



PaperlinX Limited

May 2007

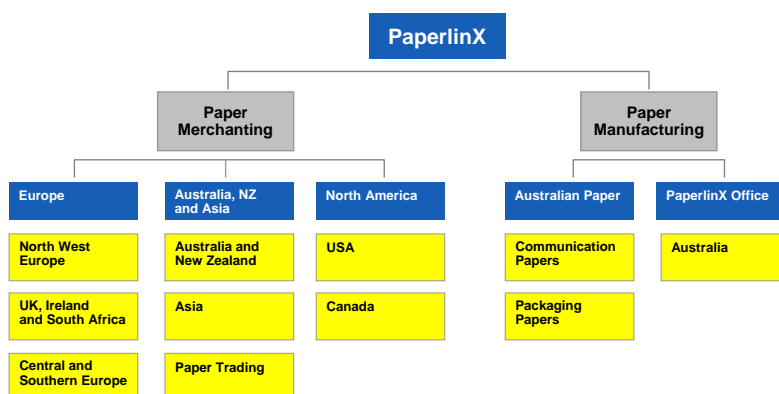
Overview of PaperlinX

- Listed on ASX in 2000 following the demerger from Amcor
- In 2001, expanded into paper merchanting with the acquisition of Spicer's Paper
- Today, PaperlinX is a leading international fine paper merchant and Australia's principal manufacturer of high-quality communication, packaging and industrial papers
- PaperlinX sold over four million tonnes of paper and packaging material worldwide last year
- An ASX 100 company, with a market capitalisation of approximately \$1.7 billion
- PaperlinX is currently implementing a program of strategic initiatives across the Group build off its existing global platform and to improve returns

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PaperlinX Group Structure

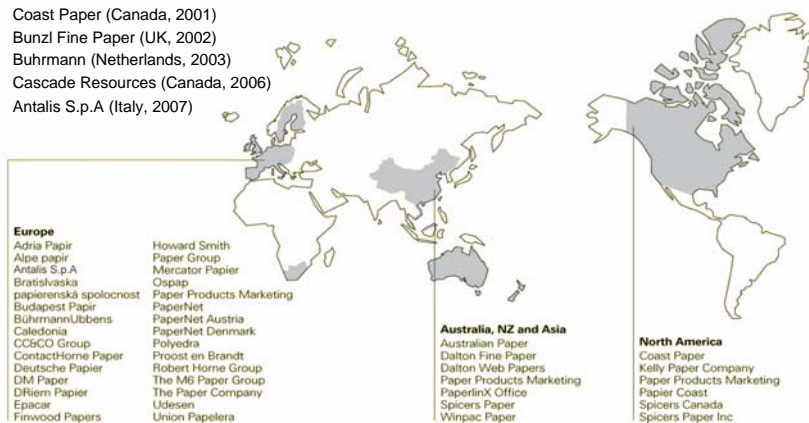
The PaperlinX Group is divided into merchanting and manufacturing



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PaperlinX Global Platform

- PaperlinX operates 47 businesses across 28 countries
- Major international paper merchant acquisitions include:
 - Spicers Paper (North America, 2001)
 - Coast Paper (Canada, 2001)
 - Bunzl Fine Paper (UK, 2002)
 - Buhmann (Netherlands, 2003)
 - Cascade Resources (Canada, 2006)
 - Antalis S.p.A (Italy, 2007)



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PaperlinX Sales Revenue

Split by Geography

Note: % calculated before inter segment sales deducted



Sales Revenue (\$m)	Year ended 30 June 2006
Total Merchandising	6,692
• Australia, NZ, Asia	1,030
• Europe	4,528
• North America	1,134
Total Manufacturing	1,021
Inter segment sales	(341)
Total Sales Revenue	7,372

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Paper merchants operate as intermediaries between suppliers (mills) and customers (printers)

- Suppliers produce large quantities of few grades
- Customers buy small quantities of many grades

Value proposition

For suppliers:

- Increasing volume results in increasing relevance
- Multi-regional / multi-geographies
- Access to many consumers
- Efficiency gains
- Financial strength

For customers:

- Wide range of the leading products, both Mill and Merchant brands
- High service level
- Stock on demand
- 24 hour or less delivery
- Technical/Design support (backselling, or 'pull-through' selling)

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PaperlinX Manufacturing – Australian Paper

- Focus on Australian market
 - 80% of production is sold in Australia
- Vertical integration - 70% self-sufficient in pulp
- Only manufacturer of communication paper in Australia
- Leading producer of packaging paper
- Leading copy paper manufacturer
- Reflex – Australia's leading office paper
- Strategic long term advantages
 - Branding
 - Long term customer contracts
 - Local supply
 - Secure fibre source

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Profit Influencers

Internal

Core Operating Principles
Local / Global model
Strategic Initiatives
Operational Efficiency

External

Paper Prices
Supply / Demand
Input Costs
Exchange Rate Relativities

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PaperlinX Strategy – Core Operating Principles

Our Core Operating Principles have provided guidance to improve our competitiveness and position itself for improved returns going forward:

- Strengthen then build off existing business platforms
- Productivity to provide funds to improve sustainability and growth
- Simplification
- Actively prioritise activities based on value creation for our customers, suppliers and for PaperlinX
- Fully leverage our global opportunities
- Invest in our people and their skills
- Compliance is mandatory
- Results oriented teamwork/success as a team

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PaperlinX Strategic Initiatives

• Upgrade of Maryvale PM1	Complete, in market
• Closure of Shoalhaven PM1	Complete and on plan. PM2 also shut
• Spicers Canada Acquisition (external)	Complete, exceeded expectations
• PaperlinX Office	Complete, market successes
• European Portfolio Change (external)	Completed Italian purchase, French sale
• The Delivery Company	On-track, 5 th site operational
• Netherlands Restructure	On-track, DRiem integrated
• European IT platform	On-track, Ireland successful
• Maryvale Pulp Mill upgrade	On-track for targeted returns
• Maryvale Wood yard outsourcing	On-track
• Growth of own brands	Strong first half
• Strategic Sourcing Alignments	Ongoing
• Global Customer Solutions	Structure developed

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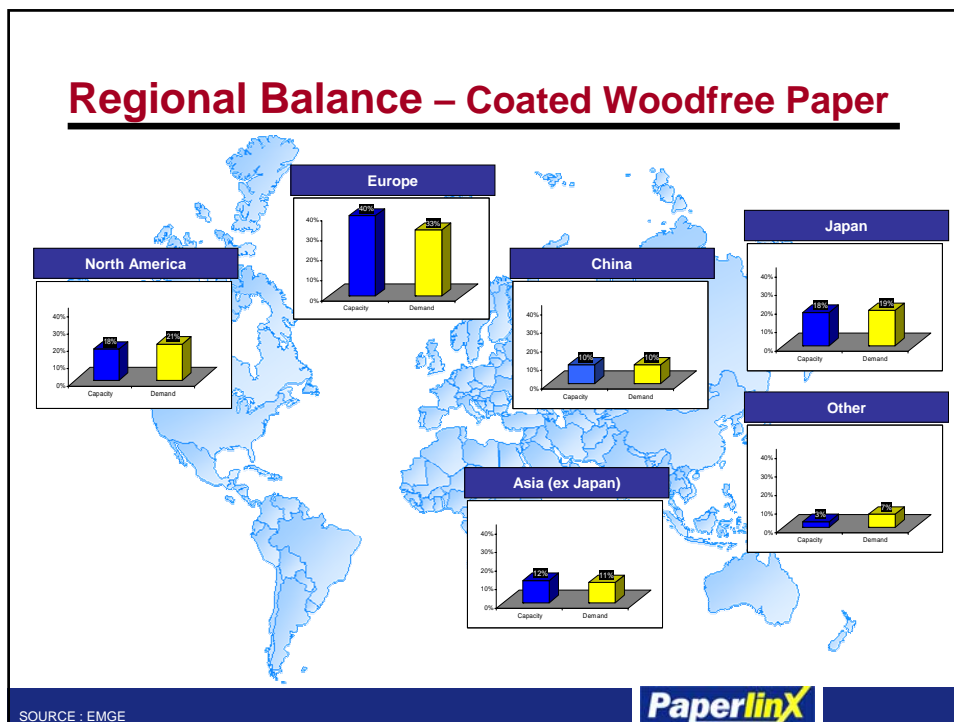
PaperlinX Strategic Initiatives

**Announced strategic initiatives are on-track –
\$100 million p.a. incremental benefit in 2009**

- Net \$16 million delivered versus prior half year
- Net one-off costs associated with these initiatives of \$9 million pre-tax were incurred in this period
- Exceed a net positive contribution to operating earnings of \$23 million in 2007
- Exceed a net \$100 million per annum benefit to operating earnings in 2009

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Regional Balance – Coated Woodfree Paper



Global Overview

- Forecast growth in global demand for CWF and UCWF exceeds announced growth in global supply, though regional variations are evident
- Currency movements additionally impact trade flows, particularly between Europe and the U.S. The strengthening Euro/U.S. \$ rate reduces desirability of exports to the U.S. over time (increasing product held in Europe)
- Higher input costs force mill closures and have stirred mills to raise the price floor
- Though European demand is improving on CWF and UCWF, current pricing is heavily driven by the need to recover higher input costs and is therefore inherently less stable
- Supply/demand driven pricing is present in North America, and is expected to occur globally based on industry forecasts
- In this environment, PaperlinX has seen revenue growth but only been able to hold gross margins as paper prices from suppliers have lifted

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Results For Six Months Ended 31 December 2006

- Revenue of \$3.9 billion (up 10% on the prior corresponding period (pcp)) and volume of 2.2 million tonnes (up 3%)
- Profit after tax of \$32.7 million (\$35.3 million pcp) included net \$(10) million impact of after tax one-off costs largely attributable to the pulp mill upgrade
- Underlying EBIT of \$96.0 million, up 24% (\$77.7 million pcp), reflects benefits from strategic initiatives and tight cost management, though minimal net benefit has from market conditions
 - Net positive EBIT benefit of \$16 million from strategic initiatives, including M1 upgrade, Spicers Canada acquisition, Shoalhaven PM1 and PM2 closures and PaperlinX Office
 - Productivity and positive mix/pricing were largely mitigated by higher input costs (pulp, fuel, chemicals and sourced paper).
- The announced strategic initiatives are on-track to exceed \$23 million/\$100 million net benefits in 2007/2009
- Merchant margins have benefited from growth in sign and display, industrial packaging, branded volumes, and the European stock to indent ratio
- Australian Paper underlying EBIT of \$12.6 million is improved from both the first and second halves of fiscal 2006 due to production line efficiencies, cost control, implementation of previously announced initiatives, some export price increases and the market success of the PaperlinX Office consolidation

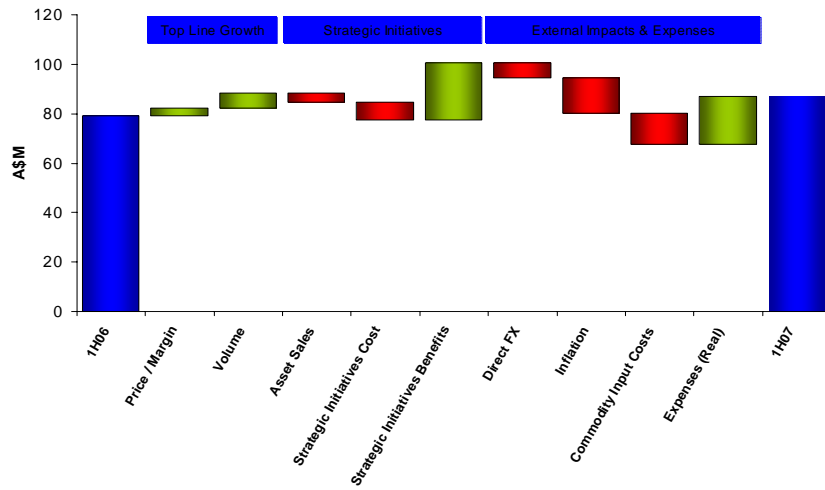
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Results For Six Months Ended 31 December 2006

- The working capital to sales ratio improved (19.0% to 18.7%) and average working capital (excluding currency and acquisition impacts) reduced, but total period end working capital was up \$238 million due to seasonal factors, revenue growth and an adverse movement in period end creditors
- Cash generated from operations excluding working capital movement was \$102 million. Net operating cash outflow was \$(142) million largely as a result of higher working capital.
- Return on average funds employed (both pre and post one-offs) has begun to improve as benefits of strategic initiatives are beginning to be reflected and average funds employed reduces on a comparable basis
- The proposed sale of the PaperlinX business in France and acquisition of a business in Italy recognises the benefits of in-market scale and is consistent with the Core Operating Principles
- Employee safety performance was only level after last year's substantial gains
- Environmental footprint (particularly in water utilisation) is improving at healthy rates through discrete initiatives and as a result of the pulp mill upgrade

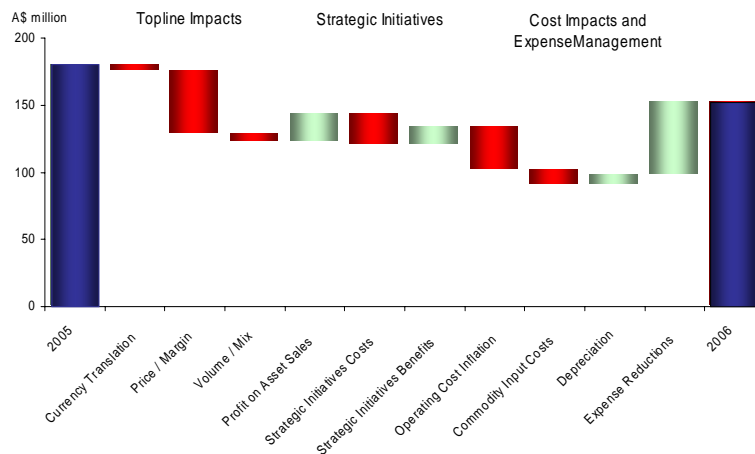
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Key Variances to EBIT – Interim 2007



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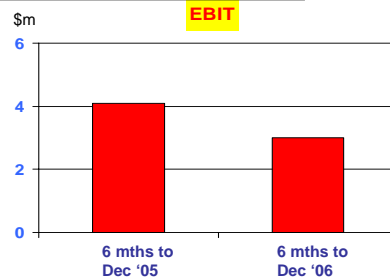
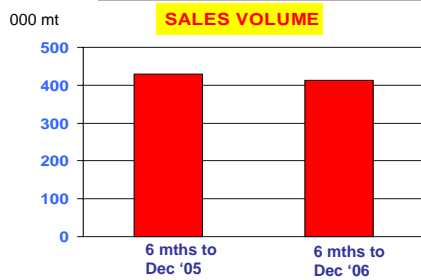
Key Variances to EBIT - Full Year 2006



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Australian Paper - Consolidated Result

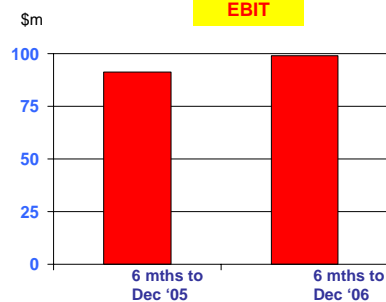
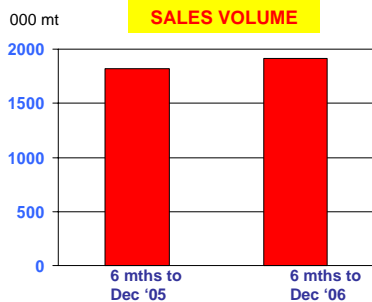
		6 months Dec 05	6 months Dec 06	Change %
Sales Volume	'000 tonnes	429	413	(4)
Australia/NZ Share of Volume	%	80	80	nc
Sales Revenue	A\$m	525	510	(3)
Underlying Earnings before Interest & Tax	A\$m	6.0	12.6	110
Net One-off Costs	A\$m	(1.9)	(9.6)	
Reported Earnings before Interest & Tax	A\$m	4.1	3.0	(27)
Return on Average Funds Employed	%	0.9	0.6	



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Paper Merchants - Consolidated Result

		6 months Dec 05	6 months Dec 06	Change %
Sales Volume	'000 tonnes	1,823	1,910	5
Sales Revenue	\$m	3,224	3,618	12
Earnings before Interest & Tax	\$m	91.3	99.1	9
EBIT/Sales Revenue	%	2.8	2.7	-0.1pts
Return on Average Funds Employed	%	10.9	11.4	+0.5pts



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Business Outlook

- UK, North America and Australia/NZ demand remains modest, though balanced by only modest capacity increases net of mill closures.
- Manufacturing input costs remain high but are stabilizing
- Strategic initiatives are on-track to exceed \$23 million/ \$100 million net EBIT benefits in 2007/2009
- Seasonal improvement in working capital and on-going focus on working capital % sales is targeted in a climate of higher revenue
- Minimal “market improvement” benefits expected in the second half
- Hybrid funding completed providing additional flexibility
- Growth opportunities to leverage existing global platform will be addressed
- Focus remains on improved competitiveness, economic profit and shareholder returns through the cycle

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