



Maryvale Pulp Capacity Upgrade

25 August 2005

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Scale of Work

- Upgrade of Maryvale Mill's pulp capacity and installation of world class ECF bleach plant – total cost \$192 million (plus \$11 million in capitalised interest)
 - Increases capacity by 80,000 tonnes – mix of softwood and hardwood pulp
 - Maryvale to pulp self sufficiency – eliminates imported pulp
- Upgrade of ancillary services – total cost \$55 million (\$18.2 million per year for three years)
 - Optimises scheduling
 - Minimises costs
- Start up scheduled for 2008
- >12 % ROFE, earnings per share accretive post start up

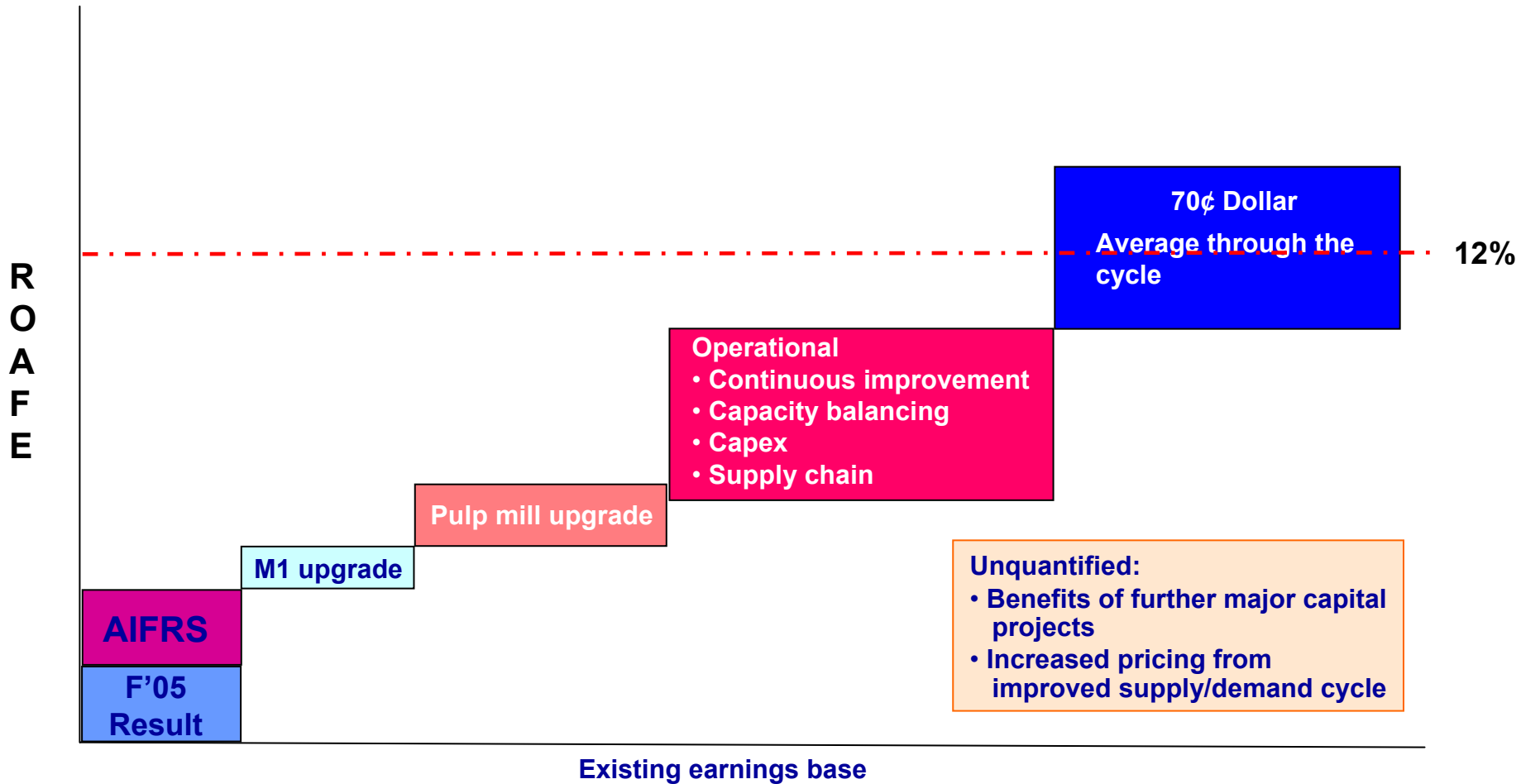
Strategic Rationale

- Focussing resources to strengthen existing businesses
- Underpinning business capacity to meet through the cycle return targets
- Enhancing existing infrastructure investment
- Manning flexibility and work place changes
- Enhanced offer for customers
- Improving competitive position
 - Lower production costs
 - Improved product quality
- Improved environmental performance

Financial

- Comfortably exceeds 12% return target for manufacturing
- Earnings per share accretive
- Limited impact on gearing over course of project
- Funded from operating cash flow and existing facilities
- Ancillary projects part of normal capital expenditure
- Phasing of pulp upgrade and bleach plant capital expenditure
 - 2005/6 \$27m
 - 2006/7 \$115m
 - 2007/8 \$61m

Actions to achieve 12% ROAFE for AP

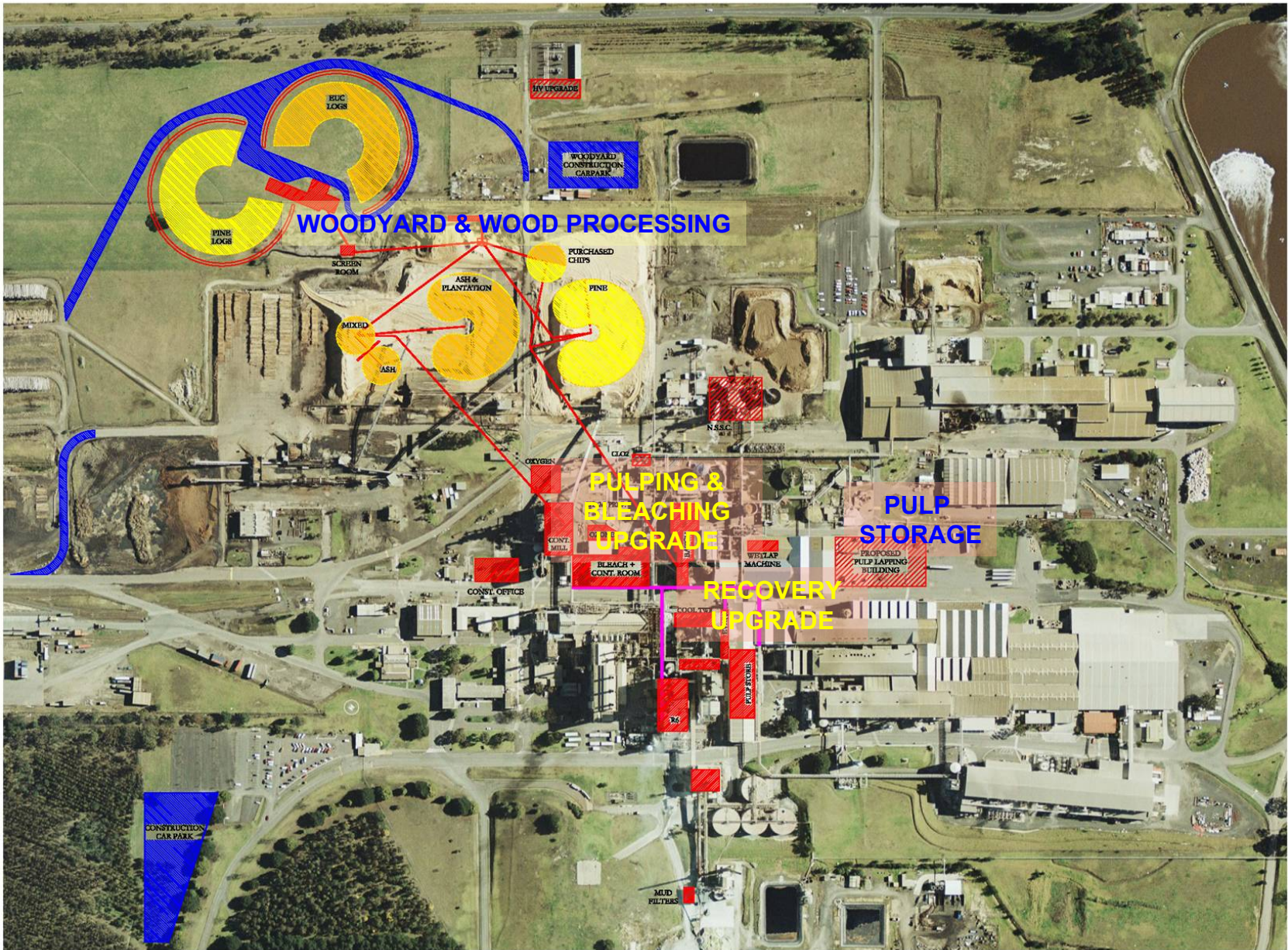


Leveraging Strategic Advantages

- Fibre supply
 - Plantation based softwood supply
 - Sustainable hardwood supply from State Managed Forests and plantations
 - Move to 100% plantation hardwood over time for bleached pulp production
- Strong brands in Australia
 - Reflex and Reflex Recycled
- Local supply
- Amcor Contract

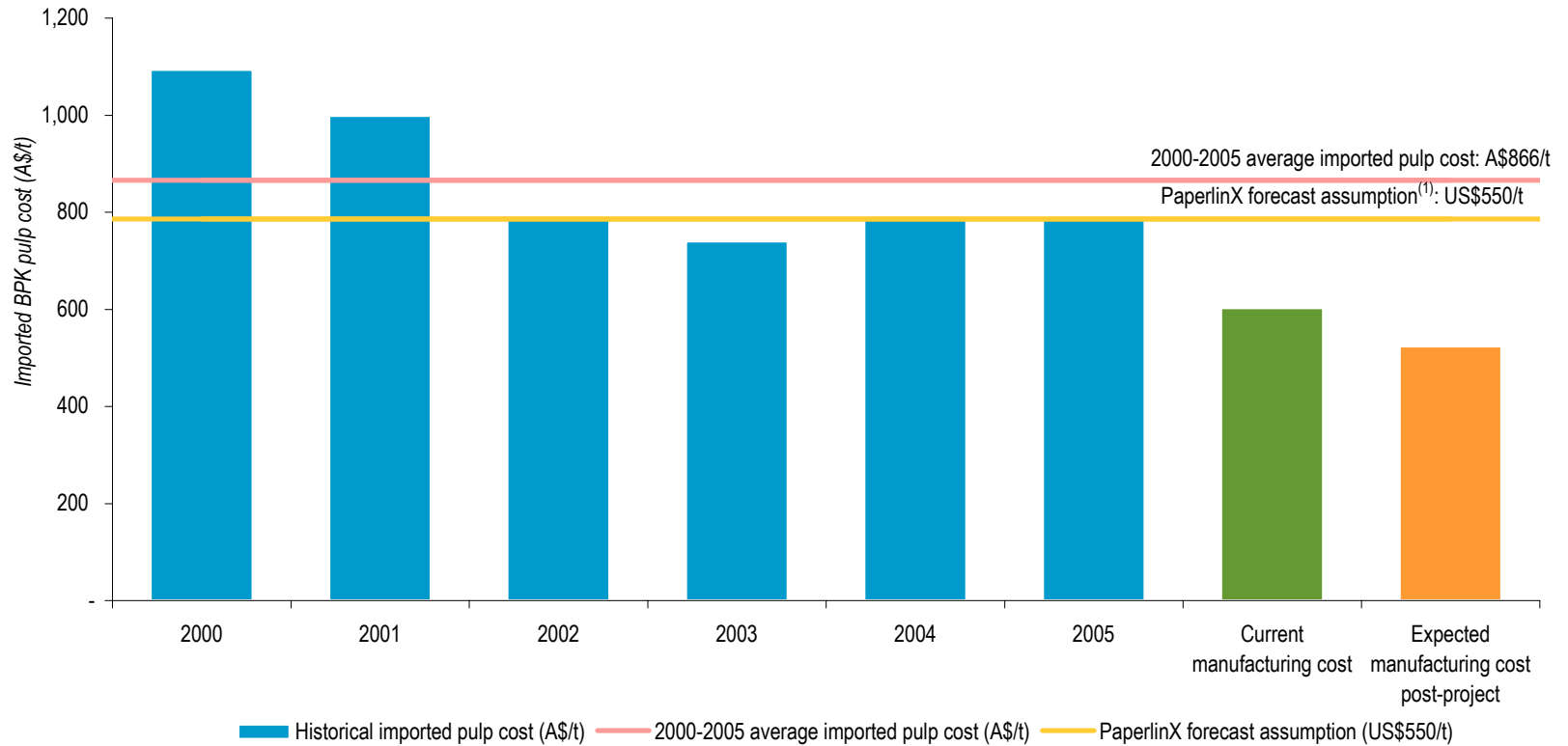
Environmental Benefits

- World class ECF bleaching process
- Fibre supply
 - Moving to 100% plantation supply as soon as practicable
 - Sustainable hardwood supply from residues from state managed forests
 - Local plantations
- Improved recycling of water, chemicals and fibre
- Increased production and use of renewable energy
- Net reduction of greenhouse gases
- Reduced mill effluent – waste discharges well below licence limits
- Reduced environmental “footprint” of the site



Exposure to Pulp Cycle Eliminated

Reduced exposure to the pulp cycle



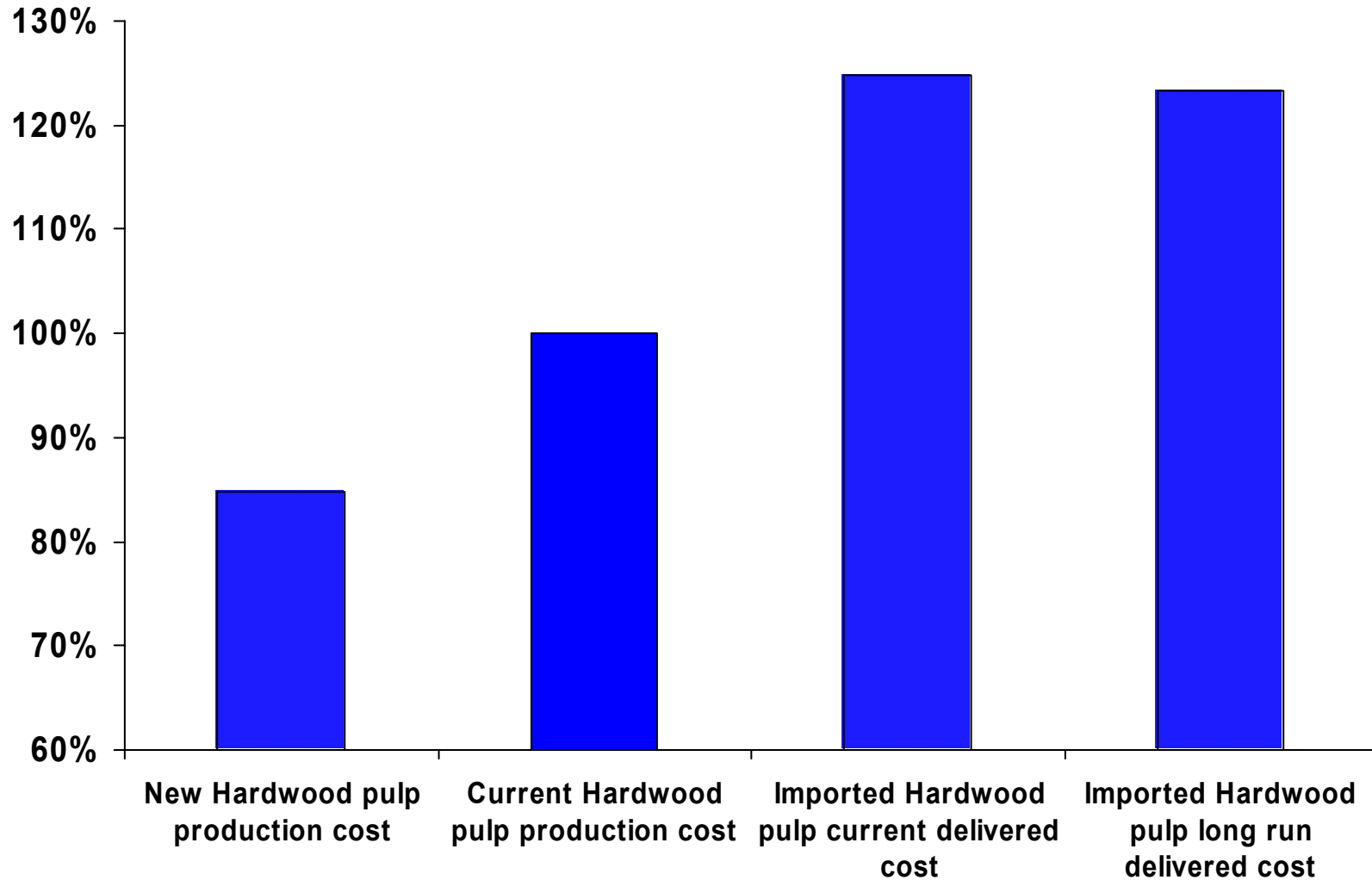
Note:

(1) PaperlinX forecast assumption of US\$550/t at an AUD:USD exchange rate of 70c (A\$786/t)

Source: Datastream, PaperlinX

Cost Competitiveness

% of current production cost



Key Assumptions

- Pulp and paper prices
 - Assuming long run average level for hardwood pulp at USD510
 - Assuming long run average level for softwood pulp at USD550
 - Assuming no domestic paper selling price appreciation
- Demand outlook
 - Assuming long term copy paper market growth in line with long run Australian average GDP growth – lower than historic trend
- Exchange rate
 - Long run average rate for USD at 70c post 2008

Underpinning Support

- Maryvale employees and unions
 - Agreement over changes in work practices
- Construction Agreement
 - Defined terms and costs agreed with Construction Unions (agreement to be signed)
- State Government
 - Agreement over transitional wood supply and waste treatment
- Plantation Owners
 - Agreement with external parties to establish plantations

Wood Supply

- Additional 200,000 cubic metres of softwood from existing plantations
- Additional 200,000 cubic metres of hardwood from plantations to be established by third party
 - Transitional supply from State managed forests
 - Diversion of pulp wood from existing export wood chips
 - No resulting increase in State forest harvest needed

Pulp Upgrade – Capacity Impact

000 tonnes	Current Capacity	Upgraded Capacity	Change
Unbleached Softwood Kraft Pulp	180	180	0
Bleached Hardwood Kraft Pulp	135	175	+ 40
Bleached Softwood Kraft Pulp	0	40	+ 40
NSSC Pulp	100	100	0
Total	415	495	+ 80

Summary

- Significant benefits to production costs, product quality and environmental performance
- Strongly positive for earnings and returns following start up
- Underpins business capacity to meet through the cycle return targets
- Enhances Maryvale Mill's long term strategic advantages

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