

**ADDRESS GIVEN BY THE
CHAIRMAN OF PAPERLINX LIMITED
DAVID E. MEIKLEJOHN, AT THE
ANNUAL GENERAL MEETING ON
THURSDAY 22 OCTOBER 2009 IN
MELBOURNE, AUSTRALIA**

INTRODUCTION

As I indicated in the Annual Report, the past year was a difficult and disappointing one for PaperlinX. We saw an unprecedented drop in demand for paper as a result of the global recession. As confidence collapsed, paper consumption fell and our customers moved to reduce inventory. Conditions deteriorated particularly sharply in the last quarter of calendar year 2008 in our key North American and European markets and have remained at depressed levels throughout this calendar year.

Today I plan to comment on:

- The results for the 2009 year;
- Group funding;
- The sale of Australian Paper and the review of our Tasmanian operations;
- Board and management matters, and
- The Outlook.

THE 2009 YEAR IN REVIEW

As reported, our results for 2009 were adversely affected by the weak market conditions, the sale of Australian Paper and related accounting adjustments, and significantly increased borrowing costs and fees imposed by our lenders. Earnings before interest and tax, before significant items, of \$16.4 million was substantially below the prior year. Operating earnings from our Merchanting business of \$82.4 million was impacted by the lower volumes in key markets, particularly in the January / June 2009 period. Manufacturing earnings of \$27.8 million were up on the prior year benefiting from the completed pulp mill upgrade, although the strengthening Australian dollar towards year end depressed reported earnings for the fourth quarter.

In response to the weaker market conditions, the structural cost reduction programme was accelerated, as was the release of cash from working capital.

Tom Park will elaborate further on the results of the business in his comments.

GROUP FUNDING

There was significant pressure on our borrowing covenants in the first half of the financial year as the drop in earnings coincided with the final expenditure on the pulp mill upgrade at the Maryvale mill. Although we undertook an equity raising in October 2008 to reduce debt, we breached covenants at 31 December, 2008. While our lenders subsequently provided waivers for the breaches, the company incurred significant additional costs post December 2008 including higher interest and borrowing costs, related waiver fees and other lender imposed costs.

As a result of the fall in earnings and the restrictions resulting from the covenant breaches, we were unable to pay a dividend on our ordinary shares and the June distribution on the Step-up preference securities.

Since the end of the financial year, we have reached agreement with our lenders for funding out to February 2011 in the case of the banks and 2013/2015 for US private placement note holders. In the meantime we are actively pursuing opportunities to further reduce overall debt levels and to replace our existing borrowing facilities with lines which have a lower cost and greater flexibility. We are aiming for facilities which better match our internal cash cycle and reduce our gross debt by releasing cash currently tied up in working capital. We have had success in a number of regions and are progressing positively on others.

SALE OF AUSTRALIAN PAPER AND TASMANIAN REVIEW

Our external debt was substantially reduced during 2009 by the proceeds of the sale of Australian Paper (excluding the Tasmanian operations) to the Nippon Paper Group, which was completed on 1 June, 2009. This was an important strategic step for PaperlinX as it moved us closer to being purely a global paper merchant.

This transaction was underpinned by the new bleach plant and the upgrade of the pulp mill at the Maryvale Mill. PaperlinX has retained the potential for some of the upside benefits of the pulp mill through both an agreement for pulp to be supplied to our Tasmanian mills and through a potential earn out should Australian Paper exceed agreed earning levels over the next 3 years.

As reported, the Tasmanian paper manufacturing operations, the Burnie Mill and the Wesley Vale Mill, were not included in the sale to Nippon Paper. These operations have struggled for some time as they are heavily exposed to import competition and the negative impact on pricing of fluctuations in the Australian dollar. We have been actively looking at the alternatives for these operations since it was clear that they would not be a part of the initial sale of Australian Paper. This has not been a simple process, and we continue to look for a quick resolution. We appreciate the commitment of our employees in Tasmania who have continued to operate the mills safely and efficiently in the face of this great uncertainty.

BOARD AND MANAGEMENT MATTERS

In this difficult operating environment, the Board has maintained focus on corporate governance and risk management issues. Our Board committees meet regularly and the Board met many times in 2009 to monitor and overview the progress on the strategic agenda.

Given the company's financial circumstances, Tom Park and his senior management team volunteered to receive no cash payment under the short term incentive plan for 2008/09 even where agreed performance targets were met. Further, there will be no increase in executive remuneration and non-executive director fees in 2009/10. Short term incentives for 2009/10 for the senior executive group will be based solely on achieving financial targets.

As part of our ongoing process of director transition, Andrew Guy retired from the Board in December 2008. I would like to thank Andrew for the contribution he made during his term as a director. There will be further retirements of non Executive Directors over the next 15 months.

Also during the year we welcomed Mark Hooper to PaperlinX as Chief Financial Officer.

OUTLOOK

The weak markets we faced through the January / June 2009 period carried into the seasonally slow northern hemisphere summer period. At this stage, we have not yet seen the upturn in economic sentiment which has been reported in our major markets translate into a significant lift in print demand although we do expect North America to lead future improvements. We will see the benefit of our ongoing cost reduction initiatives flow through in our 2010 results but we will need significant increases in market demand and higher selling prices to boost overall profitability.

CONCLUSION

As I said today and in the Annual Report, this has been a very difficult year for the Company and its shareholders and for our management team. All of our employees have been placed under considerable pressure. At the same time that we have pressed on with an aggressive cost reduction programme which includes cutting the number of our employees, we have reduced the incomes for many of the senior staff members who remain. I would like to thank our management team, headed by our Chief Executive, Tom Park, who have worked tirelessly for your Company over the year. Our employees remain committed to the company, to its strategic direction and to supporting management into the future and I thank them and all of our stakeholders for their support.

David E Meiklejohn
Chairman

22 October 2009

**ADDRESS GIVEN BY THE
MANAGING DIRECTOR OF PAPERLINX LIMITED
THOMAS P. PARK, AT THE
ANNUAL GENERAL MEETING ON
THURSDAY 22 OCTOBER 2009 IN
MELBOURNE, AUSTRALIA**

INTRODUCTION

It is my intention today to review the past year, and also, more importantly to tell you about the things we are doing to improve our performance going forward.

As the Chairman indicated, The Group performance in 2009 was impacted by unprecedented falls in demand in our key markets, particularly in the second half of the financial year. North America and Europe were the most affected with North American market consumption of coated woodfree paper down 31% in the second half of the year against the prior corresponding period and European volumes down 18%. While it is clear that in the fall there was a substantial element of inventory reduction throughout the supply chain, it is not yet clear how much of the fall is structural, how much was inventory correction and how much was the cyclical response to the weaker economic activity. Nor is it yet clear what shape any recovery in demand will take, although early indications are that North America is more likely to lead in that recovery.

Against the extremely challenging environment we faced in 2009, we have implemented a broad range of activities to both mitigate the worst impacts of the economic slowdown and to position the company for improvement when we do see recovery.

I am not going to say that I was pleased with how the year played out, but I am pleased with how our people responded, and with the breadth of activities that were undertaken across the Group to reduce costs, strengthen the balance sheet and sharpen our strategic focus. This year we will see the benefits of the cost savings made last year. We are also driving further savings from the business to rebuild profitability while reallocating resources to areas where we can achieve a better return. I'll comment more on these topics later.

The completion of the sale of Australian Paper (excluding Tasmanian operations) to Nippon Paper Group on 1 June 2009 for \$600 million was a major undertaking and substantially reduced our overall debt levels by year end. Net debt reduced from \$1,062 billion in December 2008 to \$217 million in June 2009. The sale marks a key strategic step for PaperlinX as we move our business from being reliant on the capital-intensive, high fixed cost manufacturing activities to a dominant focus on merchanting. We are working through the agreed process with Nippon Paper to determine the net asset adjustment, while we also retain the potential for an earn out payment over the next three years.

The Chairman has already mentioned our desire to improve financing flexibility as we move towards a funding structure more appropriate to our new operating model. The fixed type of funding that suited us with a heavy manufacturing component is no longer ideal for a business where the major asset is in working capital. As we progress to a largely receivables backed funding structure on a regional basis, we will realise the added benefits of lower interest costs, narrower spread between gross and net debt to release cash throughout the monthly receipt and payment cycle, and providing a natural hedge against the impact of currency translation on our balance sheet.

To date since the 1st of July, we have secured a US\$40 million facility in the US, a NZ\$35 million facility in NZ, we have agreed a term sheet on CAD\$40 - \$50 million facility in Canada and we are progressed on a AUD\$60 - \$80 million facility in Australia.

In our merchanting business we are also focused on both optimising the performance of our core merchanting activities and on growing the higher margin segments of sign and display, graphics supplies, industrial packaging, and converting which made up to 17% of total gross profit in F'09. These non-paper segments are targeted to realise over a quarter of PaperlinX gross profit in the next 3 to 4 years. Additionally, we are continuing to review the options for our Tasmanian manufacturing operations - which include closure, a reduced manufacturing footprint or a sale. Good progress has been made on developing the options and reducing our future exposures, though no final solution has yet been determined. We do however expect the net cost to be favourable to indications given when we announced the sale of AP.

Now looking specifically at results, the PaperlinX Divisional trading EBIT (that is earnings before interest and tax, before non-recurring earnings and Corporate costs) of \$110.1million reflected the much lower volumes seen in key markets as weak global economic activity depressed demand. Reported EBIT for 2009 was then further reduced by \$93.7 million in costs relating to ongoing corporate overheads, foreign exchange losses and bank/note holder charges, adviser costs for lenders and related fees. Reported EBIT also included significant items of \$(734.6) million pre-tax largely relating to the sale of Australian Paper.

In this environment, our performance on expenses and on working capital management were notable positives. Working capital is the money tied up in funding the day to day activities of our company. It is the balance of the money we lend to our customers as credit, the money lent to us by our suppliers and the money tied up in the inventory that is at the heart of what we do. How efficiently we manage those funds is a key measure of our efficiency as a company. We have increased our focus in this area and have been able to reduce our year end working capital by \$184 million over the past year. This includes the impact of the sale of Australian Paper offset by unfavourable currency movements. The year end working capital/sales ratio of 13.6 per cent is the best in PaperlinX's history. This reduces the funds we need to borrow and benefits our interest costs. It also frees up cash, allowing us to further pay down debt, even through a period of depressed earnings.

Merchant expenses also showed a significant reduction versus last year through successfully targeted cost reduction programmes across all regions. In local currencies, European expenses were down 9 per cent for the year and 12 per cent in the second half, North American expenses were down 13 per cent for the year and 21 per cent in the second half, and Australia/New Zealand/Asia expenses were down 2 per cent for the year and 5 per cent in the second half. Overall head count (excluding the sale of Australian Paper) is down 8 per cent (or 632 employees). We have continued our focus on costs with further structural reductions over the past few months, with our total merchanting headcount now down over 700 from the prior year. Additionally, a reduction of our corporate headcount from 56 to 32 following the sale of Australian Paper has been implemented in recent months, along with other measures to reduce corporate costs.

PEOPLE

This has been a year of great change, and challenge, for our people. We have seen an unprecedented fall in demand impacting volumes and have had to ensure that our cost base reflects that. We have made difficult decisions to recalibrate our expenses and substantially reduce our employee levels over the past year, as I mentioned, but we now have a structurally lower cost base to benefit from any improvement in demand as the world exits the recession. While spending has been constrained on training, we have seen real benefits out of our past investment and will look to invigorate our activities when conditions improve. Our Values continue to positively guide our behaviours while our safety performance also took another step change improvement through the year as well, reflecting the positive leadership and commitment to our people during difficult times. Our continued focus on sustainability and improving our environmental footprint benefited from the pulp mill upgrade and supply chain accreditation for all our merchant groups.

CONCLUSION

I would like to add my thanks to those of our Chairman, to my fellow employees for their leadership, dedication and focus through this most challenging year. It has been a year of recalibration and we must now build off that base into areas of higher value for all of our stakeholders.

Thomas P. Park
Managing Director and
Chief Executive Officer

22 October 2009