

PaperlinX



Annual General Meeting

Chairman – David Meiklejohn

Order of Business

Introduction

Chairman's Address

Managing Director's Address

Discussion of the Accounts

Election of Directors

Consideration and vote on Remuneration Report

Refreshments

Introduction

- 2005 a difficult year
 - domestic manufacturing further impacted
- Global pulp and paper industry cyclical
 - negative in past two years
 - lower paper selling prices
- Growth in paper merchandising a successful strategy
 - contributing significant operating earnings
 - reduced overall Group earnings volatility

Agenda

- Results for 2005
- Strategy
- Corporate governance and Sustainability Report
- September quarter
- Outlook

2005 in Review

- Continued challenging economic conditions
- Impact of strong Australian dollar on domestic paper selling prices
 - significant impact on Australian Paper
- Profit after tax of \$91.5 million (excluding ATC) for 2005, down 16%
- Earnings before interest and tax of \$184.9 million, down 3%
- Merchanting operating earnings up 26% to \$186 million
- Australian Paper operating earnings down 66% to \$22 million

2005 in Review

- Second half of 2005 did not meet initial expectations
 - solid first half momentum lost in second half
 - Europe slowed down
 - competition intensified
 - paper selling price increases did not occur
 - Australian dollar remained strong
- Good gains in areas under our control
 - reduced working capital
 - operating cash flow of \$273 million
 - gearing at 33%
 - paper merchant returns of 10.3%

Dividend

- Final dividend of 12 cents per share
 - 10 cents of ordinary dividend
 - 2 cents recognising benefits of ATC
- Payout ratio target of 70%
- 2006 earnings under International Accounting Standard
 - potentially greater volatility in reported earnings

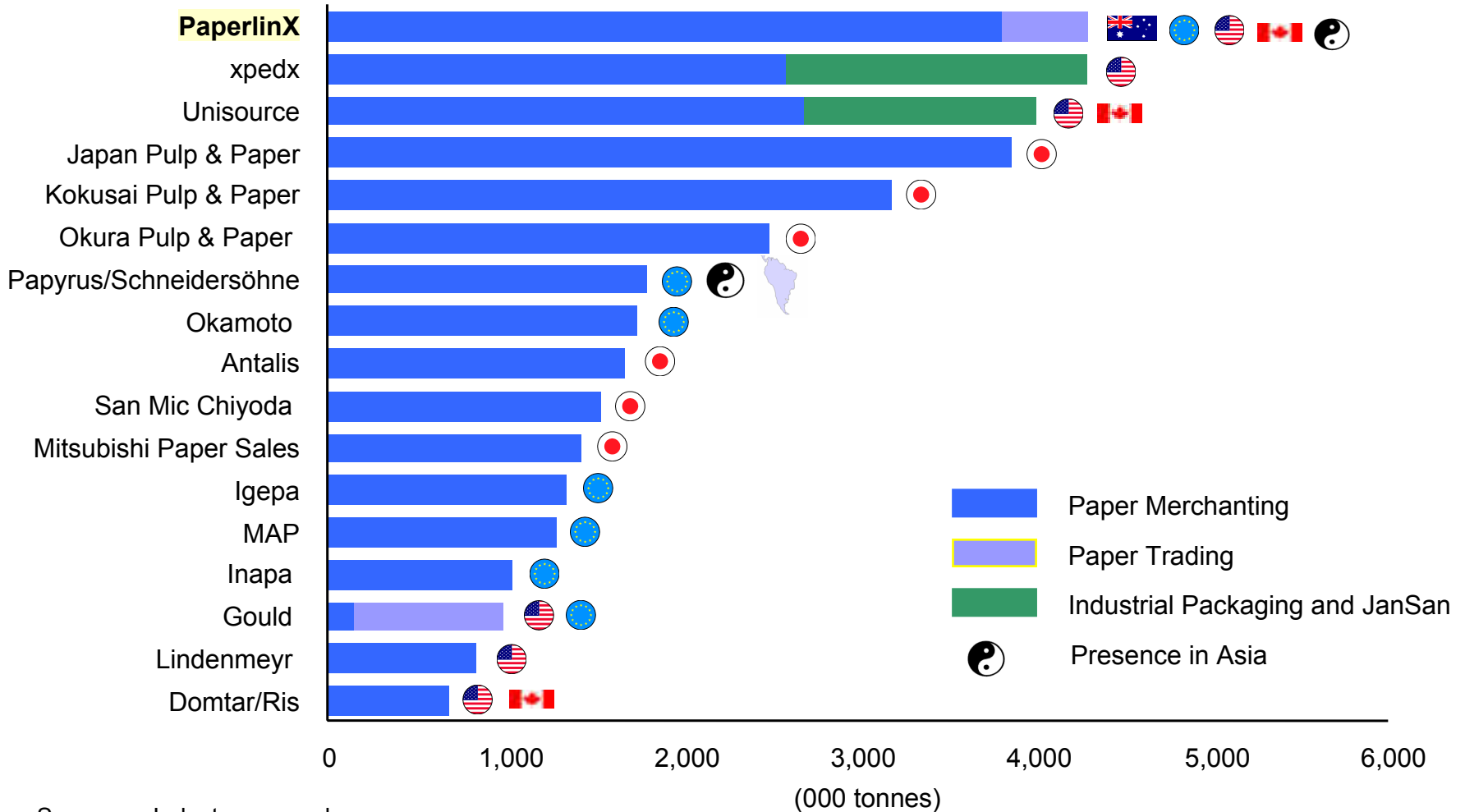
Strategy

- Grow volume, earnings, returns and earnings per share in merchanting
 - Disciplined management of existing businesses
 - Future expansion potential
 - Realise consolidation benefits
- Realise full value of manufacturing through the cycle
 - Focus resources to secure competitive advantages
 - Increased shareholder value

Management Actions

- Upgrade of Maryvale 1
 - Improved quality
 - Improved returns
- Maryvale Pulp Mill Upgrade
 - Reduced costs and improved quality
 - Enhanced environmental performance
- Capacity Rebalancing
 - Focus on product returns

Major Fine Paper Merchants



Source: Industry research

Relative Performance

- Difficult period for industry
 - weak demand
 - excess capacity
 - Australian situation exacerbated by currency
- PaperlinX top quartile industry performer globally
- ASA criticism lacking understanding
- Committed and competent Board and Management
- Sound risk and financial controls

Corporate Governance

- Compliance with ASX Corporate Governance Council's best practice recommendations
- Strong Board involvement
 - sound understanding and knowledge
- Specialised Board sub-committees
- Non-executive Directors retiring allowance
 - terminating in 2006 subject to approval of fee cap change

Sustainability

- Detailed report in Annual Report
- Commitment to delivering environmental and social benefits
- Performance monitored through Board committees
 - Safety and Environment Committee
 - Remuneration and Human Resources Committee

September Quarter

- Difficult conditions in June quarter have continued
- September quarter below prior corresponding period
- Working capital and cash management in line with our expectations
- No improvements seen in market conditions in the calendar year
- Benefits expected from Maryvale number 1 upgrade
- Australian Paper will benefit from any improvement in
 - domestic economic environment
 - reduced imports, increased pricing
- Merchanting returns to be maximised

Conclusion

- Difficult economic period
- Focus on areas under our control provides short term benefits
- Well positioned for improvements in cycle
- Current situation does not value in significant work being done and the upside potential



Annual General Meeting

Managing Director – Tom Park

Coated Woodfree Paper Demand – Apparent Consumption

Period change versus prior year

	1 st half	2 nd half	Turnaround
US	+ 15.8%	- 4.6%	- 20.4 pts
Europe	+ 4.8%	- 0.2%	- 5.0 pts

Source: Risi, Cepifine, PaperlinX estimates

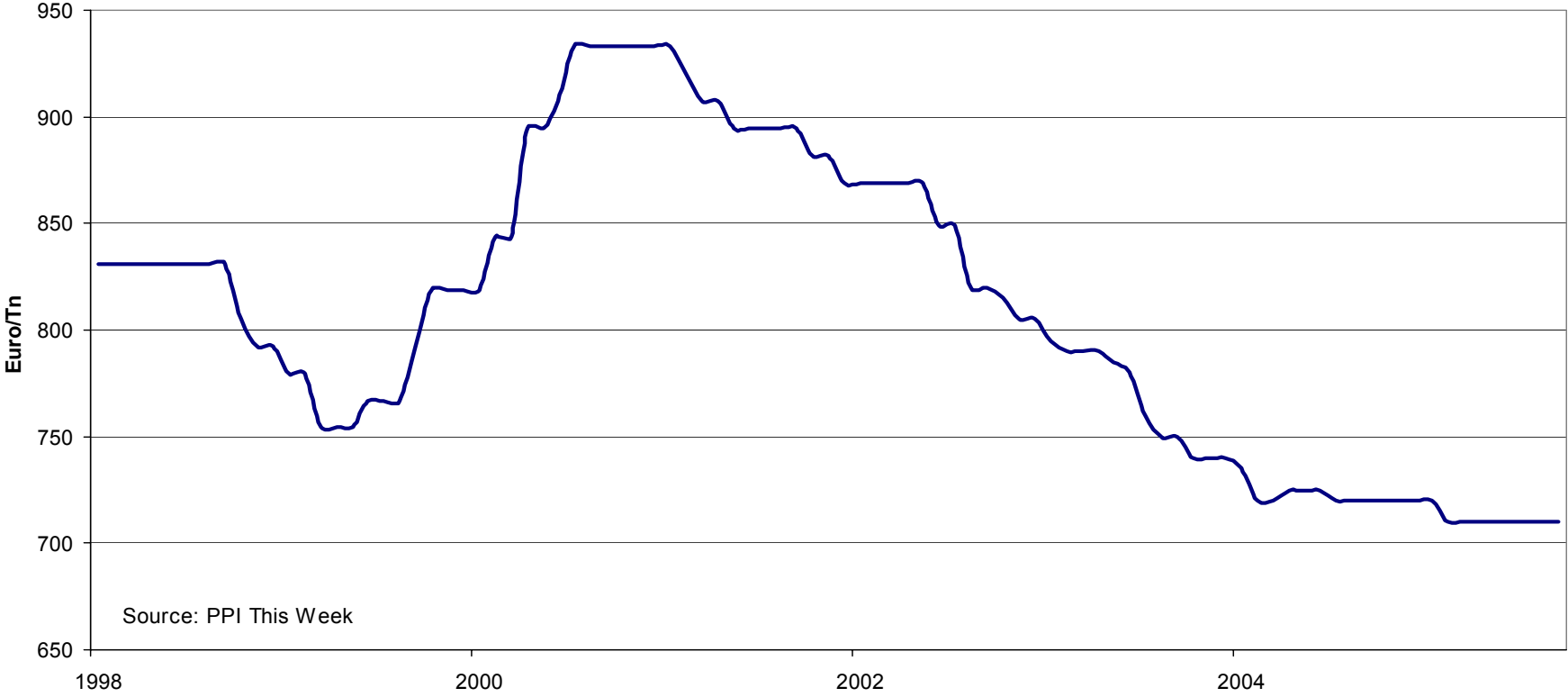
US – apparent consumption

Europe – deliveries to W Europe

- Weaker second half consumption in both US and Europe
- PaperlinX volumes were at or ahead of both the US and European market growth (excluding restructuring)

European Pricing at Historical Lows

European Market Pricing - Coated Woodfree
80gsm Reels - Germany



Strategic Response

- Balanced business and geographical mix
- Operations in 30 countries
- Top quartile returns among global paper companies

Core Operating Principles

- 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 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

Core Operating Principle: *Strengthen then build off existing business platforms*

- \$33 million semi-extensible sack kraft upgrade
- \$203 million Maryvale pulp mill and bleach plant upgrade
- Improved copy paper quality and advertising
- Growth of core brands
- Merchanting acquisitions add value

Core Operating Principle: *Productivity to provide funds to improve sustainability and growth*

- European expenses reduced 4%
- Working capital/sales ratio improving
- Working capital reduced \$183 million
- \$273 million operating cash flow
- Substantial further opportunities to improve

Core Operating Principle: *Simplification*

- Reduced stock keeping units by 20% in North America and Australia
- Fewer/bigger brands being promoted
- Reduced number of suppliers
- Reduced manufacturing specifications

Core Operating Principle: Actively prioritise activities based on value creation for customers, suppliers and for PaperlinX

- Value based management
- Economic profit roll-out
- Merchanting ROAFE improved from 10.1% to 10.3%

Core Operating Principle: *Fully leverage our global opportunities*

- Global supplier alliances
- Sharing best practice in logistics
- Global processes (debtor management, safety, brand portfolios)
- People transfer

Core Operating Principle: *Invest in our people and their skills*

- Leadership development training
- “Power of One” and “LeaderlinX”
- Economic profit/value based management

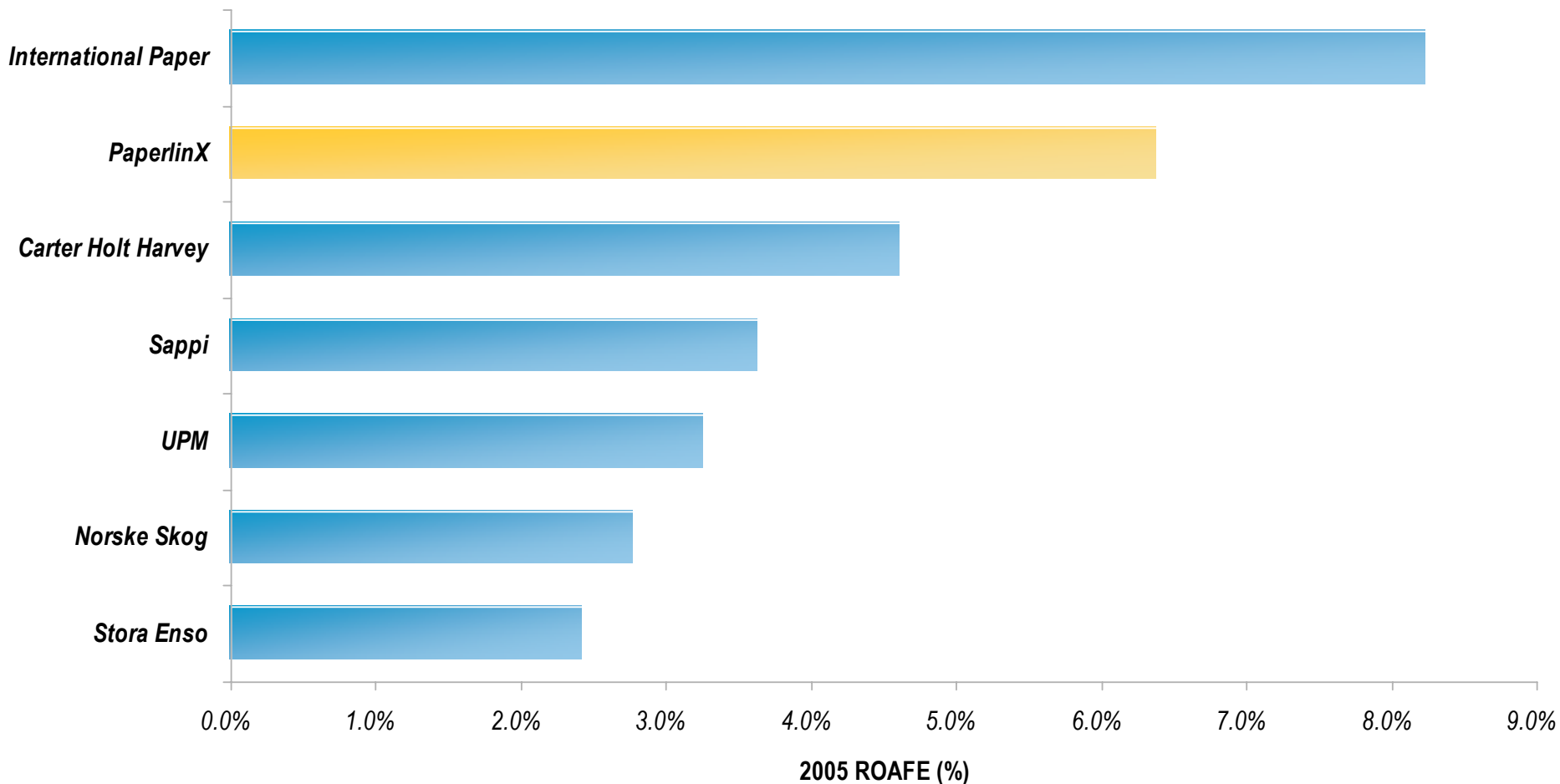
Core Operating Principle: *Compliance is mandatory*

- Compliance training
- Improved safety performance
- Environmental footprint improved:
 - Improved efficiencies
 - Water recycling
 - Reduced fossil fuel
 - Recycled waste paper
 - Substantial future benefits from pulp mill/bleach plant upgrade

Core Operating Principle: *Results oriented teamwork/success as a team*

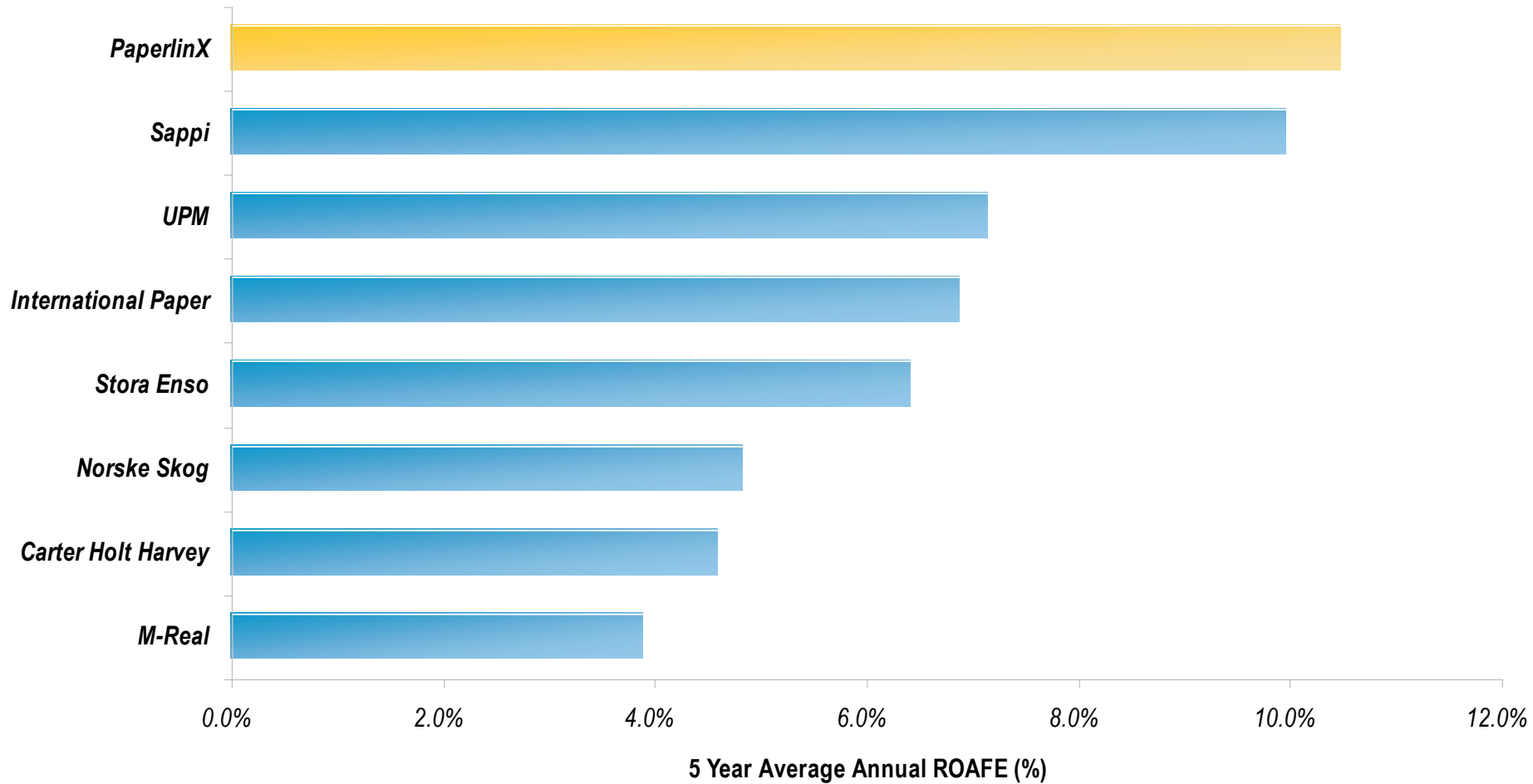
- Core belief at PaperlinX
- Provide ideas and commitment to deliver

Top Quartile Performance Versus Global Peer Companies - 2005



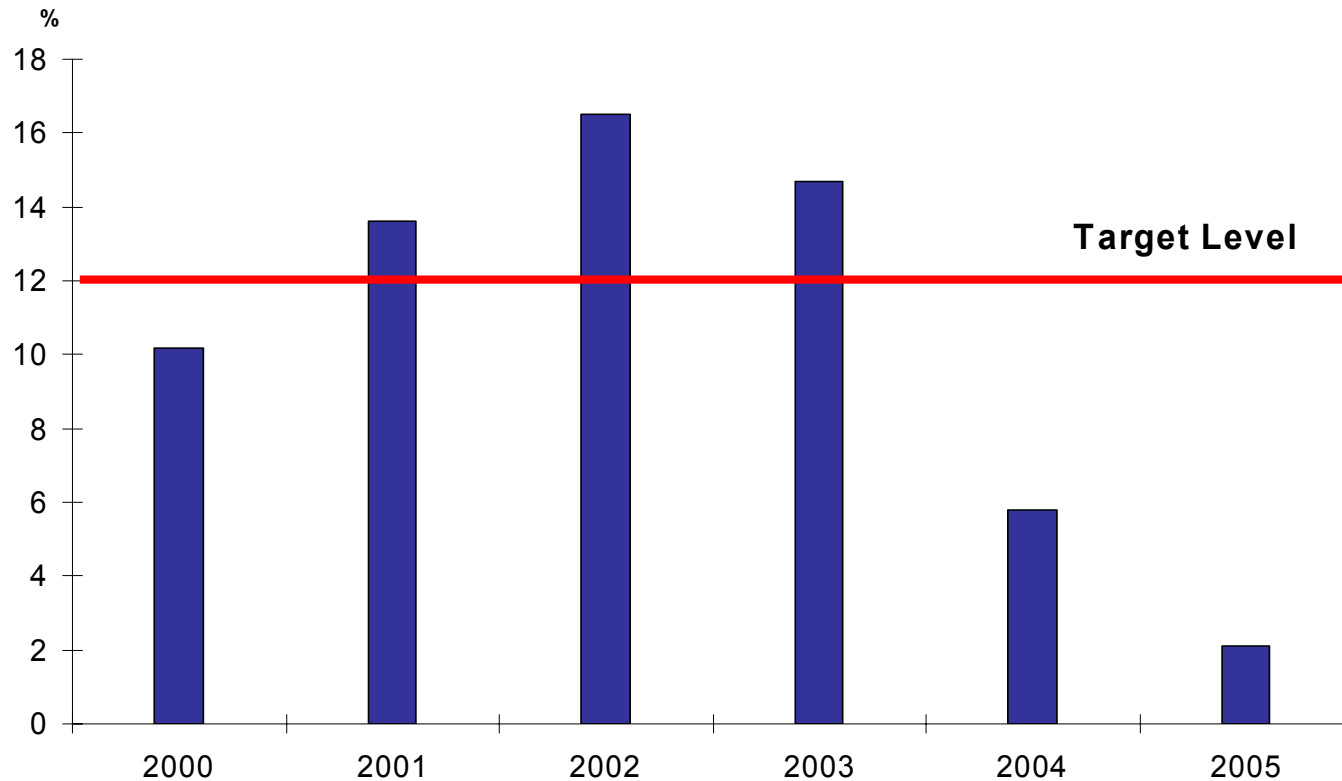
Note: Estimated from company annual reports and interim reports

Top Quartile Performance Versus Global Peer Companies – 5 Year

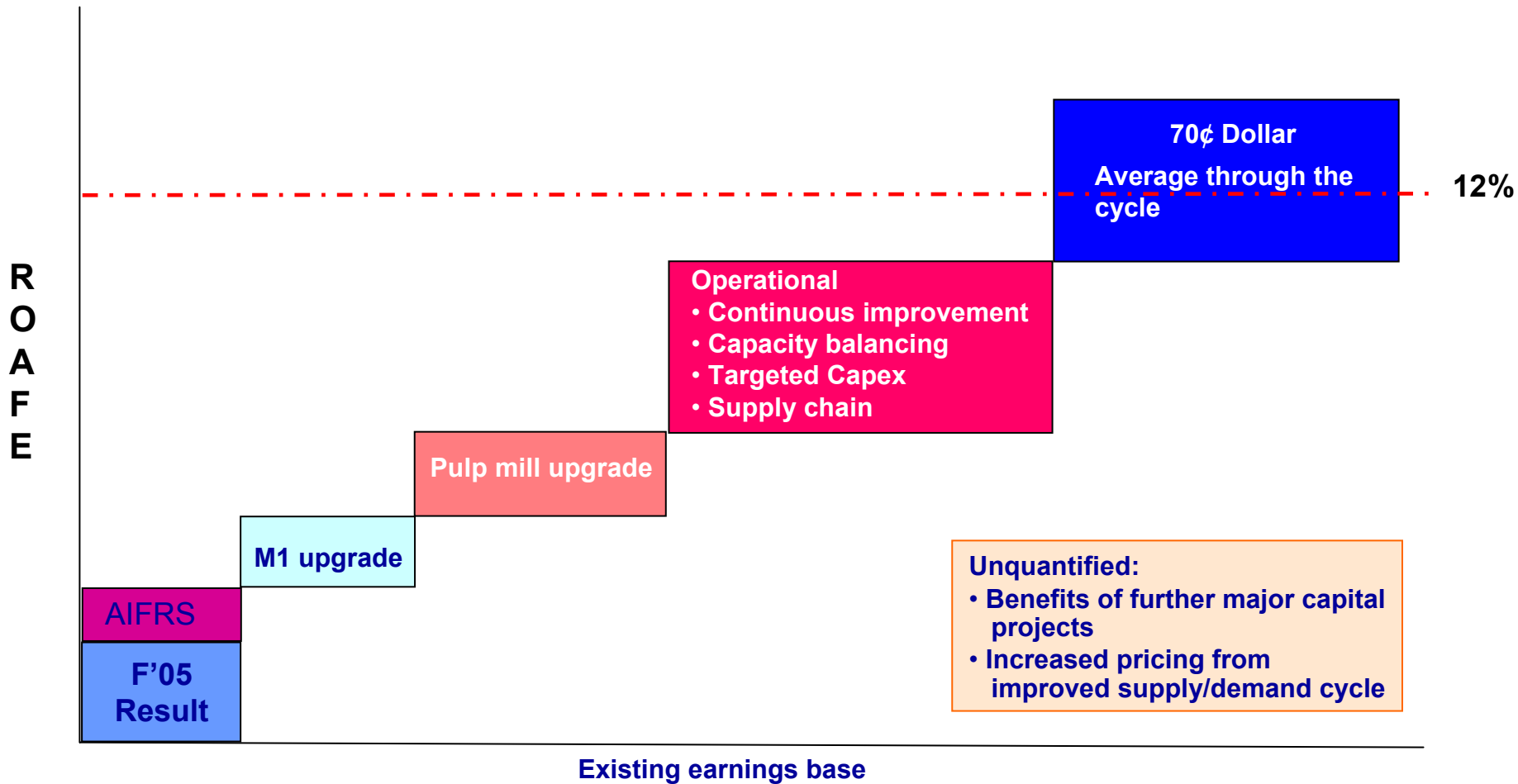


Note: Estimated from company annual reports and interim reports

Australian Paper Return on Funds Employed

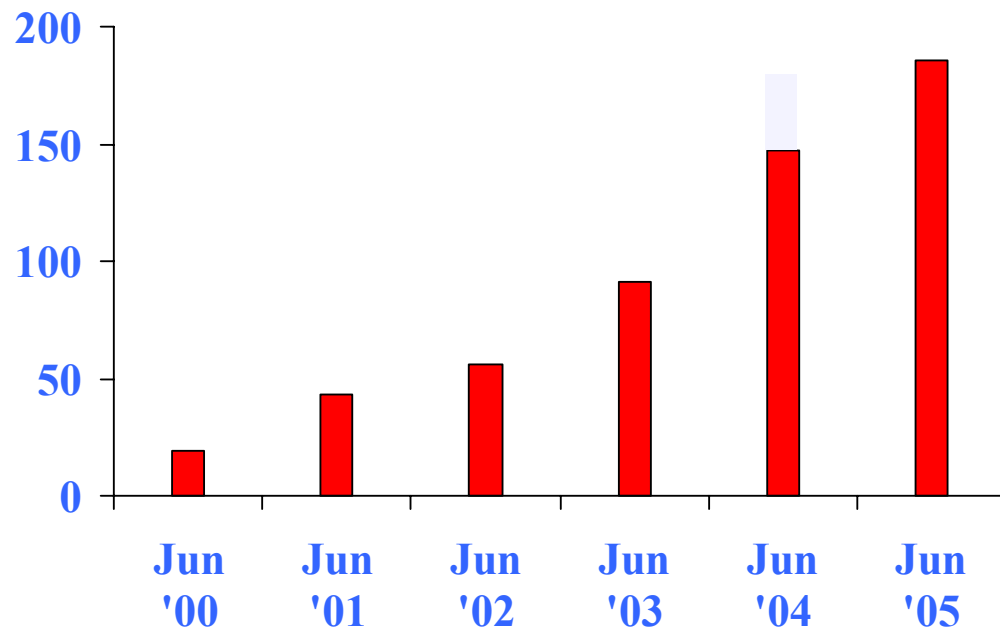


Actions to achieve 12% ROAFE for Australian Paper



Merchanting Returns

PBIT



Return on Average Funds Employed

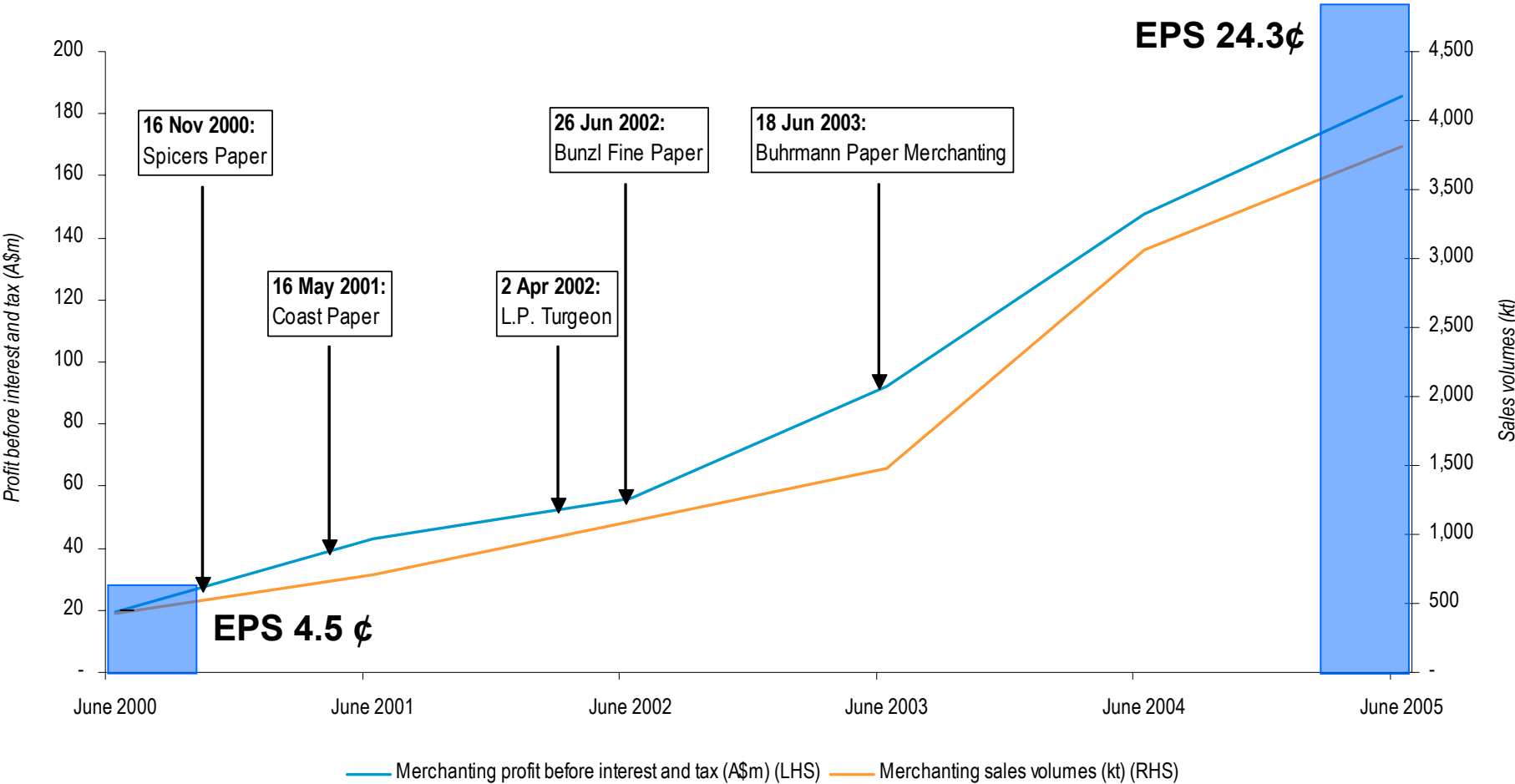
**12 months
June '04**

10.1%

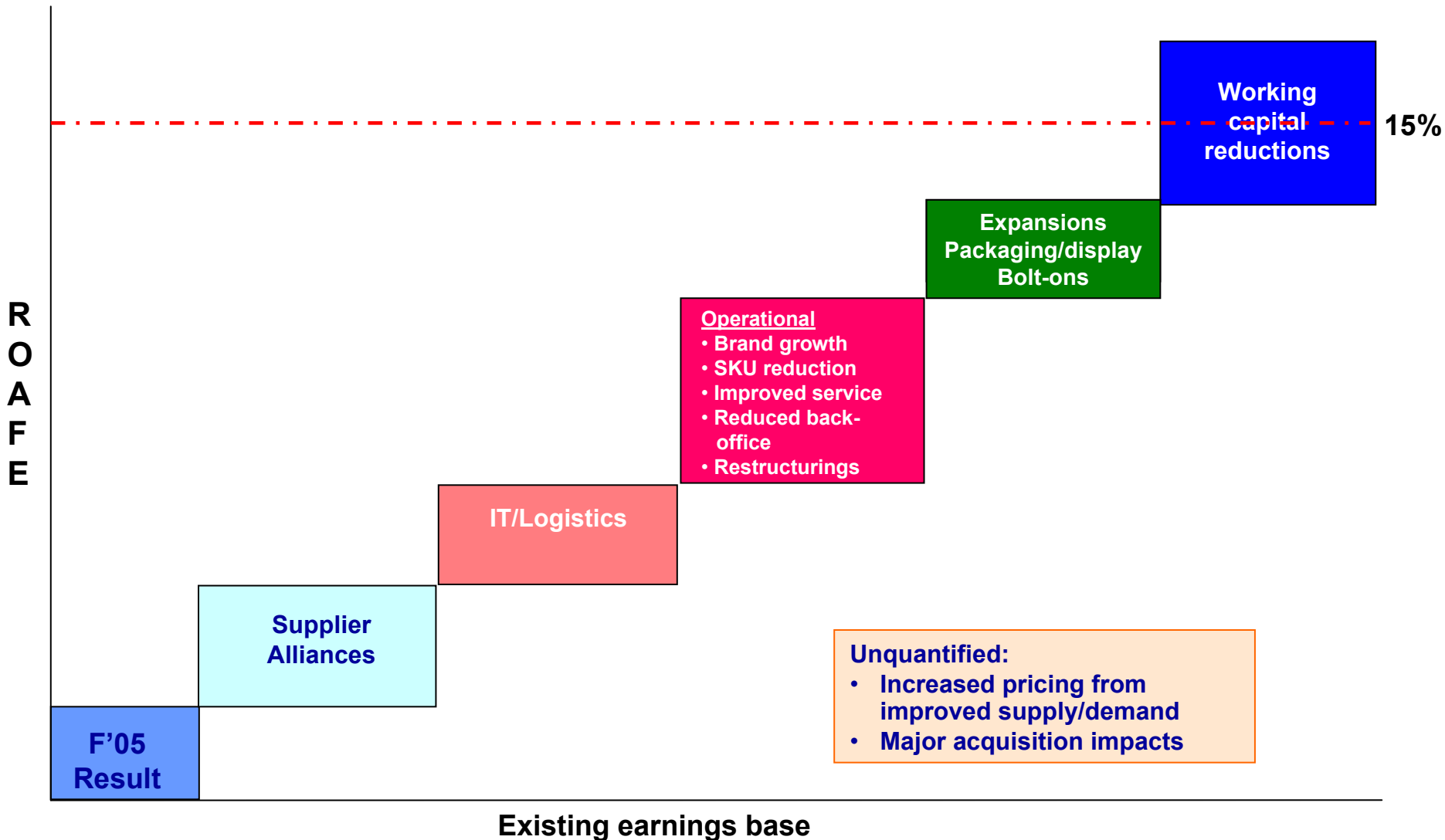
**12 months
June '05**

10.3%

Merchanting Growth



Actions to achieve 15% ROAFE for Merchanding



Conclusions

- Clear direction and operating principles
- Paths defined to improve returns
- No near term lift in market conditions
- Upside leverage if conditions improve

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