2010 Interim Results

19 February 2010

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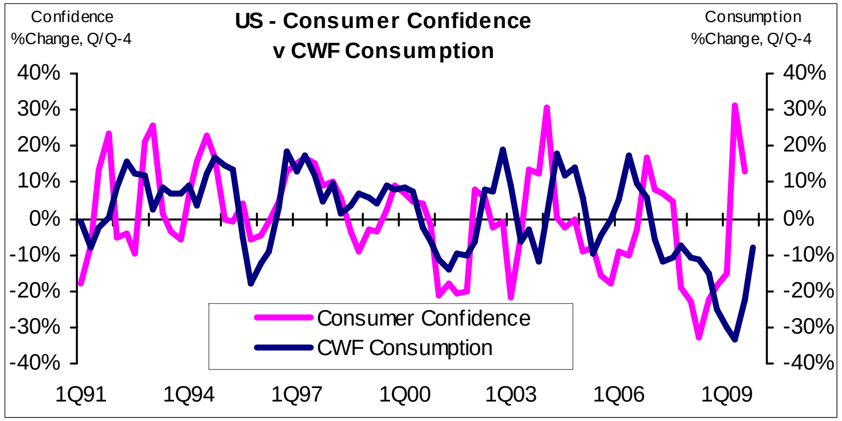
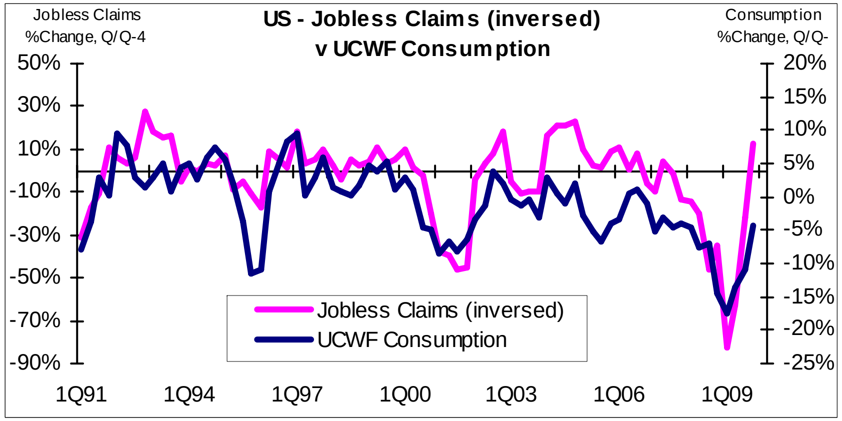
Presentation Sequence

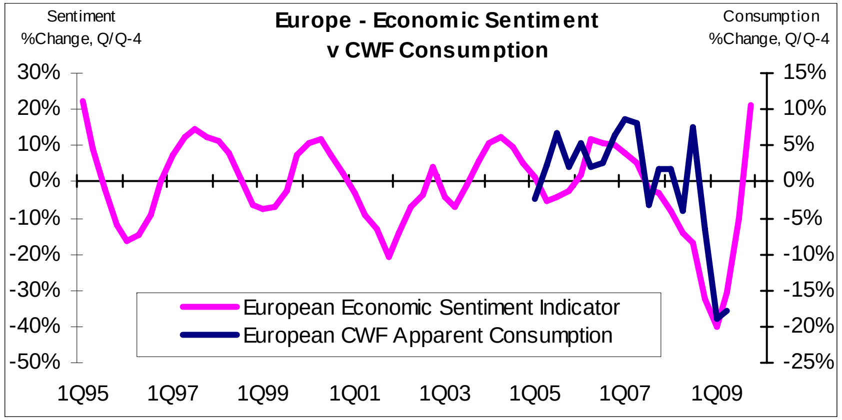
- Key Influences and Overview
- 2010 Interim Result
- Strategic Progression
- Financial Discussion
- Merchanting Performance
- Discontinued Operations
- Summary and Outlook
- Questions and Answers

Key Influences on 2010 Interim Result - External

- Weak global markets continued to impact overall volumes and margins
  - Europe lagging ROW, with UK remaining particularly weak
  - Leading indicators have improved however







Source: RISI & various

Key Influences on 2010 Interim Result - Internal

- Strong focus on internal realignment
  - Exit from paper manufacturing close to completion
  - Significant working capital and debt reduction
  - Refinancing of bank syndicate and USPP noteholder debt
    - Reduce costs
    - Increase flexibility
  - Aggressive cost reduction programme
- One-off and significant items
  - Exit from Tasmanian paper manufacturing

Overview of 2010 Interim Results

- Revenue of $2.7 billion (down 28% on prior corresponding period (pcp)) and volume of 1.5 million tonnes (down 24%), due to the sale of Australian Paper and the impact of weak markets
- Continuing EBIT (excluding significant items) of $11.7 million compares with $33.2 million pcp
- Total Group EBIT (excluding significant items) of $(5.6) million compares with $51.2 million pcp
- Reported after tax loss (excluding significant items) of $(26.5) million
- Reported after tax loss of $(175.3) million, including after tax significant items of $(148.8) million relating to the exit from paper manufacturing
- Net working capital decreased by 36% versus December 2008
- Average working capital/sales reduced to 18.3% (from 18.7% pcp)
- Period end net debt moved to $251 million from $1,062 at December 2008, with gross debt of $526 million, $1,518 million at December 2008

Distributions

- No December 2009 distribution on PaperlinX Step-up Preference Securities (SPS) was paid
  - Subject to lender approval as a result of previous covenant breach since resolved
  - Approval again not received for December, discussions continue for future distributions
  - Non-cumulative, but option to make up the two missed payments (June 2009 and December 2009) at a later date
  - Creates dividend block on ordinary shares
- No ordinary dividend
  - Negative earnings per share
  - Dividend block in place until 2 consecutive SPS distributions paid
  - Review of dividend policy post current refinancing/restructuring

Strategic Progression Update

- Business restructure:
  - Exited Australian manufacturing:
    - Sale of Australian Paper completed May 2009
    - Tasmanian exit to be completed by June 2010
  - Tasmanian exit:
    - Closures on track with December 2009 estimate (timing and costs)
    - Sale option remains on remainder of Burnie Mill
    - Reduced currency exposure following exits
- Debt reduction
  - Reduced gross debt by $992 million (65%) since December 2008
    - Sale of Australian Paper and other assets
    - Reduction in working capital
    - Cash freed up around the Group from improved cash management
    - Reduction of bank syndicate and USPP noteholder debt by two thirds since December 2008 ($1.14 billion to $414 million)

Strategic Progression

- Debt refinancing well progressed:
  - Asset based lending provides more appropriate structure:
    - Greater flexibility to manage cash during monthly cycle
    - Interest cost to reduce to $20-25 million range on an annualised basis
    - Improved currency alignment of borrowing – natural hedge
    - Tenure of around three years
  - New facilities established in New Zealand, Australia, Canada and USA
  - Repayment of bank syndicate and USPP noteholder debt is positive:
    - Remove $27.7m of advisor and waiver charges over past 12 months
    - Substantial release of time to focus on business
    - Reduce absolute funding costs
    - More appropriate geographic alignment of borrowings
  - Target completion by financial year end

Financial Summary

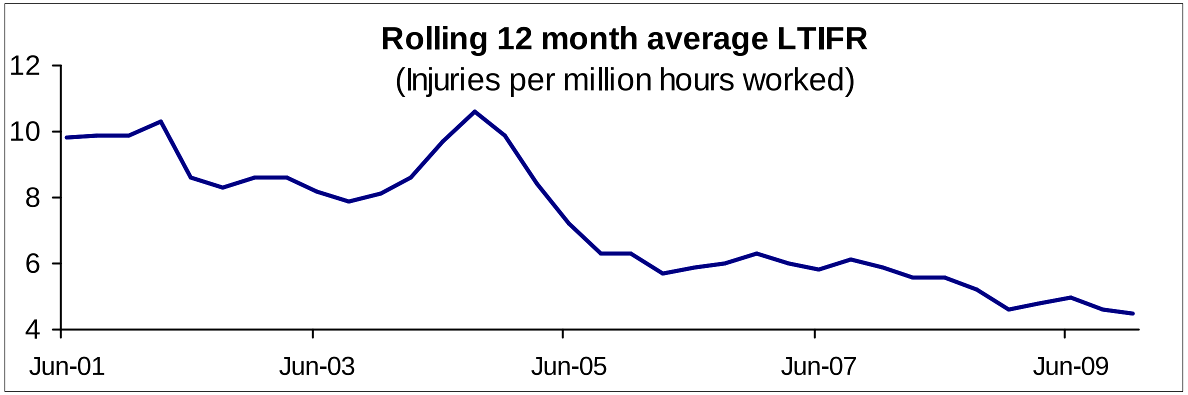
		6 months to Dec 2009	6 months to Dec 2008
Sales volume	‘000 tonnes	1,497	1,970
Sales revenue	$M	2,738	3,782
EBITDA (pre significant items)	$M	8.2	98.3
Operating cash flow	$M	(94.4)	(153.3)
Continuing EBIT (pre significant items)	$M	11.7	33.2
Reported EBIT (pre significant items)	$M	(5.6)	51.2
Reported EBIT (post significant items)	$M	(123.4)	(516.3)
Reported earnings after Tax (pre significant items)	$M	6.6	(26.5)
Reported earnings after tax (post significant items)	$M	(175.3)	(560.9)
Earnings per share (after SPS distribution, post significant items)	cps	(29.0)	(111.9)

Key Ratios

		6 months to Dec 09	6 months to Dec 08
Group ratios			
Average working capital/sales	%	18.3	18.7
Period-end working capital/sales	%	17.3	19.6
Net tangible assets per share	$	0.60	1.34
Net debt / net debt & equity	%	19.6	40.4
Merchant ratios			
Expenses / sales revenue	%	18.3	17.8
Average working capital/sales	%	16.8	16.7
Period-end working capital/sales	%	16.3	17.8
EBIT / average funds employed	%	4.4	8.4
Trading EBIT / sales revenue	%	1.1	2.1

Results for 2010 – Non Financial

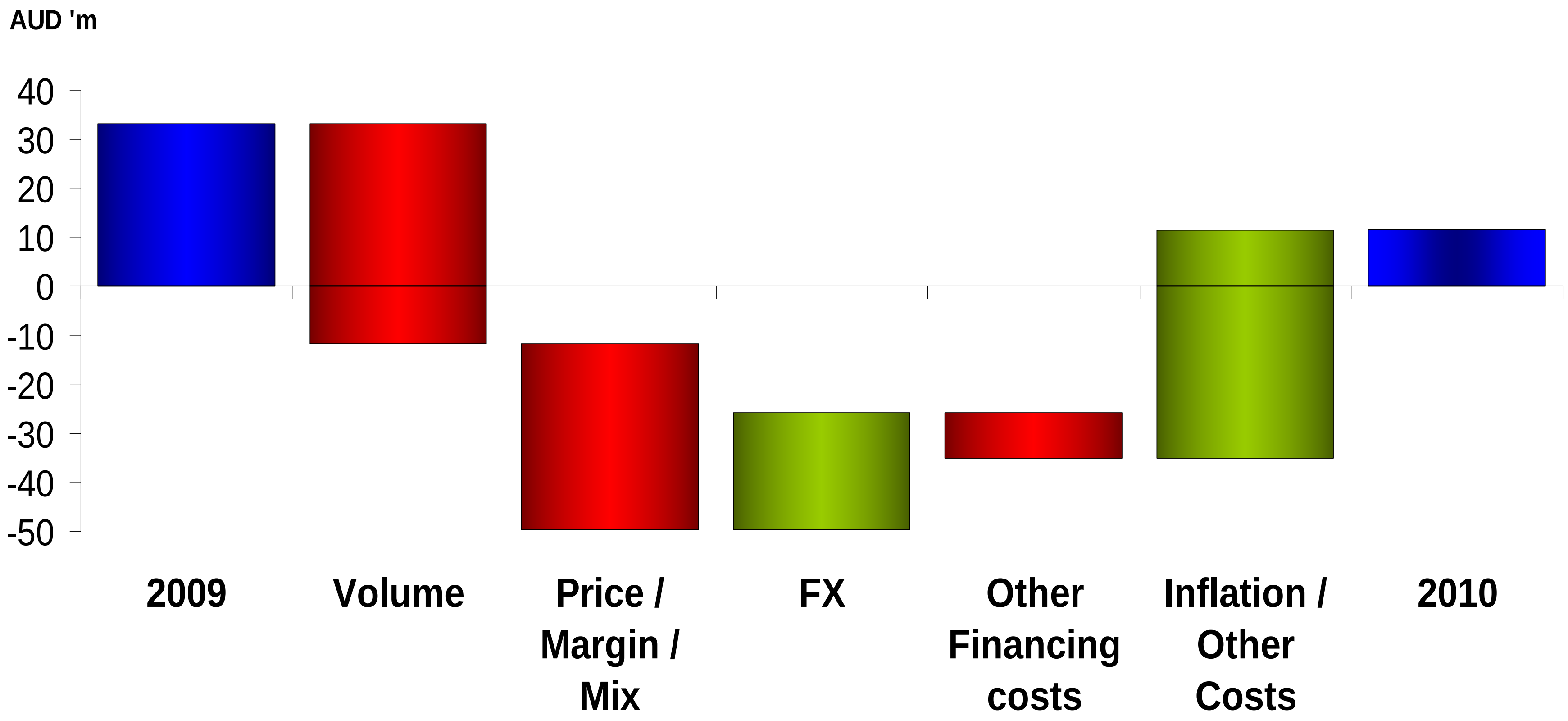
- Improved safety record (LTIFR down 10% in the last six months and down 55% in the last 8 years to 4.5 per million hours worked)
- The December quarter safety results were the best in the company's history



- 100% of merchant operating companies have multiple chain-of-custody certification
- Closed loop product YoYo™ launched
- Ongoing membership of the FTSE4Good Index
- Global HealthLinX programme to support employee wellbeing
- Headcount reduced by 23% on pcp (4% on June 2009)

PaperlinX

Key Variances Continuing Operations EBIT – 1H10 v 1H09



Unallocated

		6 months Dec 09	6 months Dec 08
Corporate overhead	A$M	(7.5)	(12.8)
Net gain on loan/currency option	A$M	3.7	
Net other financing charges	A$M	(13.2)	(3.1)
FX gains and losses	A$M	0.0	(25.4)
Earnings before Interest & Tax	A$M	(17.0)	(41.3)

- Unallocated costs include one-off gain on sale of a non-strategic asset of $4.6 million and $3.7 million net impact of foreign exchange exposure on intercompany loan and amortisation of a currency option
- Net other financing charges includes $(6.6) million of advisor costs and $(2.6) million of waiver fees
- Underlying corporate costs have benefited from a reduced headcount, although this occurred during the period so the full benefit will be seen in subsequent results
- FX losses seen in prior period not repeated, with improved processes well embedded
- Ongoing Unallocated costs are expected to be around $35 million per annum

Significant Items Included in 1H10 Result (A$M)

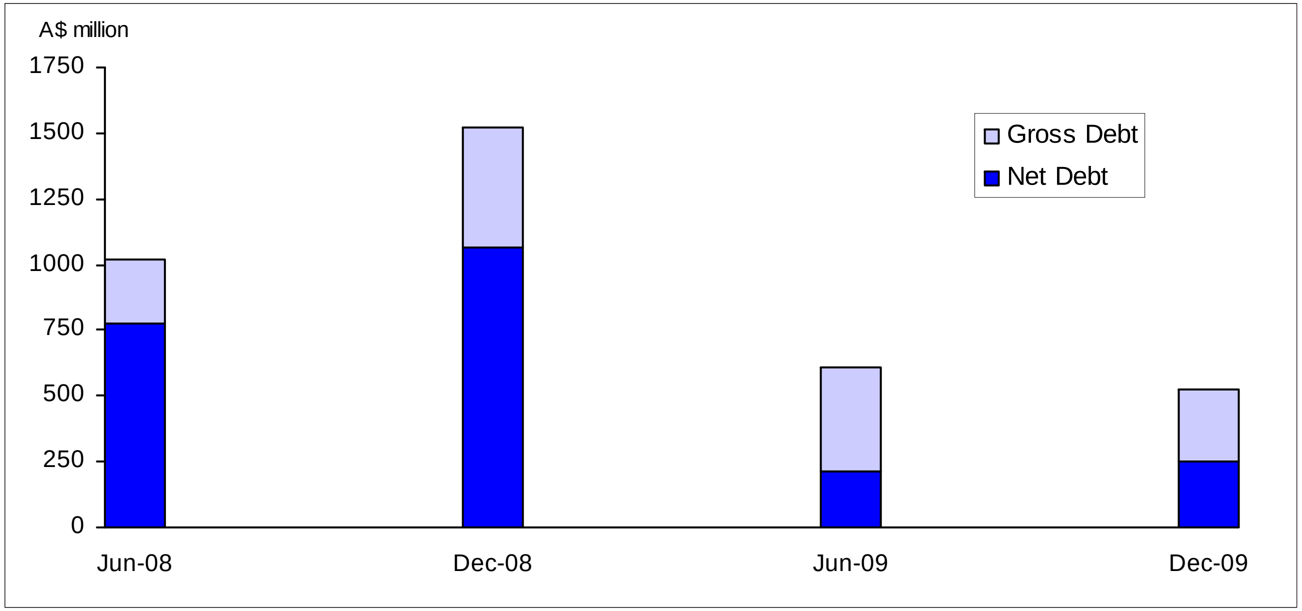
	7 Dec 09 Estimate (Assuming full closure)	1H 10 Actual
Redundancies	(65)	(46)
Remediation	(20)	(16)
Other costs	(20)	(18)
Other impairments	(25)	(23)
Total pre-tax significant items	(140)	(103)
Tax write-off	(30)	(31)
Total post-tax significant items relating to Tasmania	(170)	(134)
Additional loss on sale of AP		(15)
Total		(149)*

* Excludes redundancy and other charges related to the remaining part of the Burnie Mill

Cash Flow – Dec 2009 v Dec 2008 (A$M)

	December - YTD		
	Act	Last Yr	Chg v FY09
EBIT	**(123)**	**(516)**	76%
Profit from Asset Sales	10	(10)	
Depreciation / Amortisation	14	47	-71%
Provisions	97	7	
Interest Payments	(17)	(43)	62%
Other (LY incl. Asset Impairment)	(8)	551	
Oper'g Cash Flow excl. WC	**(27)**	**35**	-176%
Working Capital Movement	(67)	(189)	65%
Operating Cash Flow	**(94)**	**(153)**	39%
Proceeds - Asset/Invest. Sales	21	92	-77%
Capital Expenditure			
- Pulp Mill	-	(97)	
- Other	(13)	(36)	64%
Borrowing Costs Paid	(15)	(3)	-379%
Dividends/Distributions SPS	0	(25)	
Tasmanian closure	(1)	-	
Currency Option / CF Hedges	60	-	
Share Issue	(0)	175	-100%
Net Cash Flow	**(42)**	**(47)**	**12%**

Debt Reduction



- Opportunities available to reduce gross debt levels via more efficient structuring of debt facilities / improved transactional banking structures
- Significant progress made on establishing new facilities
- Gross debt of $526 million down from $1,518 million pcp
- Cash balance inflated by $56 million proceeds from CCS retained as cash to cover costs of Tasmanian exit
- Future annualised net interest expense expected to be around $20 - 25 million
- Depreciation and amortisation and capital expenditure expected to match at around $30 million pa

Borrowing facilities

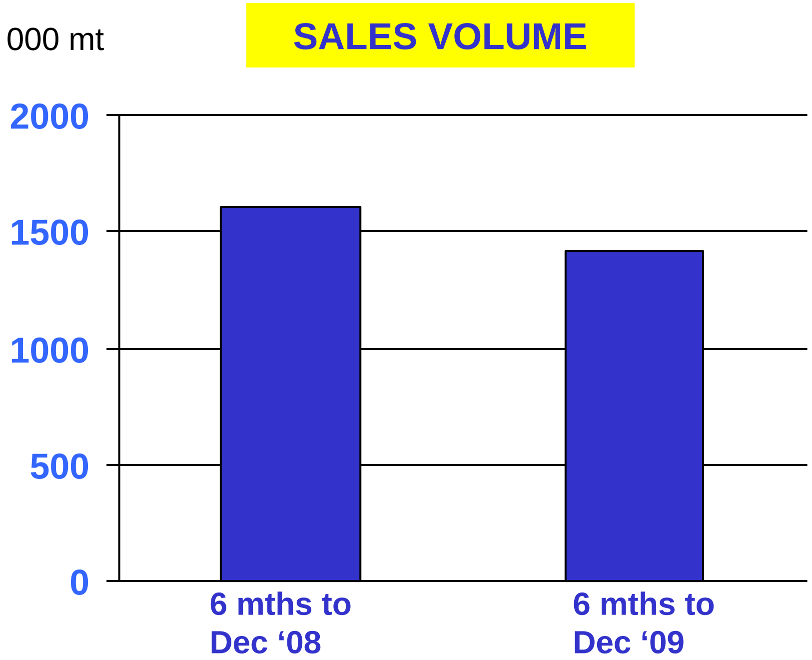
	Existing borrowings (as at 31 Dec 2009)
Banks	A$252
Notes	A$162
Historic lender group	A$414
Other facilities	A$112
Total Gross Debt	A$526[1]

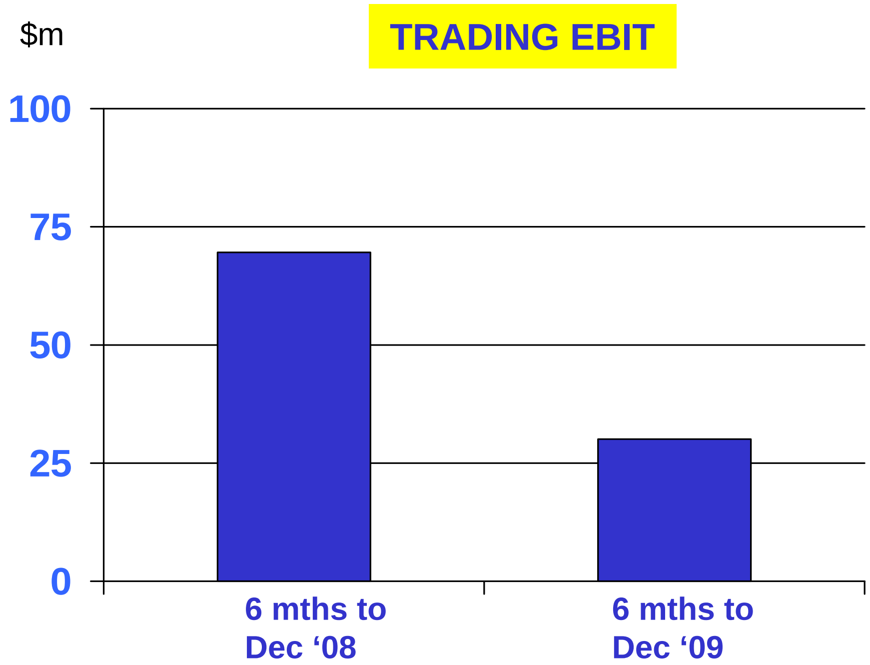
	New Facilities		
Receivables Facilities	**Facility Size**	**A$ Equiv.**	**Comment**
Australia	A$80m	A$80m	With current lenders for approval
NZ	NZ$35m	A$30m	Complete
Canada	C$50m	A$55m	Complete
US	US$40m	A$45m	Complete
Additional receivables facilities	TBA	A$280m est	Under negotiation
Additional inventory facilities	TBA	A$50m est	Under negotiation
Other facilities (Incl. Overdrafts)	Various	A$220m	
Total		**A$760m[2]**	

1. Drawn debt levels beyond December 2009 will also be reduced by further scheduled repayments to existing lenders
2. These facilities on average are likely to be drawn between 60 – 80% and are subject to availability of receivables and inventory

Merchanting – Total

		6 months Dec 09	6 months Dec 08	Change %
Sales volume	'000 tonnes	1,414	1,609	(12)
Sales revenue	$M	2,643	3,332	(21)
Trading earnings before interest and tax and significant items	$M	30.1	69.6	(57)
Trading EBIT/sales revenue	%	1.1	2.1	
Return on average funds employed	%	4.4	8.4	





Volumes - Merchanting

Volume in metric tonnes	6 months Dec 09	6 months Jun 09	6 months Dec 08	% Change 1H10/1H09	% Change 1H10/2H09
NW Europe	290	283	333	(12.9)	2.5
UK & Ireland	475	467	523	(9.2)	1.7
Central &Southern Europe	221	224	250	(11.6)	(1.3)
Total Europe	986	974	1,106	(10.8)	1.2
North America	249	243	298	(16.4)	2.4
Australia, NZ and Asia	181	167	208	(13.0)	8.3

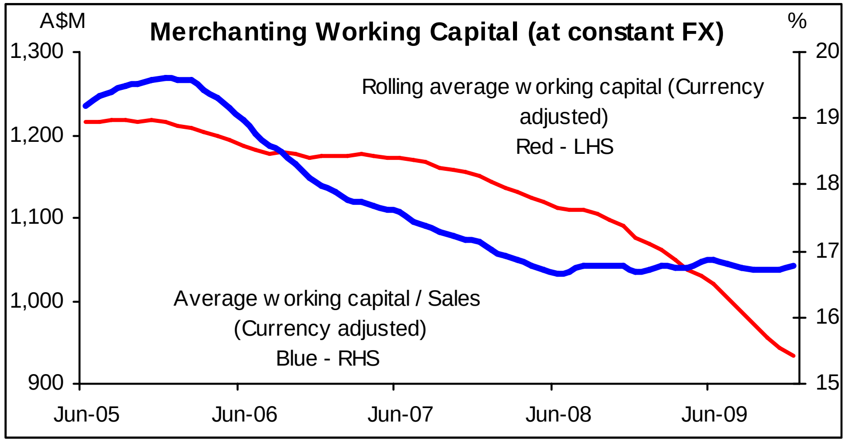
- Paper consumption in all regions remains depressed following global economy weakness
- The first half of fiscal 2010 shows some stability in volumes over the second half of fiscal 2009 although there is some seasonality
- Overall volumes are yet to show any significant recovery

Costs - Merchanting

		% Change	
		1H10 v 1H09	1H10 v 2H09
ANZA	A$	(11.9)%	(4.9)%
Europe	€	(11.8)%	(6.4)%
North America	US$	(15.4)%	(3.4)%

- Expenses well down in all regions
- Headcount for Continuing Operations down 310 (4.5%) versus June 2009 (excluding paper manufacturing)
- Reductions continuing into 2010
- Ongoing focus

Working Capital - Merchanting



	Days		
	Dec 2008	**Dec 2009**	**Change**
Inventory	79.1	62.0	(21.6)%
Debtors	63.9	63.6	(0.5)%
Creditors	51.4	51.4	(0.0)%
WC/Sales	17.8	16.3	(150)bps

Merchanting December period end net working capital reductions have continued in Europe (-10%) and North America (-21%) versus prior corresponding period	
	% Change
North America (USD)	(20.5)%
Europe (Euro)	(10.2)%
ANZA (AUD)	(0.8)%

- Inventory days have continued to benefit from roll out of core process to major operating companies, structurally reducing inventory days
- Debtor days held
- Creditor days remains under pressure from tight supplier credit
- Working capital reductions matching weaker markets

Merchanting - North America

		6 months Dec 09	6 months Dec 08	Change %
Sales volume	'000 tonnes	249	298	(16)
Sales revenue	US$M	447	530	(16)
Trading earnings before interest & tax	US$M	8.4	7.8	8
Reported earnings before interest & tax	US$M	8.1	7.8	5
Trading EBIT/sales revenue	%	1.9	1.5	

- Total volume was down 16.4% on pcp with market conditions fragile, but improving somewhat in Q2
- The average price realisation reduced by close to 3% in source currencies (both US and Canadian dollars)
- Overall margin performance increased by 40 bps over pcp
- The average price realisation reduced by close to 3% in source currencies (both US and Canadian dollars). In the second half, a number of strategies to provide revenue growth will increase their contribution.
- Expenses for North America for the half were down 15.3% on pcp and down around 17% in source currencies
- Working capital was down 20.5% on pcp in local currency

Merchanting - Europe

		6 months Dec 09	6 months Dec 08	Change %
NW Europe	'000 tonnes	290	333	(13)
UK & Ireland	'000 tonnes	475	523	(9)
Central &Southern Europe	'000 tonnes	221	250	(12)
Total sales volume	'000 tonnes	986	1,106	(11)
Sales revenue	€M	1,064	1,258	(15)
Trading earnings before interest and tax	€M	5.4	26.1	(79)
Reported earnings before interest, tax and significant items	€M	5.0	28.7	(82)
Trading EBIT/sales revenue	%	0.5	2.1	

- Total volume down 10.8% on pcp in line with falls in the market. Key markets in the UK, The Netherlands and Italy suffered market driven declines, with reduced indent volumes and office product sales
- Average price realisation declined 5.1% on pcp with around 3% from negative translation impact while underlying average prices down around 2%
- Gross margin percentage down around 80bp on pcp however there was a positive trend compared to June 2009 and improvement at the end of second quarter
- Revenue down 15.4% on pcp
- Non paper sales were impacted by the weak advertising market
- Expenses down 11.8% on pcp, mainly driven by lower employee numbers and lower variable costs as a result of lower volumes. Property lease costs however have increased on pcp as a result of property sales
- Working capital was down 10.2% on pcp. Average working capital to sales ratio improved to 17.3% from 18.2% in pcp

Merchanting – Australia, NZ and Asia

		6 months Dec 09	6 months Dec 08	Change %
Sales volume	'000 tonnes	181	208	(13)
Sales revenue	A$M	306	354	(14)
Trading earnings before interest and tax	A$M	11.1	12.2	10
Reported earnings before interest, tax and significant items	A$M	10.8	11.7	(8)
Trading EBIT/sales revenue	%	3.6	3.4	

- Total volumes were down 13.0% on pcp, with NZ falling further, but improved volumes in Asia
- While gross profit was down, gross profit % improved slightly
- The average price realisation declined 0.7% on pcp
- Expenses for the half were down 12.0% on pcp
- While still small relatively, non-paper sales grew against pcp, although gross margin was under pressure from the general market conditions
- Working capital was down 0.8% on pcp

Discontinued Operations

		6 months Dec 09	6 months Dec 08	Change %
Sales volume	'000 tonnes	118	424	(72)
Sales revenue	A$M	135	543	(75)
Trading earnings before interest and tax	A$M	(19.3)	20.6	
Reported earnings before interest and tax	A$M	(135.1)	(549.5)	

- Prior period included Australian Paper, sold in May 2009
- Significant items of $(117.8) million includes $(103.0) million relating to the closure of discontinued Tasmanian operations
- Exit from Tasmanian paper manufacturing operations expected to be completed by end of 2010 fiscal year.
- Sale process continuing for remainder of Burnie Mill, expected to conclude in either sale or closure in same time frame. Should it be closed, additional redundancy and other charges will be included in second half
- High Australian dollar put pressure on prices negatively impacting earnings from exports, reducing margins and overall profitability, despite cost reductions and good machine performance

Strategic Progression – Second Half

- Complete refinancing in second half
  - Replace bank syndicate and USPP noteholder debt
  - Interest costs and other financing charges reduced
  - Improved efficiency of cash on balance sheet
  - Remove distribution block on SPS
- Complete exit from Tasmania
- Management focus
  - Further improvements in expense ratios
  - Continued improvements in working capital
  - Further reduce gross debt

Summary

- PaperlinX becomes a pure play global merchant
  - Fragile recovery in North America and ANZA
  - European recovery yet to be seen
  - Focus on cost efficient service proposition in core business
  - Recovery expected in non-paper if confidence improves
- Growth model:
  - Margin recovery in core paper business
  - Non-paper growth off existing platform
    - Examples: packaging, S&D, converting

Appendices

Operating Earnings (A$)

	Earnings		Sales revenue	
	Dec 2009	Dec 2008	Dec 2009	Dec 2008
	$M	$M	$M	$M
Merchanting				
Europe	8.5	52.9	1,818	2,314
North America	9.4	9.9	522	670
Australia, NZ and Asia	10.8	11.7	306	354
Total Merchanting	28.7	74.5	2,646	3,338
Unallocated	(17.0)	(41.3)	(3)	(6)
Total Continuing Operations	**11.7**	**33.2**	**2,643**	**3,332**
Discontinued operations	(17.3)	18.0	135	543
Operating earnings before interest, income tax and significant items (EBIT pre significant items)	(5.6)	51.2		
Total significant items (pre tax)	(117.8)	(567.5)		
Operating earnings before interest and income tax (EBIT post significant items)	(123.4)	(516.3)		
Net interest	(16.3)	(35.6)		
Loss before tax	(139.7)	(551.9)		
Tax related to continuing operations	(4.6)	(8.9)		
Tax related to discontinued operations	0.0	(0.1)		
Tax significant item related to discontinued operations	(31.0)	0.0		
Group income tax expense	(35.6)	(9.0)		
Group eliminations			(40)	(93)
Total Group (post significant items)	**(175.3)**	**(560.9)**	**2,738**	**3,782**
Total Group (pre significant items)	(26.5)	6.6		

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