

MANAGING DIRECTOR'S ADDRESS

PAPERLINX LIMITED

ANNUAL GENERAL MEETING, MELBOURNE

23 OCTOBER, 2002

Ladies and Gentlemen,

I am pleased to report to you today on behalf of your management team.

As outlined by the Chairman, against a backdrop of PaperlinX achieving a very satisfactory overall performance, leading to a strong profit result in a very tough economic environment in all our markets, we have continued to develop PaperlinX in line with the strategies we summarised to you last year.

OUR COMPANY:

In the relatively short timeframe since the demerger from Amcor, we have divested a series of non-core businesses or those which through competition reasons we were not able to keep. We have acquired the balance of Spicers Paper and added to our ranks Coast Paper in Canada, L.P. Turgeon in Canada and more recently, Bunzl Fine Paper in the United Kingdom and Ireland. At the same time, we have driven hard within our organisation to improve our cost competitiveness, our efficiencies in all respects, product development, and above all, to achieve higher levels of customer service – which we sincerely believe is our key to competitive advantage.

PaperlinX now has around 4,800 employees, based in 12 countries around the world and it sells its products into 40 countries. This geographic spread, combined with our breadth of businesses, has provided PaperlinX with a sound earnings base, ideally placing us to benefit as world economic conditions strengthen, which undoubtedly they will in time.

ACQUISITIONS:

The Chairman has outlined the acquisitions in the last 12 months, namely L.P. Turgeon in Quebec province, Canada and Bunzl Fine Paper in the United Kingdom and Ireland which is now in the process of being renamed “The Paper Company”.

As we have applied funds raised from shareholders for these acquisitions, it is important to communicate to our shareholders, from a management perspective, the quality of these assets.

L.P. Turgeon, although a relatively small merchant, is strategically placed in the large Eastern Canadian markets.

Adding L.P. Turgeon to Coast Paper has been an excellent strategic fit in terms of market coverage and supplier support in a wider geographic region and has, of course, provided opportunities for increased profitability through the synergies of merging these two enterprises. This has been enhanced by previous relationships whereby both Turgeon and Coast Paper had traditionally used each other’s operations to service their customers outside their immediate region.

I have visited L.P. Turgeon and met their management and staff. I am pleased to report to our shareholders that, as previously identified in our due diligence, this is an excellent company, extremely well managed, with high standards of customer service and ethics. Turgeon was extremely pleased to join with their previous friends, Coast Paper, as well as becoming part of the Spicers Merchanting group in North America, and indeed part of PaperlinX worldwide. To date, their business success has either met or exceeded our expectations.

On the 1st July, I had the pleasure of being with Bunzl Fine Paper as we took over the reins.

Our due diligence had established Bunzl Fine Paper as one of the most profitable merchants in the world, and certainly the most profitable merchant in the European region. Again, our due diligence confirmed they had quality people running the business with good systems, and, very importantly, excellent relationships with a number of key paper manufacturers with whom we wish to develop deeper and wider relationships representing them in many markets throughout the world.

I spent the first week of our ownership again making presentations to the senior management as well as meeting separately key executives in order that they understood who PaperlinX was and where we wished to go. I also received presentations in each key region covering the 34 locations throughout Ireland and the United Kingdom as to their organisation, their markets, their strategies, their strengths and their ambitions.

I reported to the Chairman, that without reservation, the quality of the management and people in Bunzl Fine Paper and, in particular, the quality and strength of their business again exceeded our expectations.

From the point of view of the Bunzl Fine Paper people, they were very happy to be acquired by an Australian company, given that their alternative was to remain as a non-core business within their previous parent's company, or to be rationalised within an existing UK merchant.

We have had now some months of working with Bunzl Fine Paper and the harmony and ease of integration has been a highlight during this time. Indeed we have already had extensive interchange between senior people of Bunzl Fine Paper and our merchants in North America and Australasia, both in terms of management training as well as cross-fertilisation to achieve further benefits from the development of PaperlinX internationally.

PAPERLINX PEOPLE:

We have made significant progress over the last twelve months in the management and development of our people by implementing a range of strategies aimed to take maximum advantage of the talent we have already developed and that which we have more recently acquired in new businesses.

This development can be broadly categorised into two areas. Firstly, we have increased our focus on identifying and planning for the progression of key people through our new global strategic succession program. Secondly, we have established a consistent global management and development approach that concentrates on our core competencies as a global paper merchant and leading Australian paper manufacturer.

Both of these strategies have already been applied to a number of targeted placements of key people into our overseas operations, the delivery of several global strategic leadership programs and a long term plan of learning and development programs focussed on core business skills.

These areas are critical to our future success in terms of delivering sustainable growth and building upon the diversity of skills, knowledge and experience we have within our group.

To add to the comments already made by the Chairman, your management team has continued to strengthen our commitment to achieve the highest standards of safety and health management of our entire workforce.

We have had to meet the challenges of a rapidly expanding organisation in terms of achieving as quickly as possible our required levels of safety performance in these new areas. We continue to develop further our focus on improving our safety performance through:

- Ensuring our assets are in proper condition to enable their safe operation;
- Developing and implementing appropriate safety management systems;
- Placing prime emphasis on training and periodic retraining; and
- Working to further develop safety consciousness and an approach of “Mutual Care” in all that we do.

As part of this commitment, we have appointed additional safety and health professionals throughout the entire organisation.

As a result of a major fire at Esso, Longford, the Victorian Government identified sites that routinely handle “Schedule 1” chemicals. Maryvale Mill is one such site.

New OH&S regulations were put into place requiring each such site to compile a “Safety Case” relating to how incidents could occur and what controls and procedures needed to be in place to mitigate risks.

After many thousands of hours of work preparing their comprehensive “Safety Case”, Maryvale Mill was granted an unconditional five year licence under this regulation.

STRATEGIC DEVELOPMENT:

A major part of PaperlinX is our strong Australian- based paper manufacturing business, Australian Paper. We continue to maintain and develop our position as Australia’s only producer of white communication papers (excluding newsprint) and the leading producer of high performance brown packaging papers. This business has a focus on Australian and New Zealand markets with a high service model and being cost

competitive. High operating efficiencies and productivity gains have already been made, and programmes for further improvements are in place.

The success of our efforts on product branding can be seen in the launch of the new family of Reflex products highlighted in our Annual Report, and also seen in our new television commercials. The Reflex brand is unique among paper brands and produces a high return for shareholders.

Our prime competitive advantage is to achieve such high standards of customer service that we are seen as “The Supplier of Choice”. To this end we have a major focus on product development and enhanced logistics based on substantial new “state-of-the-art” IT systems. The first of these new IT systems within Australian Paper is already successfully up and running. These systems will be rolled out through the balance of Australian Paper and our Australian and New Zealand paper merchanting businesses.

In paper merchanting in Australia and New Zealand we have a strong market position, enhanced by the major restructuring to achieve a more focussed market channel alignment which we introduced in the first half of the 2002 financial year. We will continue to develop these businesses with enhanced stock management and improved supply chain benefits from the new logistics systems. These improvements will ensure that we can maximise the returns from this business as economic conditions improve.

In South East Asia, where we have businesses in Malaysia, Singapore and Hong Kong, we will continue to focus on improving our returns and margins. However, we will not be seeking major growth in this region.

With the acquisition of Bunzl Fine Paper we now have an excellent base for expansion in Europe, along with having opportunities for “bolt-ons” in the UK and Ireland to give us a stronger market presence. We will continue to review opportunities to expand into continental Europe by acquisition, but only if that fits with our disciplined investment criteria.

Our North American growth has already been substantial, with the addition of Coast Paper and L.P. Turgeon to the Spicers USA business which is currently concentrated on the West Coast of the USA and which we acquired as a part of Spicers Paper. We have also developed greenfield operations by establishing new businesses in under-serviced markets. Acquisition opportunities continue to be researched and further greenfield developments are being considered.

Both in North America and Europe, rationalisation of the paper manufacturing sector and restructuring of the channels of paper distribution provide us with significant opportunities based on our strong customer-focused approach supported by “state-of-the-art” logistics and supply chain systems.

ACQUISITION CRITERIA:

While our objective is to further grow PaperlinX paper merchanting in North America and Europe, we are careful to evaluate and manage the risks entailed. We thoroughly analyse every opportunity using disciplined criteria that fully test our ability to achieve our target returns. Using this approach, we have acquired Bunzl Fine Paper, Coast Paper and LP Turgeon, in addition to full ownership and control of Spicers Paper.

Businesses we seek to acquire must:

- Be a profitable well run business that fit our stock distribution centre model
- Have good management
- Enhance our strong supplier relationships
- Have a good spread of customers, and
- Any acquisition must meet our financial criteria, such that we achieve:
 - Earnings per share growth in the first year, and
 - 15% EBIT/Funds employed returns by year 3.

As outlined by the Chairman, the financial position of PaperlinX is strong, and we are therefore well positioned to continue to grow the company. However, it is important to point out that we are not pursuing growth for its own sake. We believe that there are

significant opportunities to enhance shareholder wealth by following, in a very disciplined way, the growth path we have established. If we cannot identify appropriate opportunities that meet our strict criteria, management will consider recommending a return of surplus capital to our shareholders, one way or another.

We take seriously our stewardship of shareholders assets and constantly strive to improve total shareholders returns.

CONCLUSION:

I wish to acknowledge the exceptional performance and solid support of the PaperlinX Executive team. They continue to manage PaperlinX effectively and efficiently to ensure it remains a strong and sound business as well as pursuing growth opportunities following our clear and disciplined strategic vision.

2002 / 2003 promises to be another exciting and challenging year for the management team and all within PaperlinX and, we trust, it will be a rewarding year for our shareholders.

Ian M Wightwick
23 October, 2002