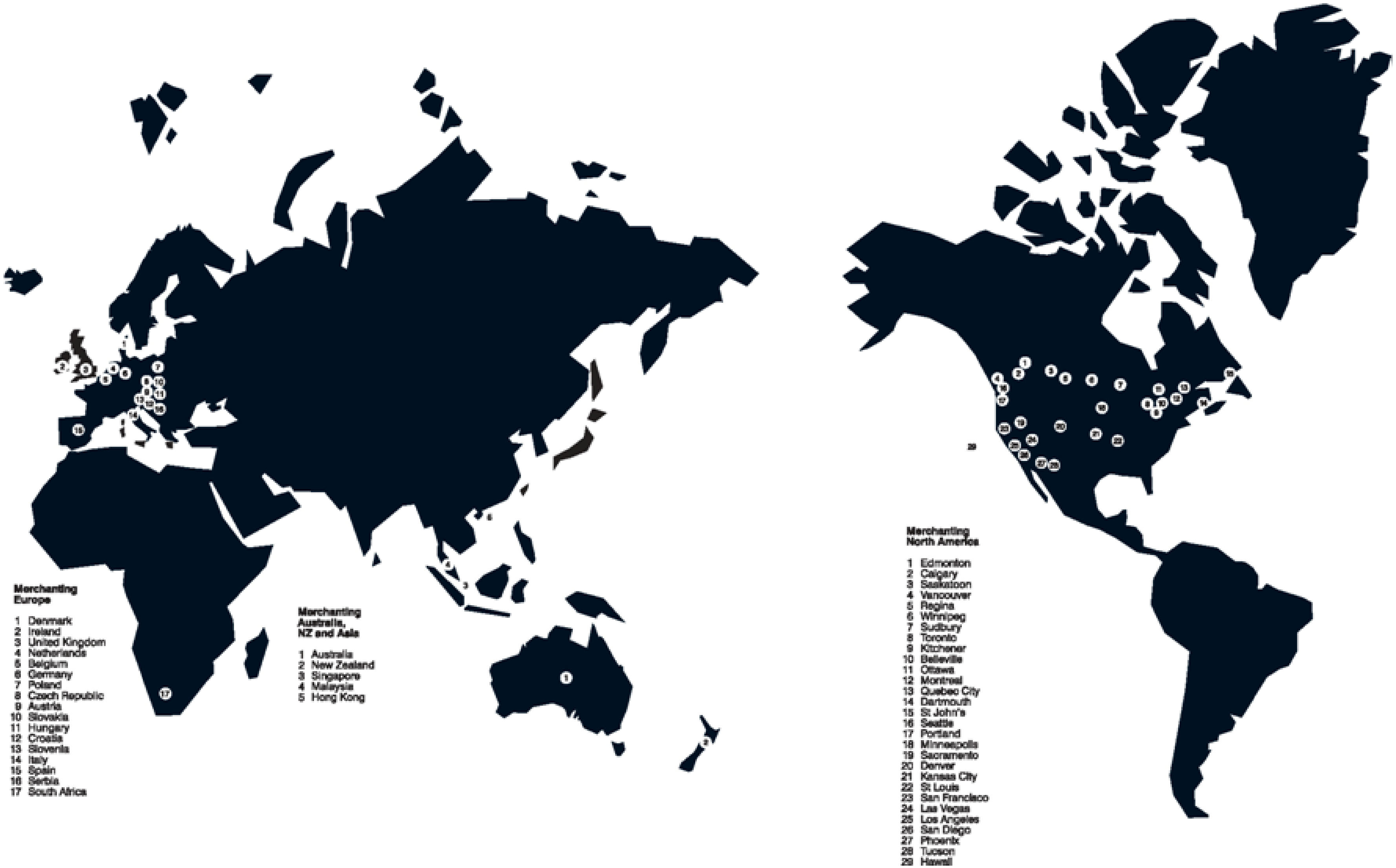
Tas Paper Review

- Two Mills in Tasmania

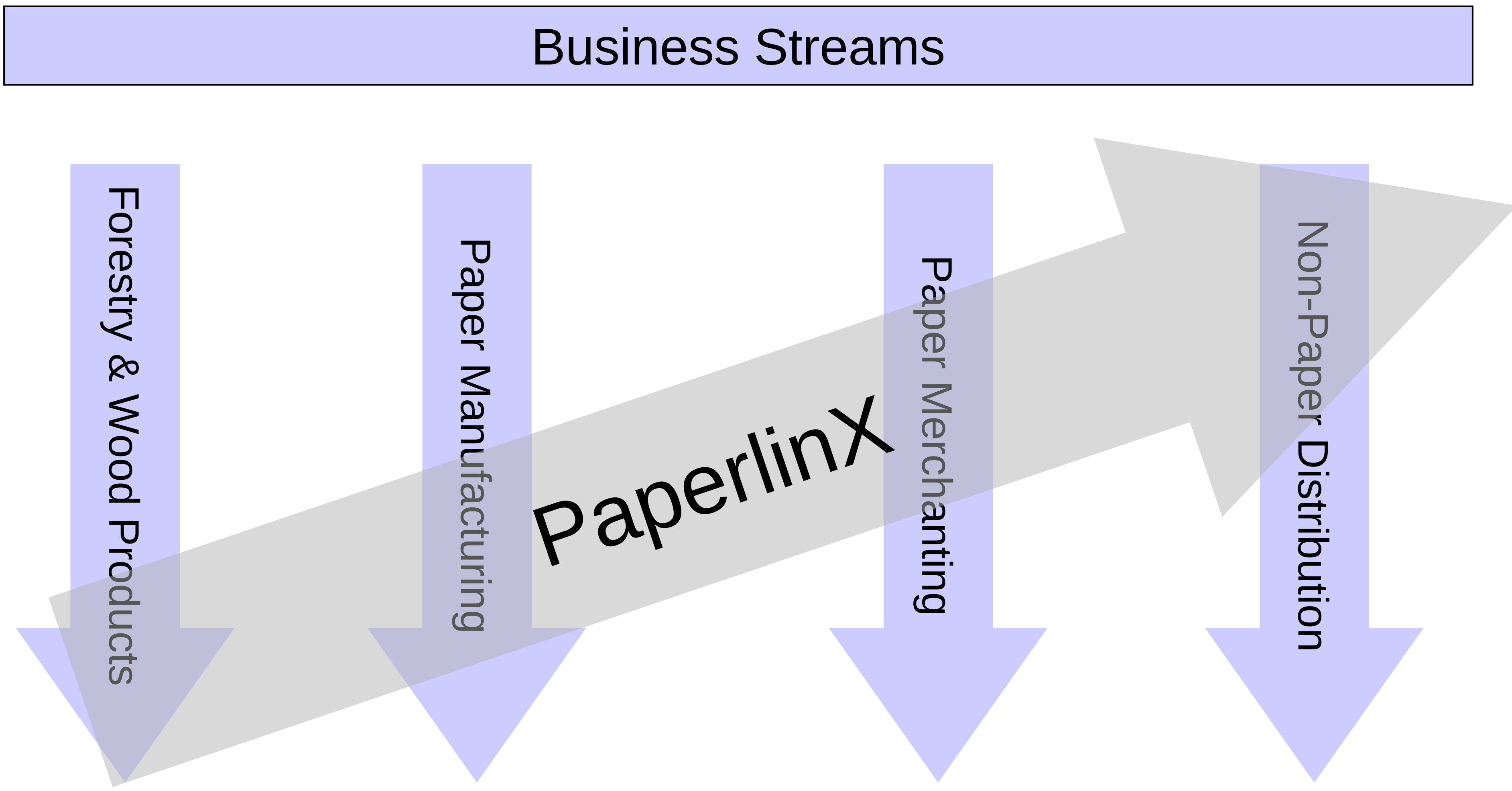
Burnie	B4 capacity of 50,000 tpa (major grade UWF) B10 capacity of 90,000 tpa (major grade UWF) 60,000 tpa of base paper to Wesley Vale for coating
Wesley Vale	W11 capacity of 80,000 tpa (major grade FCO) W12 off-machine coater – capacity 75,000 tpa Pulp capacity of 40,000 tpa high yield mechanical pulp

- Transition arrangements with Australian Paper for
  - 45,000 tpa of pulp at cost from Maryvale Mill
  - Take or pay on Tasmanian production
- Review underway with 4 options
  - Status quo
  - Reduced footprint (partial closure)
  - Sale
  - Complete closure
- Targeting June decision on future plans

PaperlinX Global Merchanting Platform



Evolution of business



Sustainable Business Model

EXTERNAL PRESSURES

- Structural changes to paper usage
- Pressure from external economic conditions

LOCAL PAPERLINX BUSINESS AND CUSTOMERS

CORE PROCESSES

- Strategic supplier relationships
- Core Operating Principles and Values
- Best Practice Sharing

Traditional Paper Merchant model

Increase market shares >20%

Exit non performing

Reduce cost and improve productivity to match market (variablise the cost base)

Higher value brand propositions

Environmental leadership

Respect of local / value from Global

New business growth

Value add services / products off existing platform

(Sign and Display, Graphics

Converting, Industrial packaging)

Existing Customers

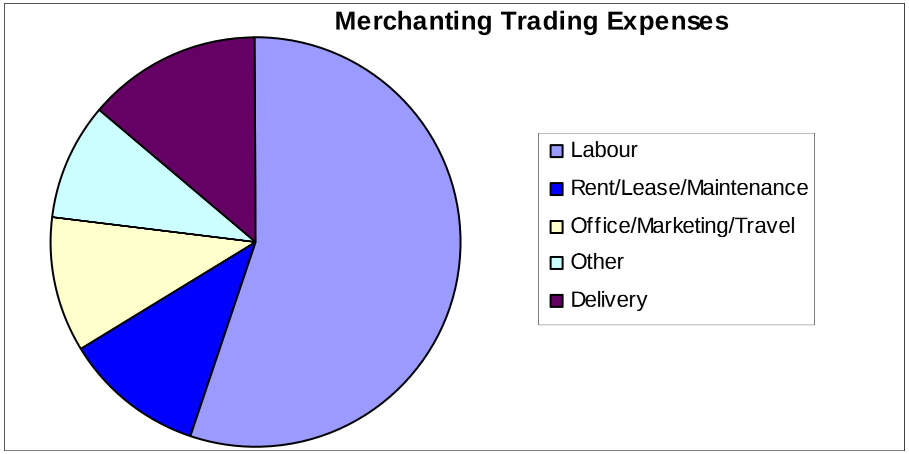
New Customers

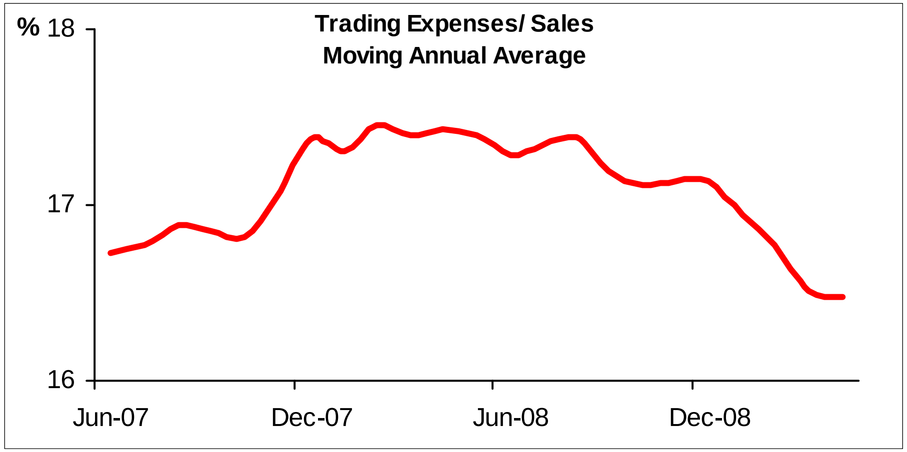
The PaperlinX Merchanting Model - Layers of Value

VALUE CREATION

	Layers of Value	Examples
At acquisition	Disciplined acquisition approach	Acquisition criteria
	Customers and customer relationships PaperlinX Values Core Operating Principles	Basis for PaperlinX model
As we build in market scale	Best people Best customers Best suppliers	Integration opportunities lead to business strengthening
	Back office synergies	- Logistics - IT platforms - Support staff
	Value adding activities	- Sign & display - Industrial packaging - Graphics - Custom converting
	Portfolio management	
Further global benefits	Best practice sharing	- Policies (i.e., debtor, safety etc) - Operational Excellence - Brands/Marketing/CVP's - Training
	Strategic supplier alignments	Logistics and ideas
	Global customer solutions	Servicing models

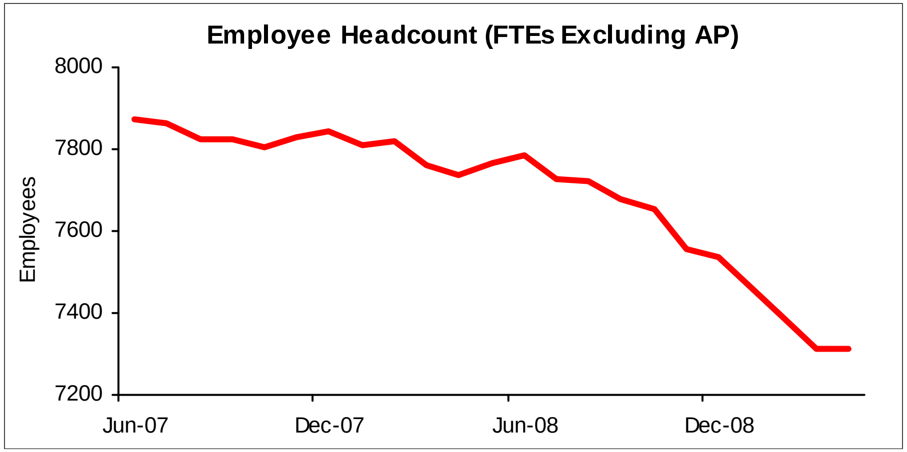
Key Merchant Metrics: Costs





- Costs are being increasingly variablised over time (see graph)
- Labour and delivery make up the majority of expenses
- Some costs can be reduced with volume quickly:
  - Delivery costs, fuel, overtime, temporary employees, commissions
- Others take longer:
  - Sales and service
  - Labour
  - Administration
  - Marketing and promotion
- Some costs require structural solutions:
  - Warehouse consolidations
  - Fleet reductions
  - Shared services

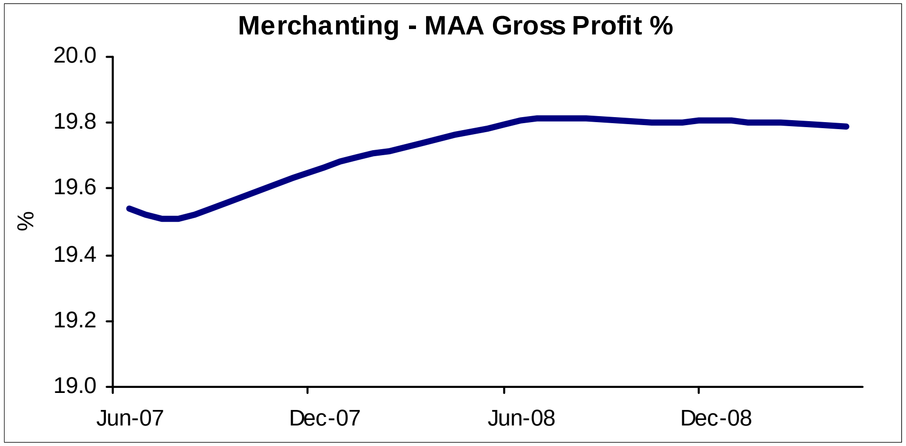
Key Merchant Metrics: Costs

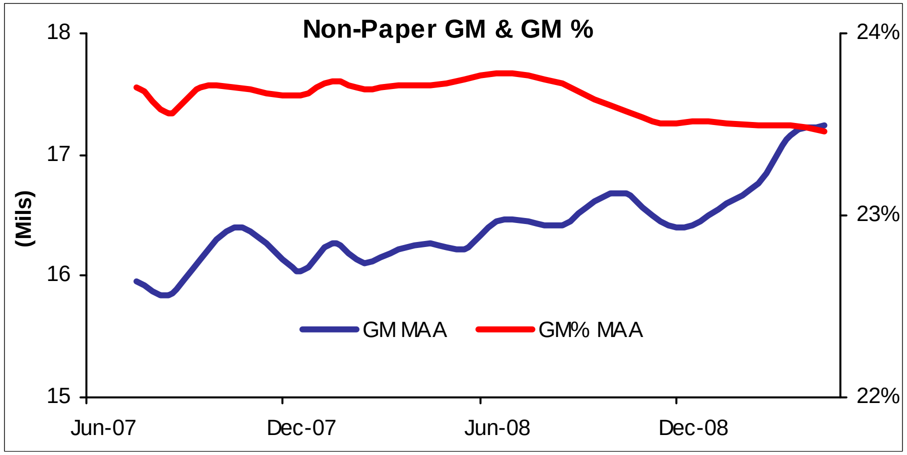


Trading Expenses - % change April versus		
	1 Year ago	2 Years ago
Europe	-18.2	-17.1
North America	-22.0	-6.9
ANZA	-5.0	-15.2

- Head count reduction
  - Around 500 reduction in FTE's YTD April
  - Hiring freeze
- Regional expense reductions in 2009 of $US25m and €45m to partially mitigate weaker markets
- April 2009 expenses versus prior down (18%) in Europe and down (22%) in North America
- Temporary labour cost reductions supported by employees
  - Short term incentives reduced or eliminated
  - No salary increases planned in 2009
  - Shorter work weeks/unpaid leave and sabbaticals
    - Avoid further job losses
    - Retain skills in business for when conditions improve

Key Merchant Metrics: Gross Profit %





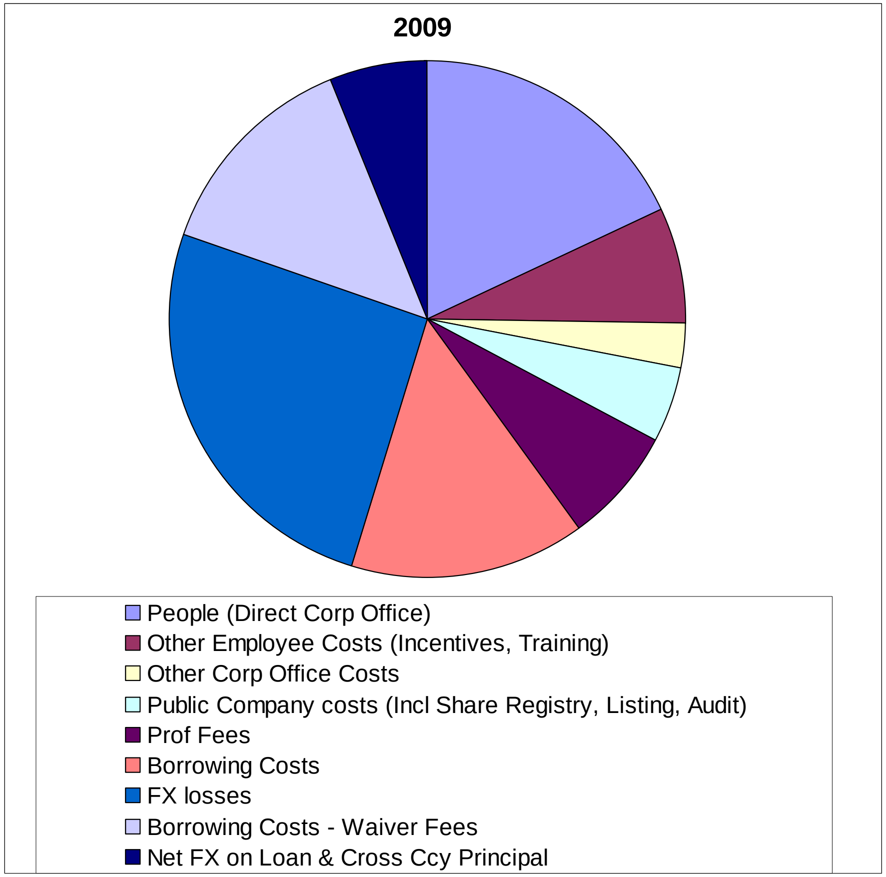
- Merchanting offers a more stable earnings base than manufacturing
- Gross profit percentage remains relatively unchanged through the cycle
- Gross profit % supported by value added products and services
- Improved mix through enhanced value propositions, branding, environmental offerings and higher margin non-paper offerings are positive for profit margins

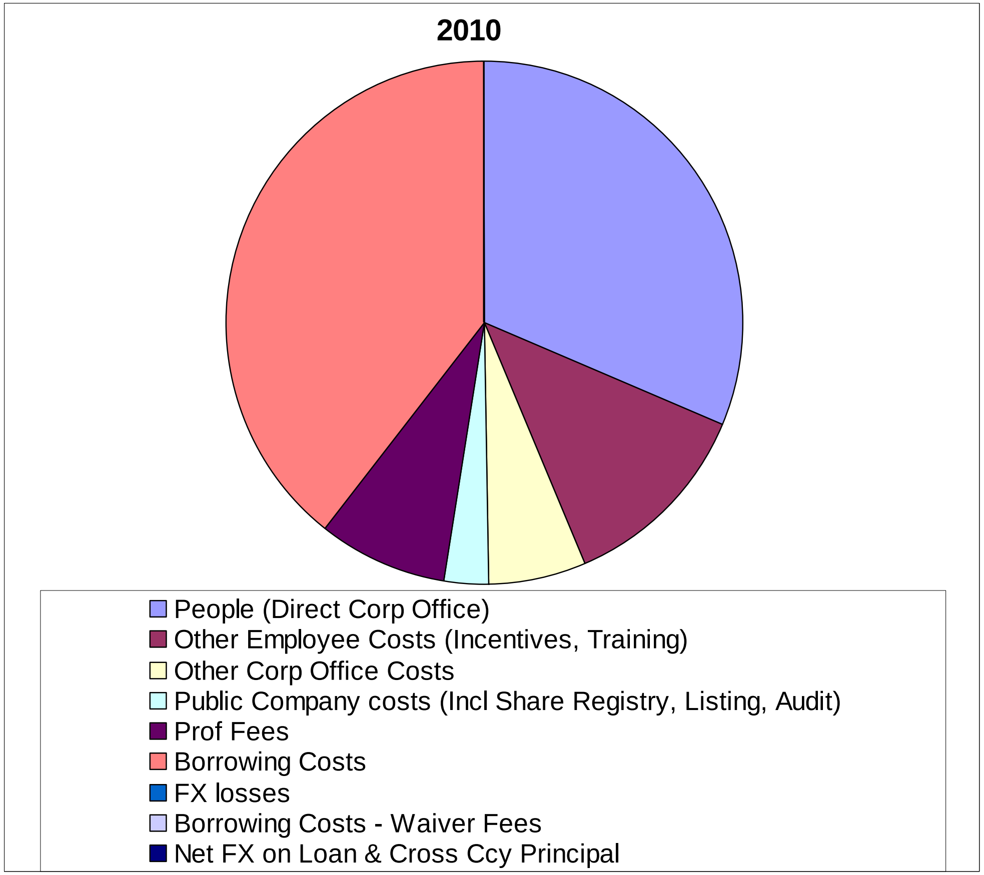
Corporate Costs

- Corporate includes:
  - Group Office
  - Public company costs
  - Borrowing costs (line fees, bank charges, etc) – over 33% of total
- Group Office head count of 44
- Review of Corporate costs
  - No repetition of FX losses seen in late 2008
  - Review of structure of Group Office
    - No annual cash bonuses paid in 2009 for CEO and staff
    - Resource adjusted to match future direction
    - Increased resource location in regions

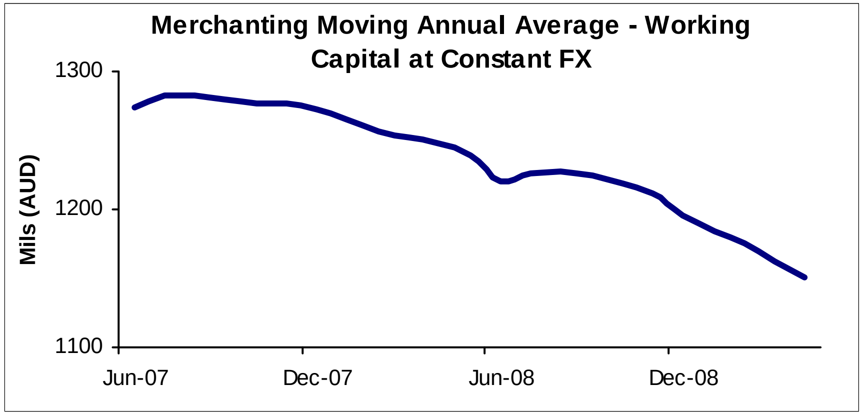
Corporate Costs

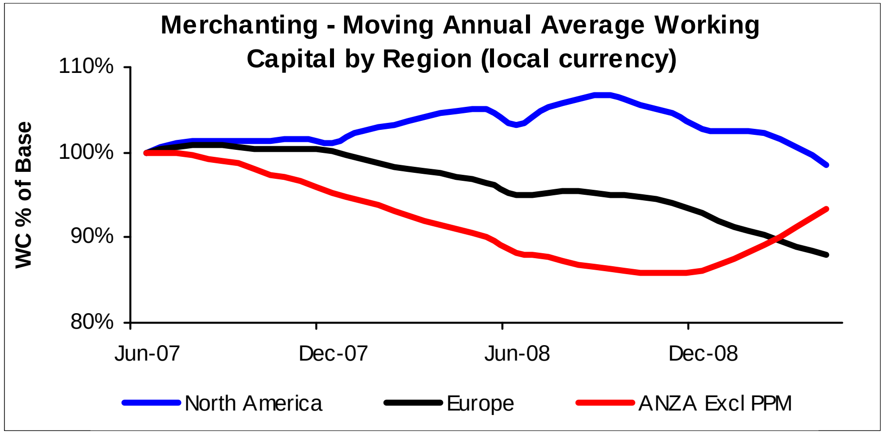
Target $10 million reduction (pre forex, line fees, bank costs) from 2009 to 2010





Key Merchant Metrics: Working Capital





- Reducing working capital releases cash to fund the business and reduce debt
- Working capital / sales is a key measure of improving efficiency
- The sharp decline in sales volume at the end of calendar 2008 as a result of weaker markets impacted this ratio and is now being reversed through sound inventory management process
- Overall working capital in Merchanting has continued to reduce
- Improved cash management offers opportunities for lower funding costs
- Merchanting has a lower need for capital expenditure than manufacturing

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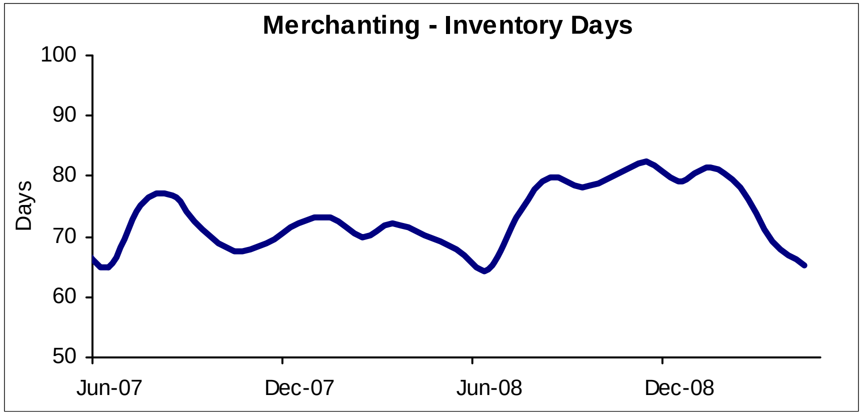
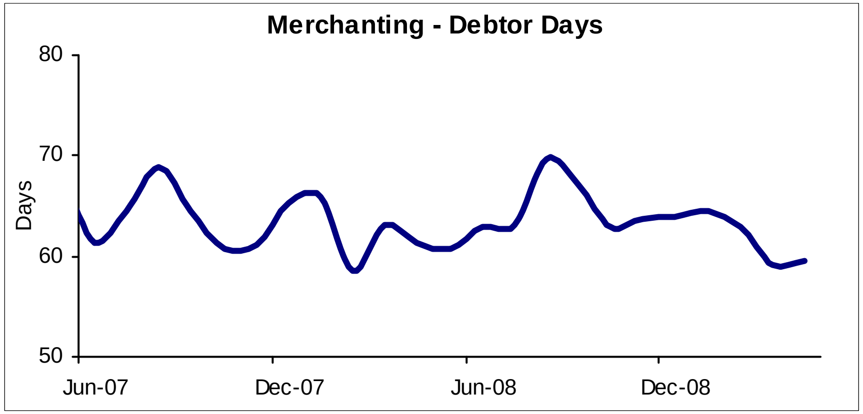
Key Merchant Metrics: Working Capital





- The sharp slow down seen in the second half of calendar 2008 initially saw an increase in inventory days as sales fell faster than stock receipts
- We have now seen the benefit of tight inventory management as a rebalance has been established
- Debtor management was able to respond faster
- The positive short term position is a continuation of a long term improvement in Debtor days as best practice shared and pursued
- For PaperlinX, the majority of working capital is tied up in Debtors (receivables)

Summary Financial Model

- Optimise volume / revenue through value propositions and growth of value added segments
- Support of gross profit percentage through trading, growth of value add and supplier alignment
- Variablise expenses as an ongoing discipline through near and longer term initiatives and best practice sharing
- Lower Corporate costs through stabilising financing and decentralised organisational structure
- Reduce working capital through disciplined practices on inventory (S&OP), debtors and creditors
- Free up cash with more flexible financing at regional levels and sale of assets
- Reduce debt and interest costs

Outlook

- Difficult markets continue
  - Industry inventory reductions appear well progressed (though delayed vs expectations). GP% has suffered temporarily as excess system inventory is depleted
  - Weak volumes and demand (vs 2008) though gradual improvement through 2010 (off lower 2009 base; 2010 still expected below 2008)
  - Seasonally weak September quarter will compound weak market
  - H2 2009 earnings impacted by weak markets especially in Europe and the US. Overall volumes expected around 20-25% below H2 2008
- Mill actions to mitigate downturn
  - Aggressive production downtime in NA/Europe
  - Capacity closures

Outlook (cont'd)

- PaperlinX actions to mitigate
  - Cost reduction programmes / improved mix
  - Ongoing diversification of products through existing distribution infrastructure
  - Cash generation to pay down debt
- Full year divisional EBIT (reported EBIT before Corporate and significant items) estimated to be around 30-35% lower than prior impacted by weak markets partially mitigated by cost reductions
  - 2H 2009 and total year further depressed by bank/note holder charges, consultants costs for lenders, and related waiver fees
  - Full year EBIT impact of above costs and fees, corporate costs and previously announced FX losses estimated at a total of around $95 million
  - Reported EBIT will also include significant items relating to the sale of Australian Paper (impairment and loss on sale)

Summary

- Sale of Australian Paper completed
- Improved financial platform
  - Debt reduced with more to come
  - On-going focus on cash generation and debt reduction
  - Expense and working capital management improving
- Review of Tas Paper progressing
- Focus on global merchanting platform
  - Efficient core paper business
  - Growing value add segments
  - Proven ability to create value over time
- Difficult markets will lead to structural change and opportunities
- Industry consolidation expected to see increased value proposition for paper merchants

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