2011 Interim Results

24th February 2011

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Agenda

- Results overview
- Financial discussion
- Business reviews
- Outlook and summary
- Questions

Results overview

Highlights

- Statutory loss after tax of $(10.2)m has improved versus the pcp of $(175.3)m. Included in the statutory earnings is a non-cash valuation loss for the currency option of $23.4m ($16.8m post tax)
- Underlying profit after tax of $8.5m has improved from a loss of $(11.2)m
- Average working capital / sales percentage improved to 16.6% from 18.3%
- Gross profit percentage improved to 19.6% from 17.9%
- Unallocated expenses excluding significant items reduced from $20.7m to $10.9m
- Expense to sales ratio of 18.9% deteriorated from 18.3%. Costs will continue to be flexed through Opco and head office specific projects
- Diversified products represent 20.0% of total gross margin up from 18.9%

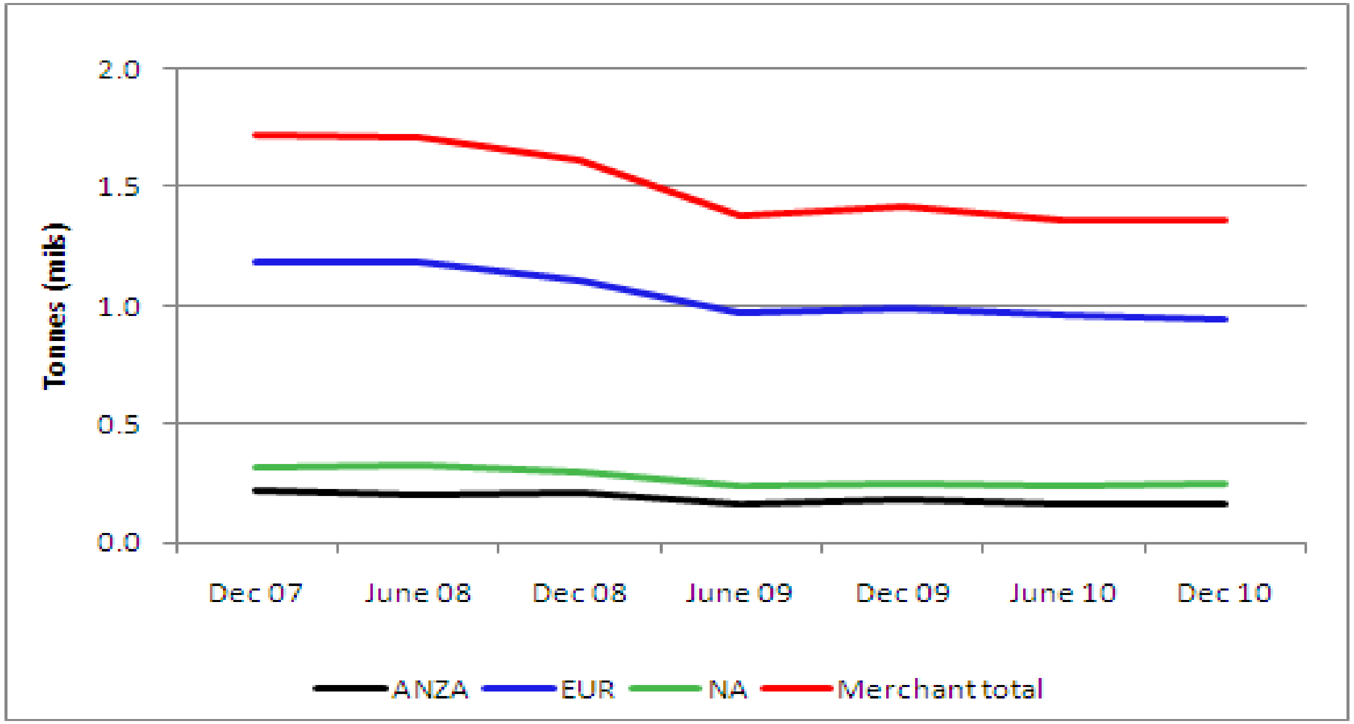
Financial results

		6 months to 31 Dec 2010	6 months to 31 Dec 2009	% change
Sales volume - Group	`000 tonnes	**1,364**	1,497	(9)
Sales volume - Continuing	`000 tonnes	**1,353**	1,414	(4)
Sales revenue - Group	$m	**2,442**	2,738	(11)
Sales revenue - Continuing	$m	**2,431**	2,643	(8)
Statutory loss after tax	$m	**(10.2)**	(175.3)	94
Underlying profit / (loss) after tax	$m	**8.5**	(11.2)	176
Average working capital / sales revenue	%	**16.6**	18.3	170 bpts

Market influences

- Europe: Favourable pricing versus prior. Some volume recovery in central Europe, Germany and Poland. Volumes remain weak in the UK and Benelux which are our major markets.
- North America: Favourable pricing still holding. Volumes appear to have stabilised.
- Australia, New Zealand, Asia: Pricing is flat versus prior. Lower volumes in all regions.

Sales volume



- Flattening out at lower levels.
- Market declines flattening out with ANZA, UK and Benelux experiencing weaker volumes versus 1H last year. Central Europe, Poland and Germany volumes have improved half on half. NA volumes were flat compared to prior.

Influences

- Accounting treatment of currency option resulted in $23.4m pre tax non-cash valuation loss
- Ongoing improvements in operating cash generation and working capital compared to pcp
- Global corporate overhead savings of $15m underway
- Merchant headcount down 3% from Dec 2009
- Tasmanian closure progressing according to plan
- Excellent safety performance continues
- Payment of December 2010 Step-up Preference Securities distribution made, removing the ordinary share dividend block
- No interim ordinary dividend

Financial discussion

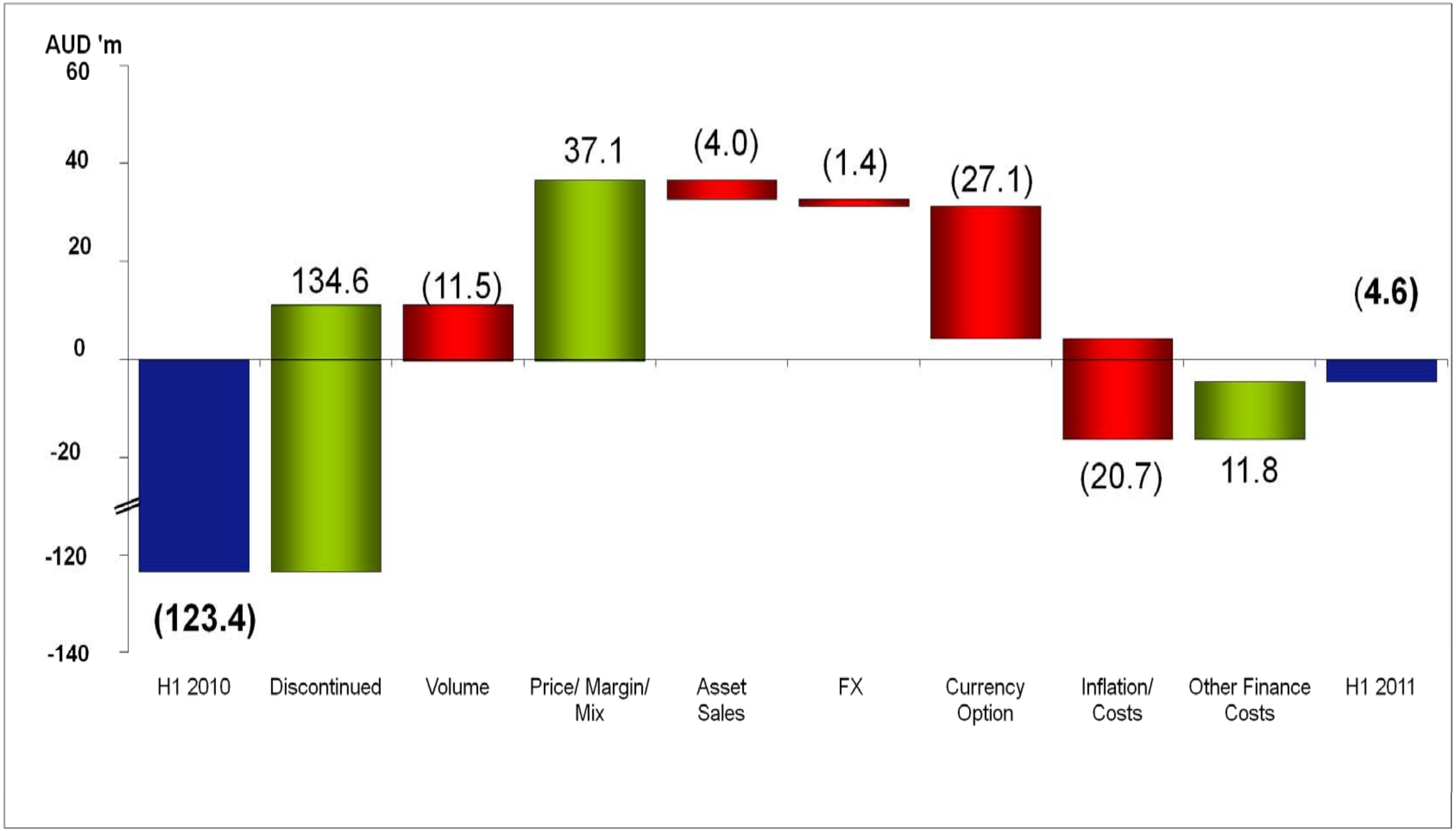
Financial results

		6 months to 31 Dec 2010	6 months to 31 Dec 2009	% change
Sales revenue	$m	**2,442**	2,738	(11)
Statutory EBIT	$m	**(4.6)**	(123.4)	96
Statutory loss after tax	$m	**(10.2)**	(175.3)	94
Working capital	$m	**704**	947	26
Operating cashflow	$m	**(8)**	(94)	92
Net debt	$m	**200**	251	21
Net debt / debt & equity	%	**19.2**	19.6	40 bpts
Gross profit / sales	%	**19.6**	17.9	170 bpts
Expense / sales	%	**18.9**	18.3	(60) bpts

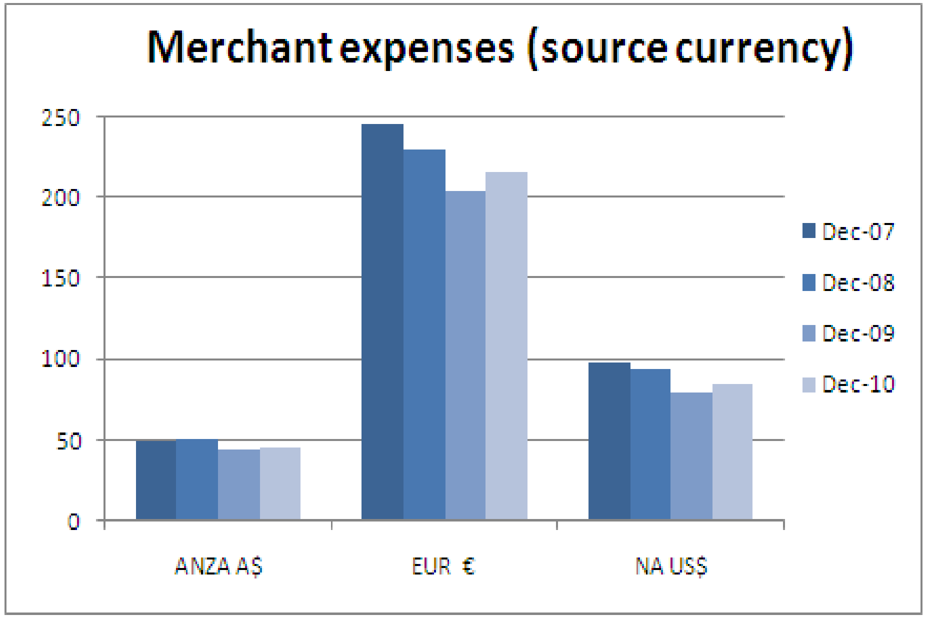
Underlying profit after tax reconciliation

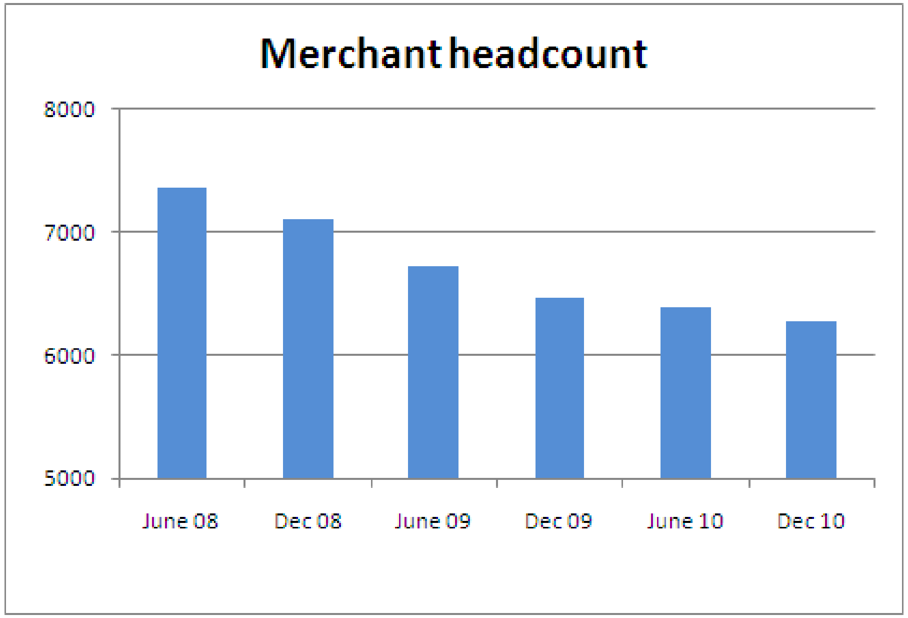
		6 months to 31 Dec 2010	6 months to 31 Dec 2009
Statutory loss after tax	$m	**(10.2)**	(175.3)
Adjust for the following:			
Discontinued operations	$m	**1.9**	166.1
Currency option	$m	**16.8**	(2.0)
Underlying profit / (loss) after tax	$m	**8.5**	(11.2)

Statutory EBIT variances – Dec 10 v Dec 09



Expenses





- Whilst expenses have significantly reduced from 2 years ago, the reduction has not fully offset the volume decline.
- Costs are a focus of ongoing efficiency programs and will continue to be flexed to reflect the external environment.
- Expenses in local currency have marginally increased since last year due to diversification efforts and employments costs. The increase in diversified margins exceeds the diversified costs.
- The Corporate head office staff reductions in Melbourne and closure of the Amsterdam office will reduce costs by $15m per annum compared to June 2010 financial year costs. Savings from the Corporate head office will be realised from the 2H FY11. Savings from Amsterdam office closure will be realised in FY12.
- Merchant headcount continues to reduce. Down 191 or 3% versus prior.

Working capital

		31 Dec 2010	31 Dec 2009	Change
Average working capital (WC)	$	**809**	1,000	19%
Average WC / sales	%	**16.6**	18.3	170 bpts
Merchant average WC - constant currency	$	**796**	829	4%
Merchant average WC / sales - constant currency	%	**15.9**	16.0	10 bpts

- Ongoing decline in average working capital largely due to selling remaining Tasmanian inventory, currency benefits and improvements from initiatives in the Continuing business.
- On constant currency basis merchant working capital to sales has reduced by 10 bpts

Cash flow

	6 months to 31 Dec 2010	6 months to 31 Dec 2009
Operating cash flow excl working capital	**3**	(25)
Working capital movement	**(11)**	(69)
Operating cash flow	**(8)**	(94)
Capital expenditure	**(7)**	(13)
Proceeds from asset / investment sales	**1**	22
Borrowing costs paid	**(1)**	(15)
Distributions SPS	**(11)**	-
Tas Paper closure costs	**(25)**	(1)
Cross currency swap closeout	**-**	79
Currency option premium	**-**	(19)
Other	**(1)**	(1)
Net cash flow - net debt basis	**(51)**	(42)

- Operating cash flow benefited from improved earnings and favourable working capital.
- The current period included a hybrid distribution of $11m and Tasmanian operations closure payments of $25m neither of which were incurred in the prior period.

Debt

		31 Dec 2010	31 Dec 2009	% Change
Gross debt	$	**330**	526	37
Cash	$	**130**	274	53
Net debt	$	**200**	251	21
Net interest expense	$	**(8)**	(16)	50

- New working capital facilities are operating as expected and are driving improved cash management outcomes.
- Lower gross debt and cash balance reflect greater flexibility in facilities.
- Net interest expense significantly below pcp due to lower average gross debt balances and lower interest rates negotiated when establishing the new facilities.
- Interest cost is estimated at $16-18m per annum based on current interest rates and debt levels.
- Step up preference securities are due for re-marking at 30 June 2012. Options are being evaluated and a decision has not been made.

Foreign exchange impact

- Currency option purchased in Dec 2009, for a cost of A$18m, to hedge FX exposure on intercompany loan. Whilst the cash cost of the option is fixed, accounting standards require it to be marked to market at reporting date resulting in volatility in earnings. The non cash impact of the option at 31 Dec 2010 is a valuation loss of A$23.4m pre tax (A$16.8m post tax).
- Strong AUD negatively impacting translation of earnings ($2m impact on EBIT vs prior).
- Regional financing facilities provide a natural hedge on earnings translation and the translation of net assets.

Business reviews

Europe

		6 months to 31 Dec 2010	6 months to 31 Dec 2009	% change
Continental Europe	`000 tonnes	**495**	486	2
UK, Ireland, Spain and South Africa	`000 tonnes	**449**	500	(10)
Total sales volume	`000 tonnes	**944**	986	(4)
Sales revenue	€m	**1,135**	1,064	7
Statutory EBIT	€m	**8.8**	5.0	76
Statutory EBIT / sales revenue	%	**0.8**	0.5	30 bpts
Average working capital / sales revenue	%	**17.1**	17.3	20 bpts

- Volume has improved in Germany, Poland and Central Europe however, it remains weak in the UK and Benelux which are major markets. European sales revenue were up due to 11.5% increase in selling prices more than offsetting lower volumes.
- Focus on diversified products continues with sales of industrial packaging up 10% and sign and display up 5%.
- Headcount down 3% since December 09 in spite of increases in Poland and diversified sales. Restructuring benefits are in line with expectations.

Europe cont'd

- Inclement weather has negatively impacted December 2010.
- In local currency European statutory EBIT was up 76% versus pcp as top line growth exceeds a higher cost base
- Average working capital to sales continued favourably being down 20bpts compared with pcp.

Case Studies

- Denmark: Restructured to be our first non-paper merchant. Exited lower margin paper business to focus on diversified products which realises higher margins and is a more sustainable business. Statutory EBIT up 328% vs prior.
- Poland: Now a national player with market share increasing by approximately 140 bpts. Experienced team hired and improved product portfolio. Statutory EBIT up 988% vs prior.
- Italy: A new managing director and management team have reorganised the logistics foot print, right-sized the organisation and introduced improved working capital disciplines. Statutory EBIT up 301% against flat volumes.

North America

		6 months to 31 Dec 2010	6 months to 31 Dec 2009	% change
Sales volume	`000 tonnes	**246**	249	(1)
Sales revenue	US$m	**462**	447	3
Statutory EBIT	US$m	**7.5**	8.1	(7)
Statutory EBIT / sales revenue	%	**1.6**	1.8	(20) bpts
Average working capital / sales revenue	%	**11.1**	12.1	100 bpts

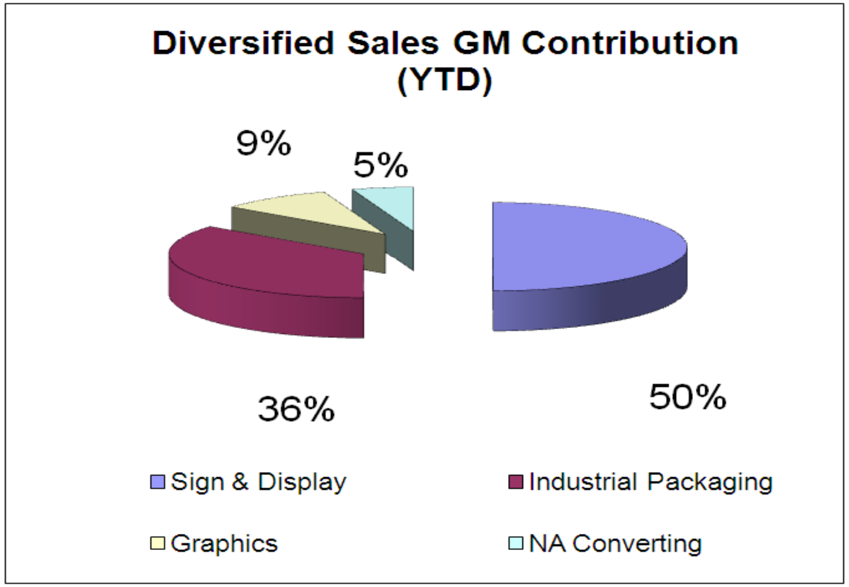
- Volume impacted by weaker commercial print markets. Average selling prices exceeded prior year by 4% due to price increases.
- Gross profit percentage improved 20bpts.
- Expenses were up 6% due to increased business diversification expenditure coupled with employment costs.
- Continued positive performance with average working capital / sales improving from 12.1% to 11.1%.

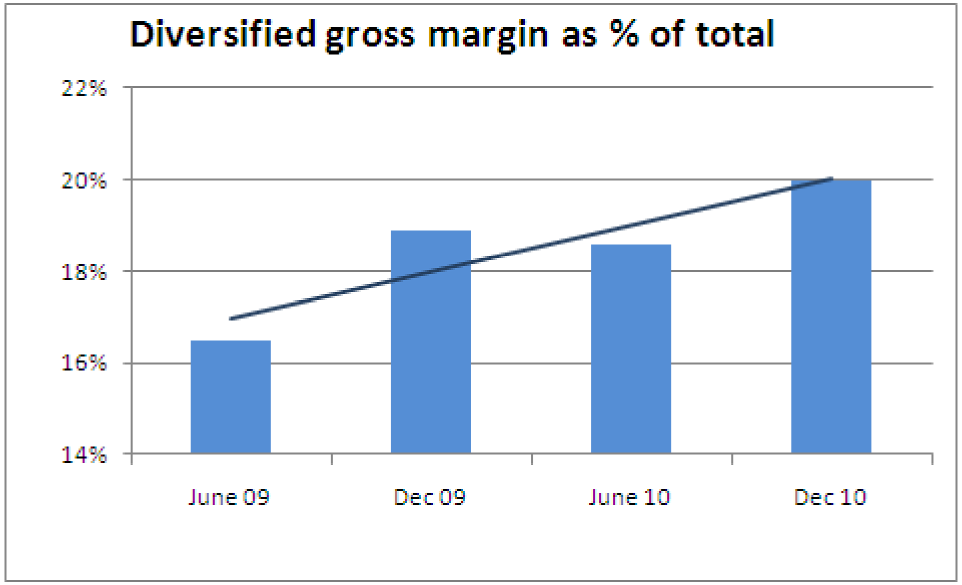
Australia, NZ and Asia

		6 months to 31 Dec 2010	6 months to 31 Dec 2009	% change
Sales volume	`000 tonnes	**166**	181	(8)
Sales revenue	A$m	**280**	306	(8)
Statutory EBIT	A$m	**9.4**	10.8	(13)
Statutory EBIT / sales revenue	%	**3.4**	3.5	(10) bpts
Average working capital / sales revenue	%	**21.6**	22.2	60 bpts

- Market conditions remain weak with volume declining in all regions. Changes in sales mix has partly offset the revenue shortfall.
- New Zealand had a strong result with EBIT up 18% on prior
- Expense / sales ratio was 170bpts above last year largely due to lower sales revenue. Opportunities are being explored to further reduce the cost base.
- Strong performance with average working capital down 11% and average working capital to sales down 60bpts. Further inventory reductions being reviewed.

Diversified products





- Focus on diversified products delivering results, now 20.0% of total gross margin.
- Actual growth in diversified gross margin 110bpts versus pcp.
- Diversified margins are generally higher than paper margins.
- Resources are being re-directed to support these activities.

Unallocated

		6 months to 31 Dec 2010	6 months to 31 Dec 2009
Corporate and Other	A$m	**(10.0)**	(12.1)
Gain on sale of non-core investment	A$m	**-**	4.6
Net other financing charges excl FX	A$m	**(1.4)**	(13.2)
FX gains and losses	A$m	**0.5**	-
Statutory EBIT excluding significant items	A$m	**(10.9)**	(20.7)
Net currency option and intercompany loan	A$m	**(23.4)**	3.7
Statutory EBIT	A$m	**(34.3)**	(17.0)

- Corporate and Other
  - 2010 includes the ongoing reduction of Corporate FTE's including a number of members of the senior executive team. Since June 2009 Head Office FTE's have fallen by over 60% (Melbourne and Amsterdam).
  - Full year Corporate and Other costs are estimated at $20-21m which now represents normalised costs going forward.
  - 2009 includes a one-off gain on the sale of a non-core investment of $4.6m
- Net other financing charges were significantly lower due to non-recurrence of historic lender advisor and other related costs.

Discontinued operations

		6 months to 31 Dec 2010	6 months to 31 Dec 2009
Sales volume	`000 tonnes	**14**	118
Sales revenue	A$m	**16**	135
Statutory EBIT	A$m	**(0.6)**	(135.1)

Update on closure of Tasmanian operations includes:

- Remaining working capital realised.
- Site remediation at both sites is progressing to plan with Wesley Vale largely complete. Costs are tracking within budget.
- Sale process continuing for Burnie and Wesley Vale assets.

Outlook and summary

Business outlook

- Market volumes flattening out with some growth in Central Europe
- Pricing holding with increases anticipated in March and April for Europe and North America
- Costs continue to be flexed to match external environment and drive improvement in the expense to sales ratio
- Diversified sectors growth aligned to macro economic activity
- Significant upside leverage to any cyclical recovery

Summary

- We recognise our task is to Regain Relevance. We will do this with the delivery of improved **returns**, a low cost and flexible **structure** and a strategic **plan** that attracts the markets we serve.

- These half year results represent a start:
  - Improved performance, but far more required
  - Removing A$15m in head office costs
  - Real traction in our diversification strategy
  - Proof of our turnaround capability at OpCo level

- Our longer term aspiration is to generate returns in the upper quartile of our market sectors. This will be based on the entrepreneurial zeal of our people, in what is a uniquely market focussed structure, combined with global scale leverage from a lean, agile and value driven head office team.

Questions