2009 Interim Results

27 February 2009

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Presentation Sequence

- PaperlinX 2009 Interim Result
- Paper Manufacturing
- Paper Merchanting
- Summary and Outlook
- Questions and Answers

Sale of Australian Paper

- Announced divestment of Australian Paper (excluding Tasmanian operations) to Nippon Paper Group
  - $700+ million total value, including cash, assumed liabilities and a 50:50 earn out structure
  - $600 million cash, with $60 million paid into escrow
  - Settlement expected before end of June 2009
  - $(567.5) million impairment included in interim result
- Major step in PaperlinX transformation
  - Consistent with stated strategic direction
  - Increased focus on core operations
  - Reduced earnings volatility
- Financial position substantially strengthened
  - Pro forma Dec 08 debt reduced to below $400 million
  - Flexibility in uncertain global economic environment
- Manufacturing business becomes part of a substantial regional business
  - Broader opportunities and potential for greater investment as part of a bigger portfolio
  - Good fit of products and brands; good opportunities for our people
  - Positive for all parties
- Best risk weighted value outcome for PaperlinX shareholders

Results for 2009 Interim

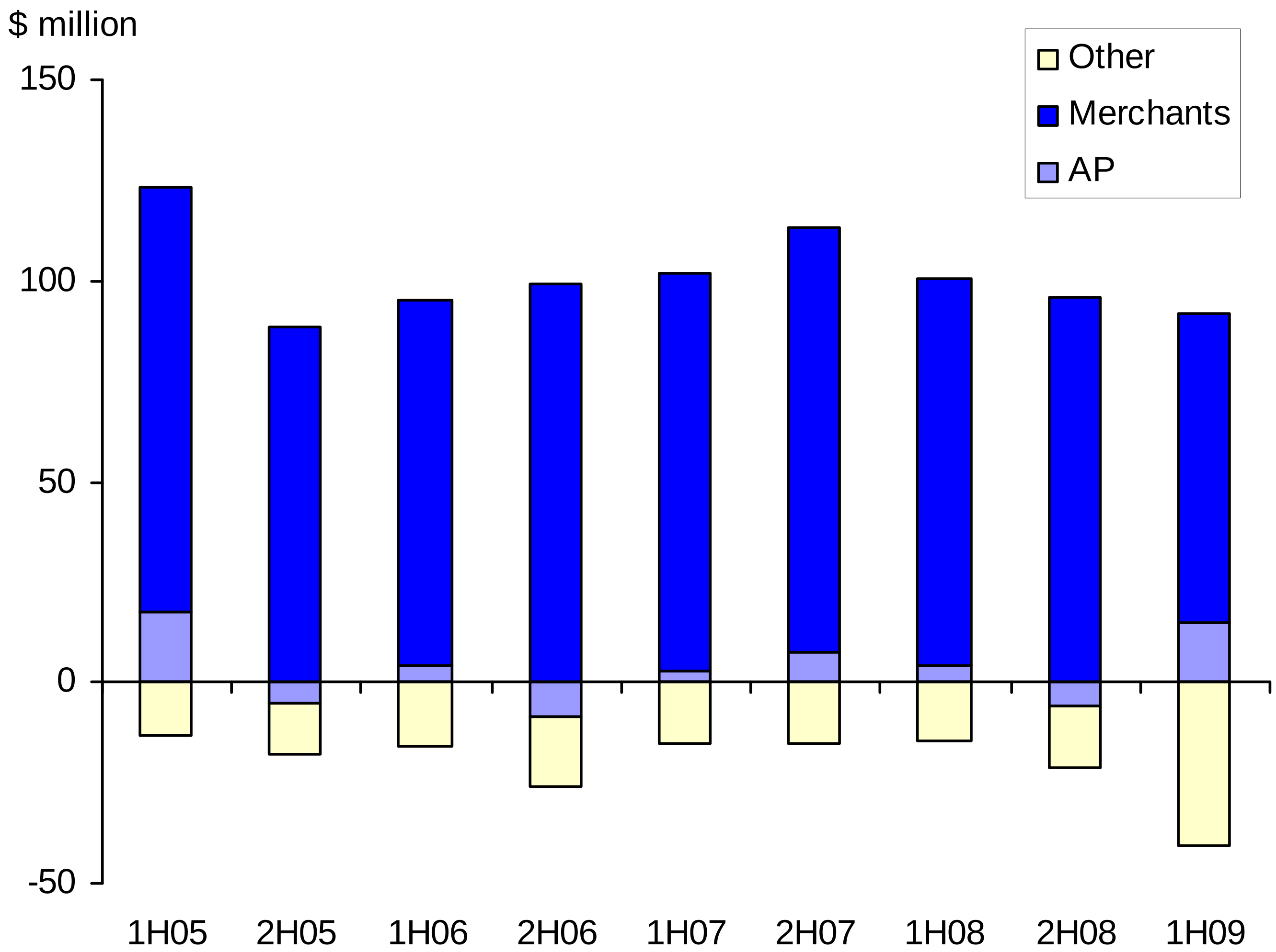
- Revenue of $3.8 billion (in line with prior corresponding period (pcp)) and volume of 2.0 million tonnes (down 7%)
- Profit protection plans delivered $28 million in 1H, with January headcount 469 below June 08
- Reported EBIT (excluding significant items) of $51.2 million (down 40%) reflecting forex negatives of $(25) million
- Reported after tax profit of $6.6 million (pre SPS distribution and excluding significant items), down 81% versus $35.3 million pcp
- Average net working capital increased by 4% versus December 2007 due to translation
- Average working capital/sales held to 18.7% (from 18.0% pcp)

Results for 2009 Interim – Key Points

- Divisional EBIT (excluding Corporate) of $92.0 million held to (8)% reduction through aggressive cost and margin management and translation benefits
- Merchant earnings of $77.2 million, with returns of 8.9% ROAFE and a 2.2% EBIT margin
  - Volumes down 7% reflecting weaker market demand
  - Underlying results in local currencies show the impact of weaker market volumes, with the UK and US well down
  - Average price realisations higher as producers support price rises with capacity reductions
  - Working capital reductions in local currencies
- Manufacturing has mitigated continued input cost pressures, with improved domestic sales and currency led pricing
  - Operating earnings improved to $14.8 million
  - Price increases supported by weaker Australian dollar
  - Pulp mill upgrade completed with positive contribution
  - Continued copy paper market share increases

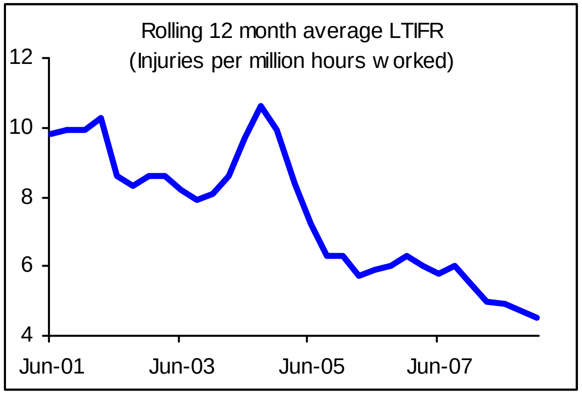
Divisional EBIT

Cost containment, margin management and favourable translation held divisional EBIT before Corporate and significant items to a (8)% fall on pcp



Results for 2009 Interim – Non Financial

- Improved safety record (LTIFR down 22% to 4.6 per million hours worked in the past 12 months, down 47% in the past 6 years)



- Maryvale pulp mill upgrade providing positive environmental outcomes
- Growth of environmental brands (Revive®, Reflex 100®,Envi® ,YoYo ®)
- Participated in the Carbon Disclosure Project
- Member of the FTSE4Good Index

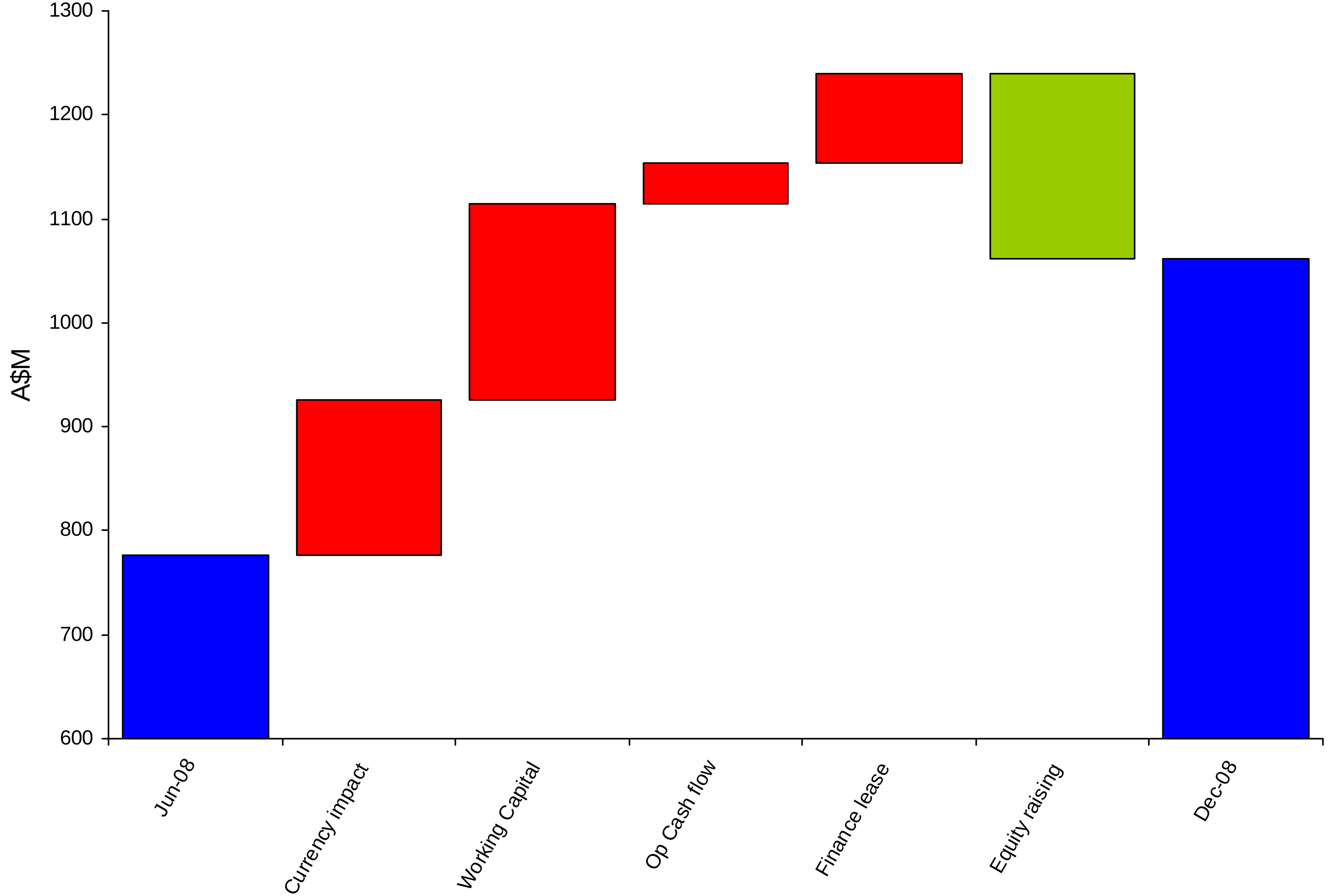
Financial Summary

		6 months to Dec 2007	6 months to Dec 2008	% change
Sales Volume	'000 tonnes	2,108	1,970	(7)
Sales Revenue	$m	3,783	3,782	0
Divisional EBIT (before corporate and significant items)	$m	100.5	92.0	(8)
Reported EBIT (before significant items)	$m	85.7	51.2	(40)
Reported EBIT	$m	85.7	(516.3)	
Reported Earnings after Tax	$m	35.3	(560.9)	
EBIT/Average funds employed (before significant items)	%	6.2	3.3	(2.9)pts
Earnings per share (after SPS distribution)	cps	5.0	(111.9)	
Interim dividend (unfranked)	cps	3.0	0.0	(3.0)cps

Funding

- Sales of non-core assets
  - European property sales
    - Delayed property sales remain possible, but are no longer assumed
    - Property and other sales realised net cash of $92.1 million
  - Additional asset sales ongoing
- Equity raising of net $177 million completed
- Borrowings
  - Waivers granted for 31 December 2008 by lenders and note holders
  - Increased funding costs
- Sale of Australian Paper
  - $600 million of cash to apply to debt
  - Removal of $90 million finance lease
  - Potential ongoing income from 3 year earn out
  - Significant improvement in Group financial position

Key Variances to Debt (June 2008 to Dec 2008)



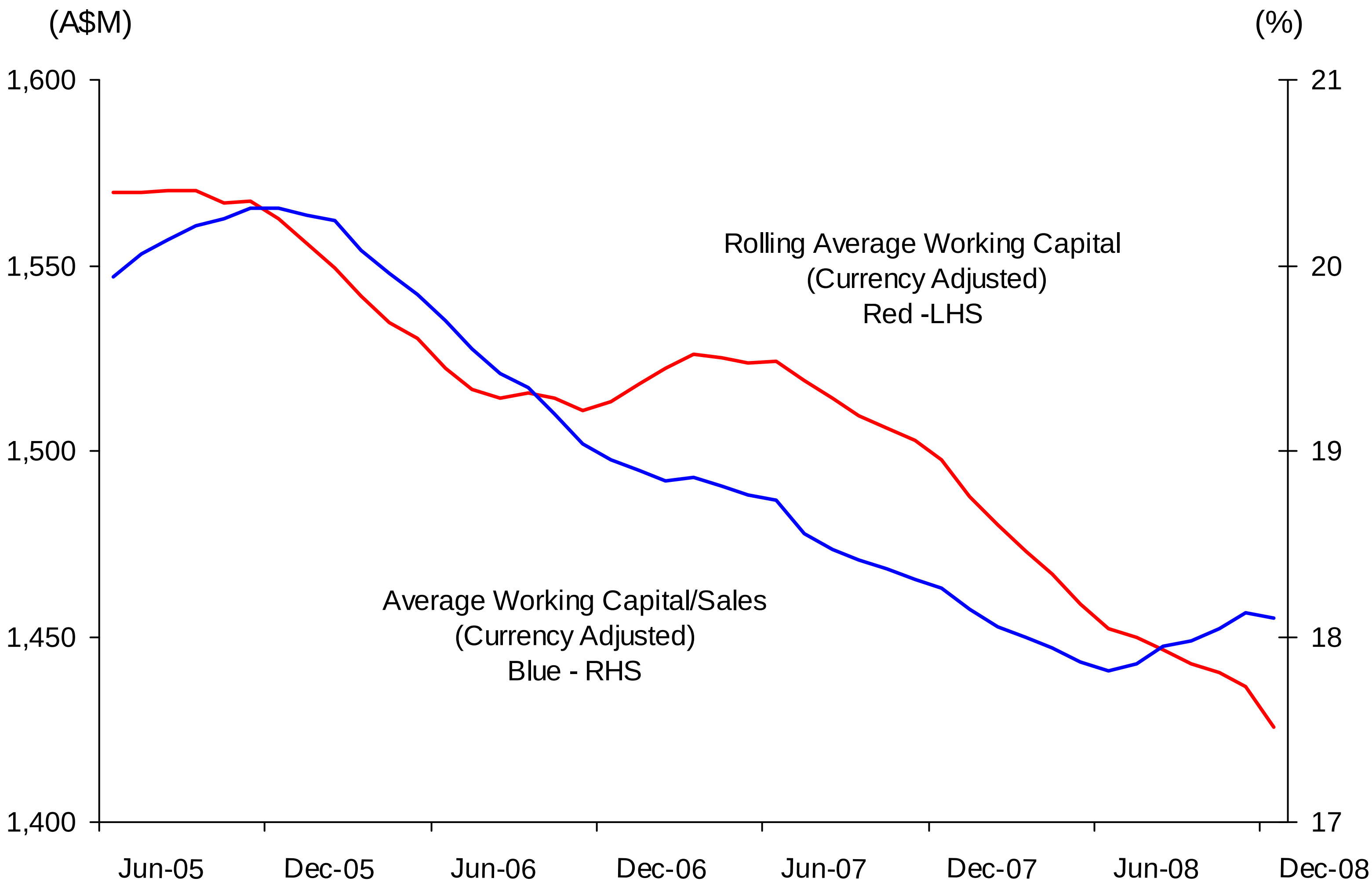
Key Financial Measures

		6 months to Dec 07	6 months to Dec 08
EBIT / Sales before significant items	%	2.3	1.4
Net Interest cover	X	2.7	1.4
Net interest expense	$m	31.5	35.6
EBITDA before significant items	$m	137	98
Working capital cash flow (1)	$m	(197)	(188)
Operating cash flow	$m	(110)	(156)
Capital Expenditure	$m	187	133
Net tangible assets per share	$	2.67	1.24
Net Debt / Net Debt & Equity	%	32.7	40.4

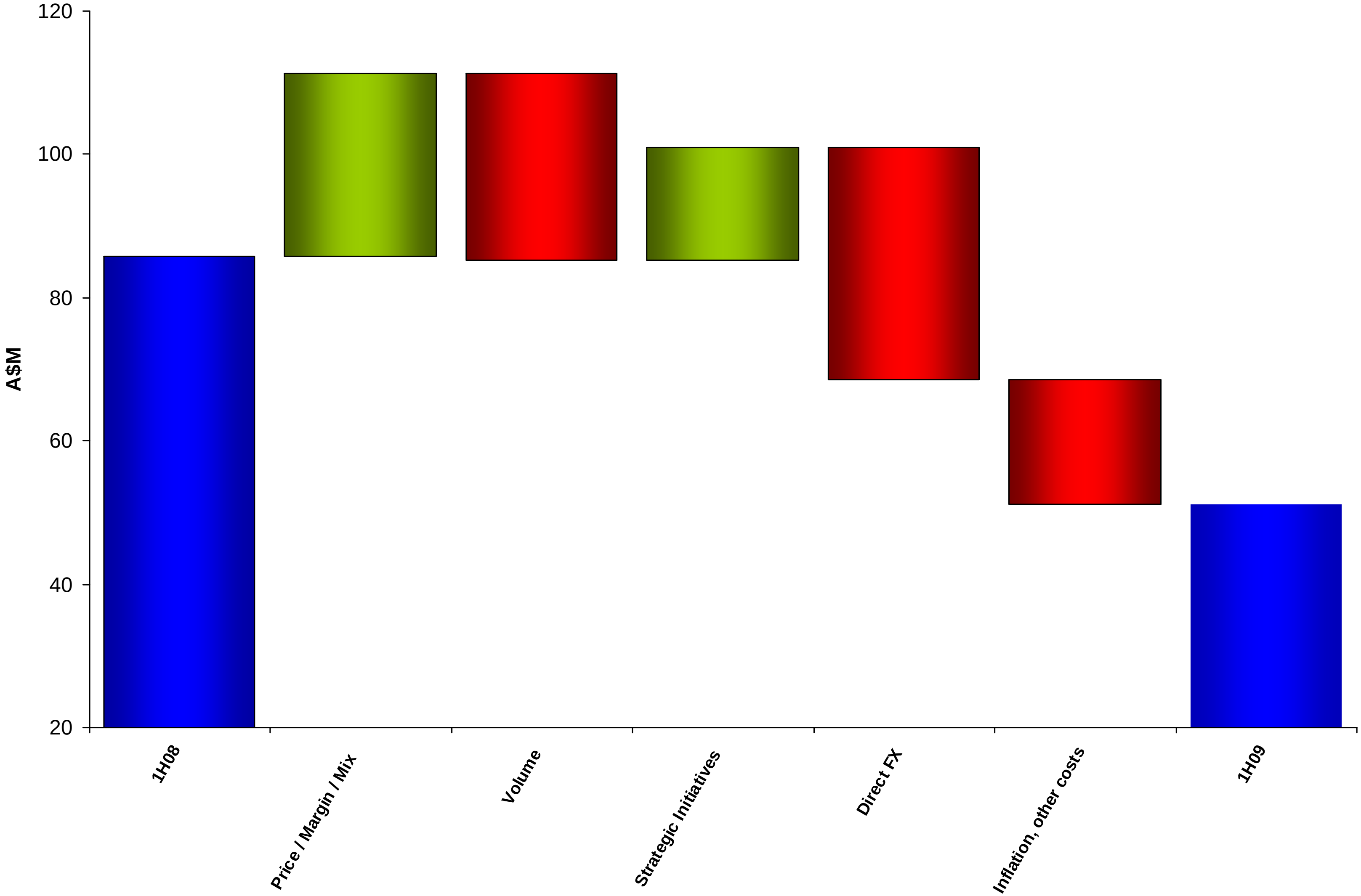
(1) Cash flow excludes foreign exchange movements which were $(121) million unfavourable for the 6 months to December 2008 and favourable $30 million for the 6 months to December 2007

PaperlinX

Working Capital Trend



Key Variances to EBIT



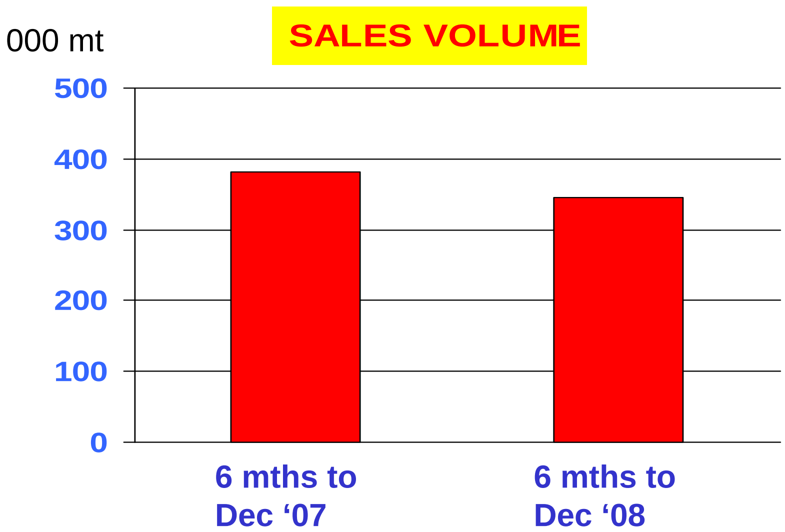
Corporate and Other

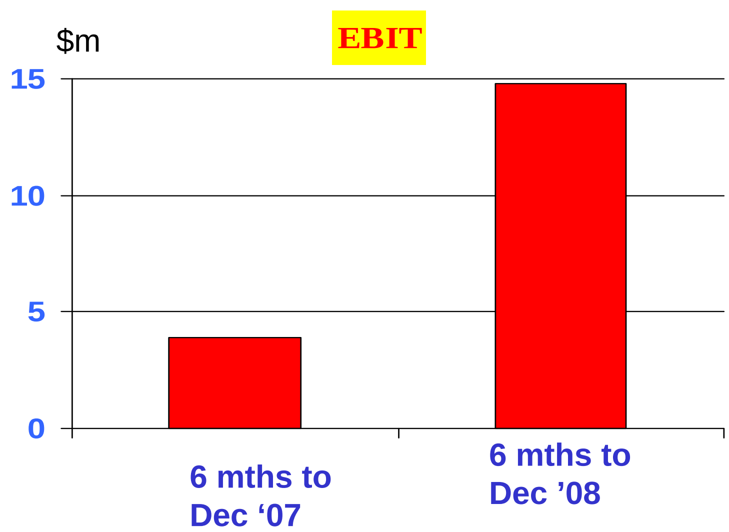
		6 months Dec 07	6 months Dec 08
Corporate Overhead	A$m	(23.8)	(12.7)
Financing Charges	A$m	(1.6)	(3.0)
FX gains and losses	A$m	10.6	(25.1)
Earnings before Interest & Tax	A$m	(14.8)	(40.8)

- Underlying corporate overhead costs of $12.7m were significantly lower than the prior period due to a lower level of management incentive accruals
- The increase in financing charges of $1.4m relates to costs incurred in renegotiating an extension of a tranche of the multi currency syndicated debt facility in September 2008
- Earnings include significant negative impact from unrealised and realised FX losses of $(25.1) million
  - foreign exchange losses on overseas purchases in the Australian businesses
  - mark to market adjustments on a cross currency swap
  - This was largely as a consequence of the significant weakening of the AUD from August onwards.
  - Processes have been tightened to prevent future exposures.

Paper Manufacturing

		6 months Dec 07	6 months Dec 08	Change %
Sales Volume	‘000 tonnes	381	345	(9)
Sales Revenue	A$m	482	449	(7)
Earnings before Interest & Tax	A$m	3.9	14.8	+++
Significant Items	A$m	0.0	(567.5)	
Reported Earnings before Interest & Tax	A$m	3.9	(552.7)	
Return on Average Funds Employed	%	0.7	2.3	1.6 pts

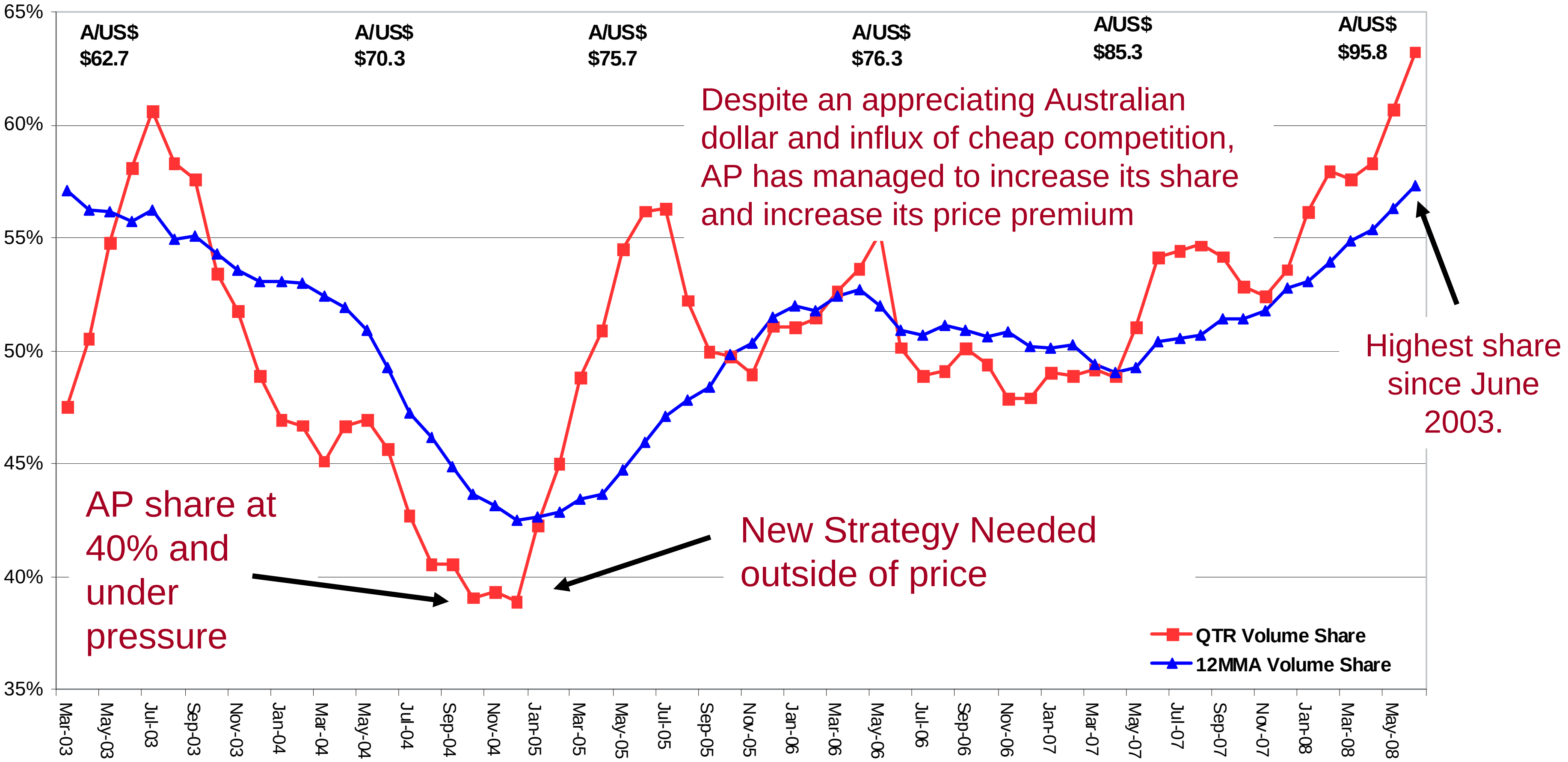




Paper Manufacturing

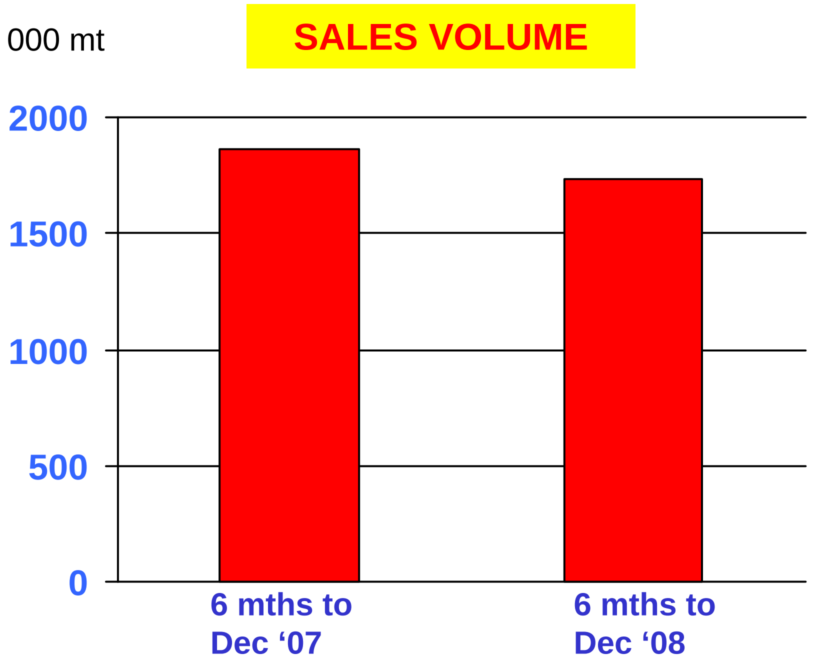
- Completion of the Maryvale pulp mill upgrade project
  - some initial benefits in the quarter, but also disruptions and some final restructuring costs
  - start up has progressed well and on track for targeted returns with increased contribution in 2H
- Lower A$ has led to price increases across most segments
  - more particularly in coated woodfree and publication papers markets
- Average working capital at similar level to pcp with period end position for working capital to sales again adverse due to inventory build up related to plant shuts

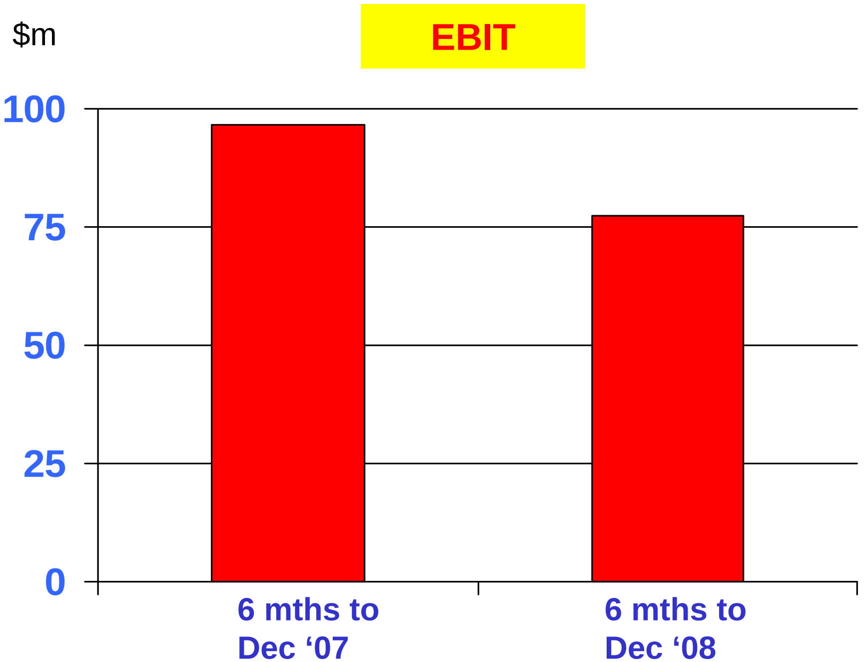
Market Share of AP Office Papers….. Long Term Perspective



Paper Merchanting – Total

		6 months Dec 07	6 months Dec 08	Change %
Sales Volume	‘000 tonnes	1,863	1,731	(7)
Sales Revenue	$m	3,457	3,472	0
Earnings before Interest & Tax	$m	96.6	77.2	(20)
EBIT/Sales Revenue	%	2.8	2.2	(0.6) pts
Return on Average Funds Employed	%	11.4	8.9	(2.5) pts





Merchanting - Europe

		6 months Dec 07	6 months Dec 08	Change %
NW Europe	'000 tonnes	352	333	(5)
UK & Ireland	'000 tonnes	572	523	(9)
Central &Southern Europe	'000 tonnes	258	250	(3)
Total Sales Volume	'000 tonnes	1,182	1,106	(6)
Sales Revenue	€m	1,396	1,258	(10)
Earnings before Interest & Tax	€m	38.6	28.6	(26)
EBIT/Sales Revenue	%	2.8	2.3	(0.5) pts

- Overall sales volumes were down 7%, although sales of own brands improved nearly 9%
- Key markets in the UK and NW Europe suffered market driven volume declines
- Average price realisation across European platform was up in local currencies
- Revenue in Sign and Display, Graphics and Industrial Packaging declined around 8% in source currency, although gross margin improved marginally
- Operating expenses were down 6% on pcp with cost savings and lower labour costs offsetting higher property rentals relating to property divestments
- EBIT was down 26% reflecting weaker operating environment, especially in UK, Germany and Denmark.
  - weaker UK result exacerbated by weakness in GBP/Euro
- Average working capital improved 7% on pcp
- Average working capital to sales ratio declined to 18.2% from 17.6% on back of the weaker sales revenue

Merchanting - North America

		6 months Dec 07	6 months Dec 08	Change %
Sales Volume	'000 tonnes	320	298	(7)
Sales Revenue	US$m	561	530	(6)
Earnings before Interest & Tax	US$m	19.0	7.8	(59)
EBIT/Sales Revenue	%	3.4	1.5	(1.9) pts

- Total sales volume declined by 7%, impacted by the weak market
- Overall market conditions very soft,
  - US CWF consumption down 18% in the 6 months to December and UCWF consumption down 12%
- North American paper selling prices supported by mill capacity reductions (CWF capacity down 7% in calendar 2008), with realised prices up 1.3% on pcp, despite weakness in market demand
- Canadian realised prices up 6% although volumes were down and margins under pressure, negatively impacting earnings
- Operating expenses down 4%, with profit protection plans achieving traction late in the period
- At the end of January employee numbers down 173 on June levels
- Operating earnings also significantly impacted by weak US market reducing EBIT margins
- Average working capital to sales at 12.9% was a slight deterioration over pcp,
  - higher working capital in the US as sales fell faster than inventories could be adjusted

Merchanting – Australia, NZ and Asia

		6 months Dec 07	6 months Dec 08	Change %
Sales Volume	'000 tonnes	375	345	(8)
Sales Revenue	A$m	518	518	0
Earnings before Interest & Tax	A$m	10.7	14.6	36
EBIT/Sales Revenue	%	2.1	2.8	+0.7 pts

- Revenue in line with pcp with higher revenue in paper trading making up for the impact of lower volumes
- Reported EBIT up 36% with the gain primarily in Australia
- Pricing in Australia and New Zealand improved as the US$ strengthened.
- Overall price realisations for the region up around 9% with regional and mix variations
- Australian earnings recovered from a lower pcp despite ongoing competitive market conditions
- New Zealand underlying earnings flat in a very competitive market
- Asian earnings below pcp as lower mill pricing impacted margins. Asian demand has been depressed with volumes under pressure
- Paper Trading earnings in line with pcp
- Average working capital reduced 7% as a result of working capital management.
- Non-paper made a positive contribution to earnings, albeit off a small base

2009 Interim Result Summary

- Significant item of $(567.5) million as a result of the decision to sell Australian Paper (excluding Tasmanian operations)
- Reported profit of $(560.9) million including significant items
- One-off negative foreign exchange impact of $25 million in Corporate costs
- Divisional EBIT of $92 million (down 8% on pcp) reflects benefits of price increases and margin improvements plus profit protection measures, more than mitigated by market weakness especially in the UK and US affecting Merchanting
- Merchanting 8.9% ROAFE, with working capital reductions a key focus in a falling demand environment
- Pulp project completed, with returns in line with expectations

Summary of Sale of Australian Paper

- Major step in PaperlinX transformation
- Financial position significantly strengthened in volatile environment
- Enhanced focus on global paper merchanting platform
- Quality purchaser with future relationship opportunities
- Positive opportunities for employees

Market Overview

- Demand conditions have deteriorated
  - Very weak in the UK and US (December and January particularly)
  - Softening in continental Europe and Asia
  - Outlook is unclear, but negative through February and March
  - Global pipeline refill will begin to stabilise volumes in the June quarter
  - Demand to gradually improve through CY09 and into CY10.
- Currency volatility has effected paper selling prices, with the stronger US dollar supporting coated paper prices in Europe and in Australia
- Input cost increases, along with weaker demand, have continued to impact global paper manufacturers forcing restructuring, consolidation and significant capacity reductions, both permanent and temporary

Business Outlook

- Profit protection plans to mitigate volume weakness (2009 target increases from $30 million to $50 million)
- Weak market conditions expected in the second half (bias Jan-Mar) as demand curtailed and pipeline de-stocked. Stabilisation expected progressively post April
- Strategic initiatives are on-track to exceed $125 million net EBIT benefits in 2009 (vs 2005)
- Second half improvement in working capital and on-going focus on working capital % sales is targeted
- Completion of sale of Australian Paper will lead to improved financial position
- Structural improvements in cost base from FY09 profit protection plans will carry into FY10
- Focus remains on improved performance of the underlying business and resolving areas of distraction

Appendices

Operating Earnings (A$)

	EBIT		Sales Revenue		Total Assets	
	Dec 2008 $M	Dec 2007 $M	Dec 2008 $M	Dec 2007 $M	Dec 2008 $M	Dec 2007 $M
Industry Segments						
Europe	52.7	63.9	2,314	2,308	2,285	2,127
North America	9.9	22.0	670	651	557	507
Australia, NZ and Asia	14.6	10.7	518	518	486	449
Inter-merchant Sales	-	-	(30)	(20)	-	-
Total Paper Merchanting	77.2	96.6	3,472	3,457	3,328	3,083
Paper Manufacturing (1)	14.8	3.9	449	482	1,018	1,270
Divisional EBIT(1)	92.0	100.5				
Significant items	(567.5)	0.0	449	482	1,018	1,270
Corporate (2)	(40.8)	(14.8)			68	52
Operating earnings before interest & income tax	(516.3)	85.7				
Net Interest (3)	(35.6)	(31.5)				
Income Tax Expense	(9.0)	(18.9)				
Outside Equity Interests	0.0	0.0				
Inter-segment Sales			(139)	(156)		
Unallocated Assets (deferred tax assets)					78	51
Total	(560.9)	35.3	3,782	3,783	4,492	4,456

Notes

(1) The divisional result excludes significant items

(2) Corporate includes Group overheads, governance and compliance costs, financing costs, public company costs, Group wide long term incentive costs and applicable one-off items including a major unfavorable forex impact in the half.

(3) After capitalised interest in the first half of 2009 of $11.3 million compared with $7.1 million in the first half of 2008.

Reconciliation of one-off items for 1H 09

	First Half 08/09 EBIT (A$mils)				
	As Reported	Net Property Actions	Business Restructuring	Net One-Offs	Underlying
Paper Merchanting					
ANZA	14.6	0.0	(0.3)	(0.3)	14.9
Europe	52.7	7.8	(4.5)	3.3	49.4
North America	9.9	0.0	0.0	0.0	9.9
Total Paper Merchanting	77.2	7.8	(4.8)	3.0	74.2
Paper Manufacturing	14.8	2.7	(6.1)	(3.4)	18.2
Corporate	(40.8)	0.0	0.0	0.0	(40.8)
Total PaperlinX	51.2	10.4	(10.7)	(0.3)	51.5

Excludes significant items

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