

**PaperlinX**

**PEOPLE  
PAPER  
PROGRESS**  
Annual Review 2008



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## Forward Looking Statements

Certain statements in this Review relate to the future, including forward looking statements relating to PaperlinX's financial position and strategy. These forward looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual results, performance or achievements of PaperlinX to be materially different from future results, performance or achievements expressed or implied by such statements. Neither PaperlinX nor any other person gives any representation, assurance or guarantee that the occurrence expressed or implied in any forward looking statements in this document will actually occur and you are cautioned not to place undue reliance on such forward looking statements. Subject to any continuing obligations under applicable law or any relevant listing rules of the Australian Securities Exchange, PaperlinX disclaims any obligation or undertaking to disseminate any updates or revisions to any forward looking statements in this document to reflect any change in expectations in relation thereto or any change in events, conditions or circumstances on which any such statement is based.

**P**  
**IS FOR...**

**PEOPLE** 9,365 dedicated people  
27 countries  
49 businesses  
366 locations  
18 languages

**PAPER** 3.7 million tonnes  
distributed  
780,000 tonnes  
manufactured

**PROGRESS**

20 per cent compound  
annual growth in  
non-paper activities  
\$81 million delivered  
through strategic  
initiatives

**P**  
**IS FOR**  
**PAPERLINX**

# OUR LOCATIONS



## Merchanting Europe

- 1 Denmark
- 2 Ireland
- 3 United Kingdom
- 4 Netherlands
- 5 Belgium
- 6 Germany
- 7 Poland
- 8 Czech Republic
- 9 Austria
- 10 Slovakia
- 11 Hungary
- 12 Croatia
- 13 Slovenia
- 14 Italy
- 15 Spain
- 16 Serbia
- 17 South Africa

## Merchanting Australia, NZ and Asia

- 1 Darwin
- 2 Townsville
- 3 Brisbane
- 4 Sydney
- 5 Canberra
- 6 Melbourne
- 7 Hobart
- 8 Adelaide
- 9 Perth
- 10 Auckland
- 11 Wellington
- 12 Christchurch
- 13 Dunedin
- 14 Singapore
- 15 Malaysia
- 16 Vietnam
- 17 Hong Kong
- 18 Japan
- 19 Taiwan

## Paper Manufacturing

- 1 Melbourne
- 2 Maryvale Mill
- 3 Shoalhaven Mill
- 4 Burnie Mill
- 5 Wesley Vale Mill



**Merchanting  
North America**

- 1 Edmonton
- 2 Calgary
- 3 Saskatoon
- 4 Vancouver
- 5 Regina
- 6 Winnipeg
- 7 Sudbury
- 8 Toronto
- 9 Kitchener
- 10 Belleville
- 11 Ottawa
- 12 Montreal
- 13 Quebec City
- 14 Dartmouth
- 15 St John's
- 16 Seattle
- 17 Portland
- 18 Minneapolis
- 19 Sacramento
- 20 Denver
- 21 Kansas City
- 22 St Louis
- 23 San Francisco
- 24 Las Vegas
- 25 Los Angeles
- 26 San Diego
- 27 Phoenix
- 28 Tucson
- 29 Hawaii

# PAPERLINX

# IS

**One of the world's largest fine paper merchants.**

Distributing nearly four million tonnes of high-quality fine paper, sign and display and graphics products, and industrial packaging to printers, stationers, office suppliers and other customers in five continents.

**Australia's only manufacturer of printing, writing and office papers.**

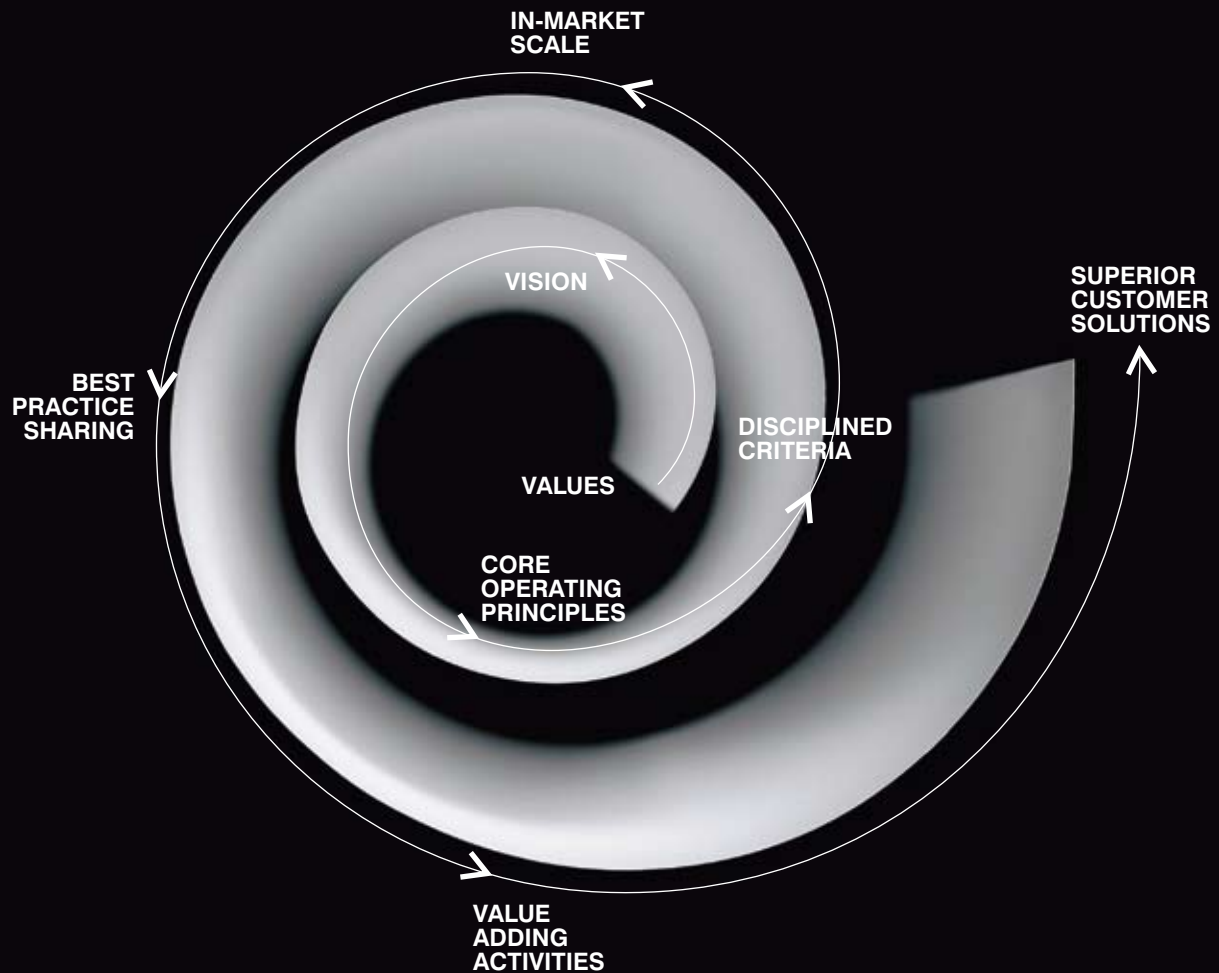
Manufacturing and distributing around 500,000 tonnes of high-quality communications papers at four Australian mills, primarily for Australian customers, but also exported around the world.

**A leading Australian manufacturer of packaging papers.**

Manufacturing around 300,000 tonnes of linerboard and sack bag papers for customers in Australia and throughout the Asian region.

# { THE PAPERLINX APPROACH

Our decision-making process uses a series of steps to ensure the best possible outcomes.



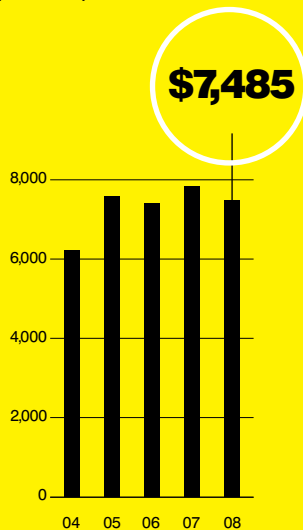
- > **OUR VALUES** – Who we are
- > **OUR VISION** – Where we are going
- > **OUR CORE OPERATING PRINCIPLES** – Our process for getting there
- > **DISCIPLINED CRITERIA** – Investment based on clear disciplines
- > **IN-MARKET SCALE** – Opportunity in core businesses
- > **BEST PRACTICE SHARING** – Team approach
- > **VALUE ADDING ACTIVITIES** – Accelerating growth
- > **SUPERIOR CUSTOMER SOLUTIONS** – The outcome

# HIGHLIGHTS 2008

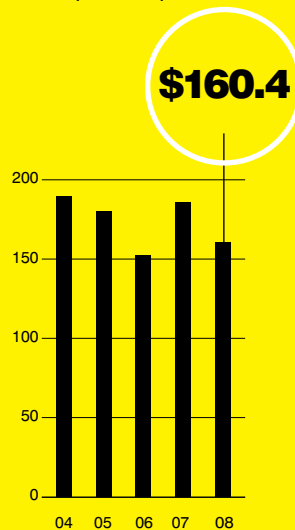
Reported profit after tax was \$72.2 million for the year ended 30 June 2008 compared with \$80.1 million for 2007. Earnings before interest and tax (EBIT) was \$160.4 million, down 14 per cent.

The 2008 result reflected the impacts of very challenging external market conditions, including rising costs, weak global demand and a weak US dollar. Against this, the Group made good progress on cost reduction programmes, growth in higher value product segments and continued to deliver its programme of strategic initiatives.

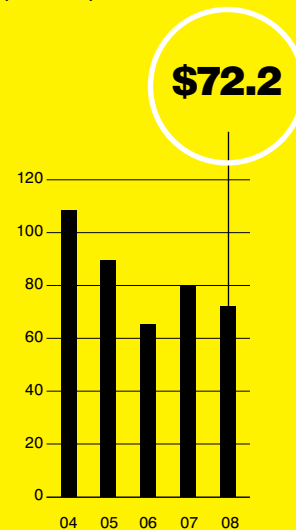
Sales revenue  
(A\$ million)



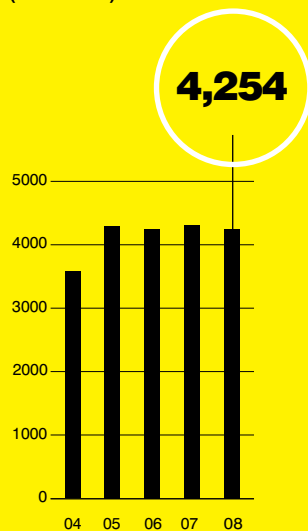
Earnings before interest  
and tax (A\$ million)



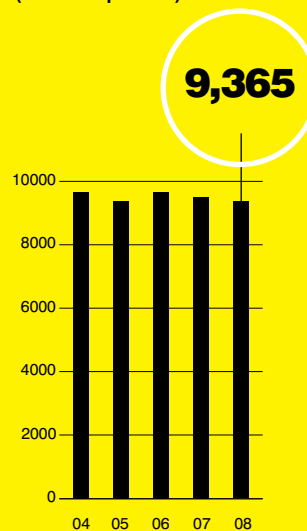
Profit after tax  
(A\$ million)



Paper sales volume  
('000 tonnes)



Number of employees  
(full time equivalent)



# SUMMARY FINANCIALS

## Paperlinx Limited and Controlled Entities

		Year ended 30 June		
		2008	2007	2006
Sales revenue	\$m	7,485.1	7,839.3	7,371.6
Earnings from operating activities before interest, income tax, amortisation and depreciation	\$m	254.3	286.5	257.1
Earnings from operating activities before interest and income tax (EBIT)	\$m	160.4	185.5	152.4
Underlying earnings from operating activities before interest and income tax	\$m	154.4	197.7	156.6
Profit before tax	\$m	100.4	114.6	87.3
Profit after income tax	\$m	72.2	80.1	65.4
Step-up Preference Security (SPS) distribution	\$m	26.7	6.6	0.0
<b>Key Ratios</b>				
Earnings before interest and income tax to average funds employed	%	5.7	7.0	6.2
Average working capital to sales	%	18.0	18.3	18.7
Operating cash flow	\$m	113.0	142.9	259.8
Net interest cover <sup>(1)</sup>	x	2.0	2.5	2.3
Net debt/Net debt and equity	%	28.7	24.3	36.0
Basic earnings per share post SPS distribution	cps	10.1	16.4	14.7
Dividend per share (Total annual)	cps	6.5	11.0	10.0

(1) Including capitalised interest in 2008 of \$18.8 million, \$4.2 million in 2007 and \$0.3 million in 2006.

Note: In this statement, currency is in Australian dollars unless otherwise indicated.

	EBIT		Sales Revenue		Total Assets	
	June 2008 \$m	June 2007 \$m	June 2008 \$m	June 2007 \$m	June 2008 \$m	June 2007 \$m
<b>Industry Segments</b>						
Europe	139.0	139.9	4,573	4,780	2,020	2,148
North America	32.4	51.5	1,275	1,380	457	502
Australia, NZ and Asia <sup>(1)</sup>	21.0	13.8	1,005	1,033	444	462
Inter-merchant Sales	–	–	(37)	(34)	–	–
Total Paper Merchancing	192.4	205.2	6,816	7,159	2,921	3,112
Paper Manufacturing <sup>(1)</sup>	(1.9)	10.2	973	1,016	1,354	1,148
Corporate <sup>(1)(2)</sup>	(30.1)	(29.9)			35	129
Operating earnings before interest and income tax	160.4	185.5				
Net interest <sup>(3)</sup>	(60.0)	(70.9)				
Income tax expense	(28.1)	(34.4)				
Outside equity interests	(0.1)	(0.1)				
Inter-segment sales			(304)	(336)		
Unallocated assets (deferred tax assets)					68	53
Total	72.2	80.1	7,485	7,839	4,378	4,442

(1) Reported historic results adjusted to reflect the formation of PaperlinX Office.

(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.

(3) Excludes capitalised interest in 2008 of \$18.8 million and \$4.2 million in 2007.

A full-length portrait of David Meiklejohn, an older man with short brown hair, wearing a dark pinstriped suit jacket, a light blue shirt, and a red patterned tie. He is standing against a background of vertical yellow and orange stripes. The word "PAPER" is written in large, bold, yellow letters across the bottom of the image.

David Meiklejohn }  
Chairman }

# PAPER

# CHAIRMAN'S REPORT

2008 was another year where the external environment again proved to be extremely difficult and increasingly challenging. The profit results for the Group were down but the benefits of the strategic initiatives undertaken in recent years ameliorated to some extent the negative impacts of the adverse market conditions. We have been operating in difficult economic conditions now for some years and this has had a negative impact on our profits, our share price and on returns. Although we do not see any short-term changes in market conditions we will continue to focus on the key strategic areas which are under our control which involve reducing costs, improving productivity and improving production efficiencies.

A major focus of the management and the Board over the past year has been on the completion of the new bleach plant and pulp upgrade at our Maryvale Mill. This project has not proceeded in line within our original cost and timing expectations and is now scheduled for completion later in the 2008 calendar year. However, the strategic rationale for the upgrade involving increased capacity, reduced production costs, improved environmental performances and improved product quality remains unchanged. Although the completion of the project has been protracted, we are obtaining benefits from the work completed to date and are confident of delivering targeted returns on completion.

The industry structural issues I have commented on in previous reports have shown some signs of resolution, with recent closure announcements of paper production facilities by European paper manufacturing companies. This has the potential to improve the supply imbalance in Europe while the increase in Asian demand for paper is seeing a tightening in the regional Asian supply/demand balance. Nonetheless, we must continue to focus on the areas under our own control, and ensure that our Company maintains the flexibility, both financially and operationally, to continue to pursue its chosen path.

Operationally we continue to progress our list of strategic initiatives, including the pulp mill upgrade. These initiatives have helped buffer the Company results against the negative pressures of recent years and new initiatives have been added as opportunities arise. In some cases investment in these initiatives has had a negative impact on short-term returns, but have been undertaken because they will yield improved results in the longer term.

A consequence of taking some restructuring actions now, combined with the difficult external environment, has been the need to manage our financial resources prudently. In an operational sense this has led to a significant focus on reducing working capital on ongoing cost reduction programmes and on the sale of non-strategic property assets. It has also resulted in tight management of the Group balance sheet and of our sources of funding. We issued step-up preference shares in 2007, and continued the roll-over of the Group's short-term debt in February 2008. We will consider other funding options as appropriate to ensure the Company continues to retain the funding flexibility it needs, especially in these more uncertain times.

The announcement that PaperlinX is considering the partial or total sale of Australian Paper to external investors is consistent with this approach, though to date no firm offers have been received, nor any decision made at the time of writing.

Another key focus of the Board during the past year has been to overview risk management throughout the Group to ensure that the Company adequately addresses changes in our external environment. Operational and external risks are monitored by the Board through formal reporting systems and also through regular discussions with management. Our Board Committees ensure that proper governance of Company activities is maintained at the highest standards and that we focus on key identified risk areas.

As part of our ongoing process of Director transitions, Mr David Walsh retired from the Board at the end of 2007. I thank David for the contribution he made both to the Board and to the development of the Company during his tenure. I am pleased to welcome Mr Harry Boon to the Board. Harry, an experienced Director with a strong management background, joined the Board in May 2008.

It has been a challenging year for the Company, placing pressure on management and all our employees. I thank our Chief Executive, Tom Park and his team for the efforts of the past year, and the ongoing commitment they have shown towards the future of our Company. Again I would also like to thank our shareholders and other stakeholders for their ongoing support.



David Meiklejohn  
Chairman

A professional portrait of Tom Park, a middle-aged man with short grey hair, wearing a dark grey suit, white shirt, and a green and red striped tie. He is smiling slightly and looking directly at the camera. The background is a bright, warm yellow with vertical light streaks.

Tom Park  
Managing Director and  
Chief Executive Officer }

# PROGRESS

# MANAGING DIRECTOR'S REPORT

2008 proved to be the challenging year we thought it might be. The external environment continued to deteriorate, and overall industry returns around the world remain poor. The manufacturing sector in North America and Europe particularly came under pressure from rising costs and declining volumes.

Against this environment we continued to pursue the path we have been following for the past four years. While it is sometimes not easy to see those benefits in a falling market and in such volatile times, we are moving the Company closer to a more sustainable future. 2008 was a pivotal year in this context. We have, or are close to completing a number of significant investments to improve the competitiveness of your Company. Progressing these activities has not been easy, and the speed of progress of the pulp mill upgrade at Maryvale has been a particular disappointment; though the strategic rationale for the project remains sound, and expected benefits have improved over time.

Going into 2009, as we complete this key project, we will realise the production cost savings, product improvements and a superior environmental footprint the project has been designed to achieve.

## Group Results

The PaperlinX profit after tax for the 2008 financial year was \$72 million, down 10 per cent on last year's \$80 million. Group operating earnings before interest and tax (EBIT) were \$160 million. This is 14 per cent down on last year's \$186 million. This operating result reflects the difficult business environment mentioned above along with costs associated with the Pulp Mill upgrade through the year.

These results are clearly not acceptable. We understand that and do not shy away from the hard decisions needed to provide our stakeholders with the returns they expect. In fact we started on the changes we believe are needed some years ago and have been regularly reporting openly against these strategic initiatives. Certainly the externalities have been much more negative than anyone expected, but if we had not followed our current path of growth in merchanting, investing against competitive advantages and reducing our position in non-competitive or strategic activities, our position would be worse.

We have diversified into Paper Merchanting, with that sector of our business currently providing the majority of our earnings. We have consolidated businesses and facilities, structurally reducing the funds needed to run our businesses and the costs incurred. We are currently investing heavily into our manufacturing business to improve its competitive position and reduce costs further. These priorities take time to complete, but the benefits to date have enabled us to absorb the significant negative headwinds.

All of this has kept pressure on our financial resources. Our key metrics are tighter than we would prefer, and we have kept focussed on our priority areas to ensure that the dollars we have to invest are invested with the best payback. It is encouraging that we have more opportunities than we have the capacity to deal with. We will continue to ensure that the Company has adequate funding coverage, and will continue to look for ways to self-fund our ongoing investments through reduction of working capital or sale of non-core assets.

## People

We have been working hard to make sure that we have the right people in the right places and that we provide them with the skills they need to make their best contribution. Training in the areas of safety, sales and leadership have all figured prominently in the last year. These activities are time consuming and expensive and we must prioritise carefully, but ultimately they are critical investments in the future of PaperlinX. If you want to see a compelling argument for investment in people have a look at our safety performance. Not yet perfect, but progress we can be proud of.

## Sustainability

As in prior years we have a dedicated report on this subject (available in hard copy or on our website, [www.paperlinx.com](http://www.paperlinx.com)).

## Launch of Values

2008 saw the launch of the PaperlinX Values. These Values have been arrived at after a great deal of consultation across the Group. Our Values are supported by behaviours that relate to how we expect all employees to act with each other, and with our customers, suppliers and others. For details of our seven Values I would encourage you to visit our website ([www.paperlinx.com](http://www.paperlinx.com)).

## Conclusion

I would like to thank my fellow employees for the energy and dedication they have applied during very difficult economic times. It is one of the great challenges during such times to keep the focus on key areas when short-term issues are so acute. I am proud of the way our people have applied themselves, and the dedication shown at all levels of our organisation. We have made further progress down our chosen strategic path and while 2009 will be another year of challenge, I know we have built a team that is up to that challenge.



Thomas P Park  
Managing Director and Chief Executive Officer

# MAJOR BUSINESS INITIATIVES

## Update of Existing Initiatives

Many of the strategic initiatives we committed to previously are now complete or well in progress and adding value to the business.

Our strategic initiatives delivered \$81 million incremental benefit in 2008 (over 2005). These initiatives are on target to return \$125 million incremental benefit in 2009 (versus 2005), an increment of over \$40 million from 2008.

Upgrade of the number 1 paper machine at Maryvale Mill	Complete, in market. Pricing favourable	<b>COMPLETED</b>
Closure of the number 1 and number 2 paper machine at Shoalhaven Mill	Complete	
Spicers Canada acquisition	Complete, returns exceeding expectations	
PaperlinX Office (Australia)	Complete, domestic copy paper share growth	
European portfolio changes	Exit France, Sweden, Portugal, Finland Acquisition in Italy (exceeds expectations)	
Warehouse integrations	Toronto, Barcelona, Australia	
Maryvale wood yard outsourcing	Completed and transferred to Operator	
The Delivery Company (UK Logistics)	On track, 12 sites operational	<b>ONGOING</b>
Netherlands restructure	Exceeding expectations. Living Office now operational	
European IT platform	On track, three units completed, two units in progress	
Maryvale pulp mill upgrade	On track for targeted returns. Output and EBIT upside potential, though capital cost higher and benefits delayed	
Growth of own brands	+3 per cent Europe, +7 per cent North America	
Strategic sourcing alignment	Ongoing	

## **Additional Initiatives**

To proactively address the impacts of weak markets and the delayed pulp mill upgrade benefits, these existing and additional initiatives are in place for 2009.

### **Continue to expand the contribution of non-paper activities at superior margins**

- yoyo,<sup>TM</sup> a closed loop office paper recycling system, was recently launched in the UK and is rolling out in continental Europe
- Expand our Sign and Display platform
- Industrial Packaging acquisitions in the UK have exceeded plan
- Non-paper activities delivered 17 per cent of gross profit in 2008

### **Complete the remaining European property sales to fund restructuring charges**

- We expect over \$20 million profit with a bias to the first half of the year

### **A Profit Protection Plan has commenced, to deliver a \$30 million expense saving and a fuel surcharge benefit in 2009 to mitigate fuel costs and market softness**

- There is a focus on shared services and fuel surcharges and a hold on headcount and discretionary spend

**These initiatives touch all parts of our business and show the benefits that can be achieved by following our clear and simple values and core operating principles.**

## **Strategic Review Process**

To ensure that the strategic advantages of our businesses are fully valued, a process is underway to identify potential investors for a share of or all of Australian Paper.

- Potential investors are currently performing due diligence, though there is no decision to sell at the time of writing
- In the event that an offer is made and accepted, it is probable that the long-term carrying value of the business may not be achieved at this low point in the business cycle, though 'through cycle' valuations support the carrying value
- We will evaluate offers in light of the overall value and the alternative uses of funds in the near and medium term

# SENIOR MANAGEMENT



**Tom Park**  
Managing Director and  
Chief Executive Officer

Tom was appointed Managing Director and Chief Executive Officer of PaperlinX Limited in February 2004. He was previously Chief Executive Officer of Goodman Fielder Limited, Chief Executive Officer of Southcorp Limited, and Executive Vice-President of Kraft Foods Limited. Tom has broad business experience in Australia, Asia, North America and Europe.



**David Lamont**  
Chief Financial Officer

David joined PaperlinX as Chief Financial Officer in February 2006 and has worldwide responsibility for finance, taxation, commercial, legal, audit and business systems. David was previously Chief Financial Officer of BHP Billiton's Carbon Steel Materials business. David has resigned from PaperlinX effective 26 September 2008.



**Chris Creighton**  
President, PaperlinX  
North America

Chris was appointed President, PaperlinX North America in March 2001 and has responsibility for the operations in the US and Canada. Chris has an extensive background in merchanting and has held various senior positions in Australia and North America.



**Eduard de Voogd**  
Chief Executive Officer,  
PaperlinX Europe  
(until 30 June 2008)

Eduard was appointed Chief Executive Officer, PaperlinX Europe in November 2003 and has responsibility for the growth and strategic direction of the Merchanting businesses in Europe. Eduard has held a number of senior marketing and management positions in PaperlinX's European operating companies.



**Martin Fothergill**  
Executive General Manager,  
Merchanting Australia,  
New Zealand and Asia

Martin was appointed Group General Manager, Merchanting Australasia in November 2005 with responsibility for Australia, New Zealand, Asia and Paper Trading. He was previously Regional President, UK and Ireland and joined the PaperlinX Group in 2002 as Managing Director of Bunzl Fine Paper in the UK, later renamed The Paper Company. Martin has over 30 years of experience in Paper Merchanting.



**Jim Henneberry**  
Executive General Manager,  
Australian Paper

Jim joined PaperlinX in July 2006 and has responsibility for the Group's paper manufacturing in Australia. Jim was previously with International Paper/Carter Holt Harvey in the US and New Zealand. Prior to this he held various operational, capital and strategic roles during his 29 years in the international pulp and paper industry.



**Toby Marchant**  
Chief Executive Officer,  
PaperlinX Europe  
(from 1 July 2008)

Toby was appointed Chief Executive Officer, PaperlinX Europe in July 2008 and has responsibility for the growth and strategic direction of the Merchanting businesses in Europe.

Toby was previously Regional President for PaperlinX UK, Ireland and South Africa and Managing Director of Robert Home Group and has over 25 years experience in Paper Merchanting.



**Ross O'Brien**  
Executive General Manager,  
Human Resources

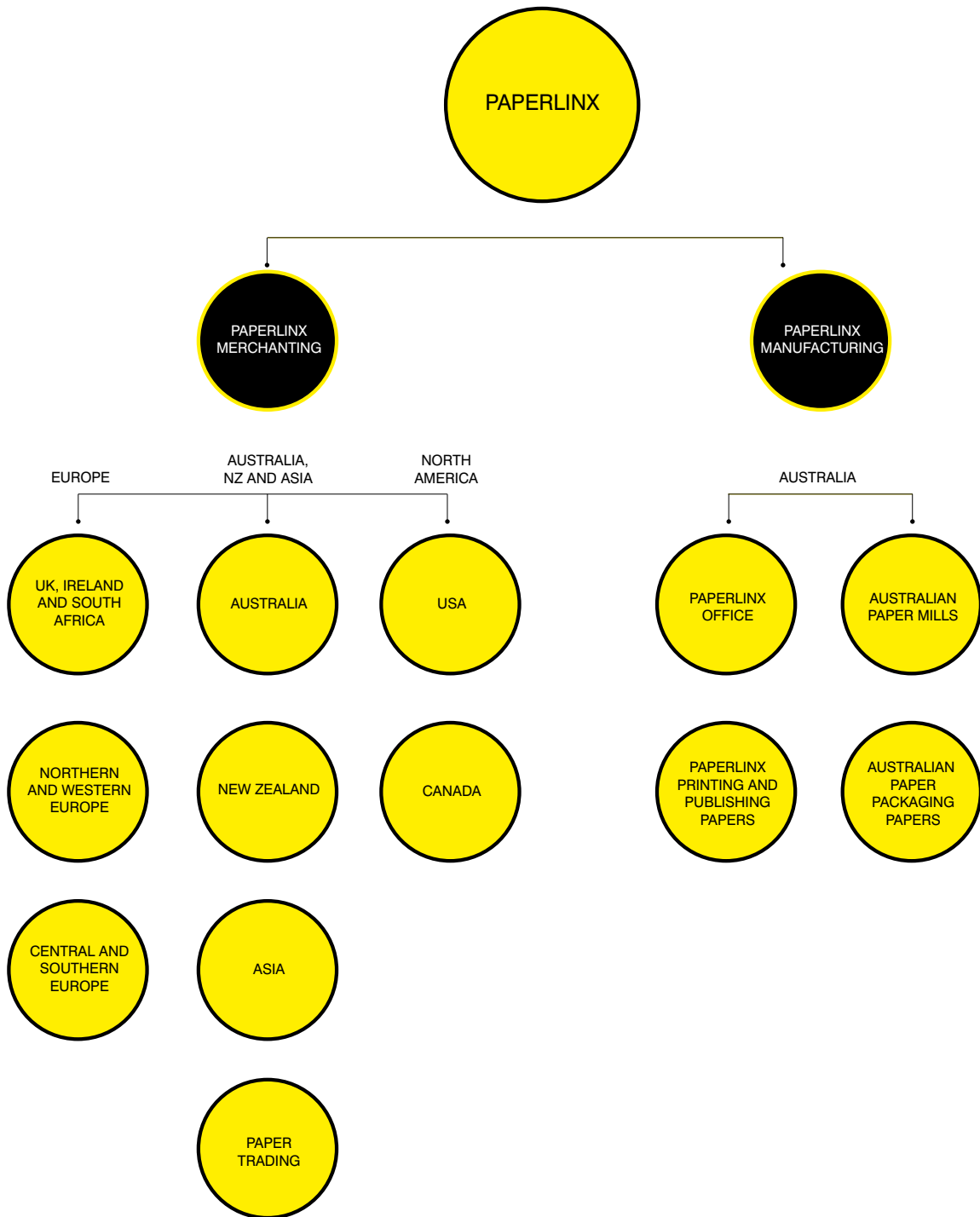
Ross joined PaperlinX in March 2003 and is responsible for developing the Group's worldwide human resources and environment, safety and health policy and strategy. Ross has held various senior executive level roles in human resources and operational areas in Australia, the US and Europe.



**David Shirer**  
Executive General Manager,  
Corporate Affairs

David joined PaperlinX in 2000 and has responsibility for investor relations, external communication, including media relations and internal communication. David has broad experience in investor relations and in the finance industry.

# GROUP STRUCTURE



# { ACT WITH INTEGRITY AND HONESTY

As a manufacturer and distributor of paper, we have certain responsibilities. Building our business upon paper – a sustainable product made from a renewable natural resource that is completely recyclable – has many implications. These unique product features have become increasingly relevant to environmentally conscious consumers the world over. To maintain our Company's growth, we must focus our sustainability strategy on these three areas:

- Economic sustainability – the successful performance of our business model.
- Social sustainability – meeting society's expectations of our responsibilities to our employees and the communities in which we operate.
- Environmental sustainability – managing natural resources wisely to continually improve our environmental performance.

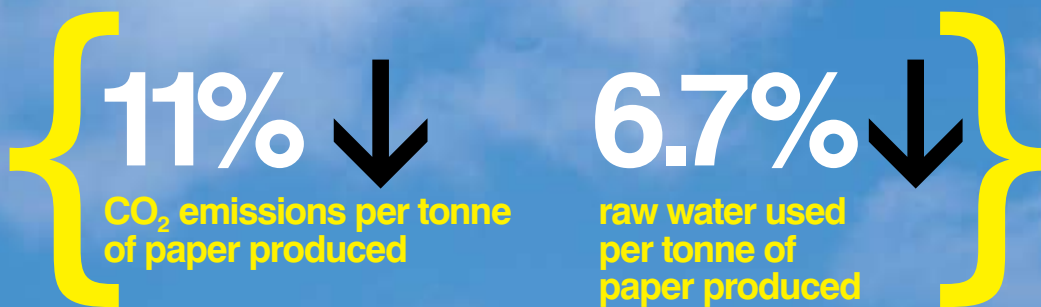
# SUSTAIN

**'We have developed some innovative products with environmental credentials... These are proving to be popular options for customers who are adapting their supply chains to address environmental concerns.'**

## Sustainability Highlights for 2008

- For the fourth consecutive year, PaperlinX has satisfied the requirements of the FTSE4Good Index Series by meeting global standards of corporate responsibility for social, ethical and environmental performance. And we participated in the Carbon Disclosure Project Survey in Australia.
- Over the past seven years, we successfully reduced our overall Lost Time Injury Frequency Rate (LTIFR) by 50 per cent, and our Medically Treated Injury Frequency Rate (MTIFR) by 55 per cent.
- The PaperlinX Values were launched in every business to enhance our organisational culture and business performance.
- HealthLinX, our global health and wellbeing programme, was launched by offering all employees a free workplace health check.
- Carbon emissions per tonne of paper produced were reduced by 11 per cent in our Australian manufacturing business. Achieved a 6.7 per cent reduction in raw water used per tonne of paper produced in Australia.
- Developed the first Australian-made range of carbon-neutral papers, called ENVI.™ and launched yoyo™, a unique combined office paper delivery and waste collection service in the UK.
- Australian Paper qualified as a member of the World Wildlife Fund's Australia Forest and Trade Network, an initiative to promote responsible forest management and credible forest certification.
- Australian Paper received dual chain-of-custody certification for its paper products under the Programme for Endorsement of Forest Certification schemes (PEFC) and Forest Stewardship Council (FSC).
- Continued to significantly drive up the number of chain-of-custody certifications in our merchant operations in Australia, Asia, Europe and North America, confirming their ability to trace paper back to an approved sustainable source of fibre.
- The upgrade of the pulp capacity at Maryvale Mill is progressing, including the new bleach plant that will provide further improvements in environmental performance.
- Contributed \$0.9 million to a range of local programmes and non-profit organisations that support communities around our business sites.

# ABILITY



# { SHARING OUR VALUES AROUND THE WORLD

The Company launched a set of organisational values to employees to provide a common thread across the organisation and to drive business performance. These values define the qualities we expect all our employees to embrace. They were developed during an 18-month consultation period with all our operating companies to reflect a Company-wide view.

The PaperlinX Values reinforce our commitment to developing a culture that allows people to work to the best of their abilities and to achieve a high point of their working life.

The PaperlinX Values are:

- Success through ideas and partnerships.
- Courage to lean forward.
- Trust and respect.
- Sustainability.
- Respect local and add value with global.
- Passion, success and pride.
- Leadership.

# PEOPLE

‘Over the past seven years our safety performance has improved, reducing our Medically Treated Injury Frequency Rate by

**55%**’

‘This year, we offered all employees a free workplace health check’

‘We invest heavily in providing a variety of training and development programmes that assist our employees with their professional growth.’



**9,365**  
EMPLOYEES

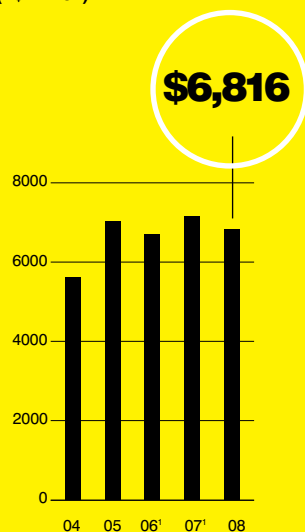


**%**

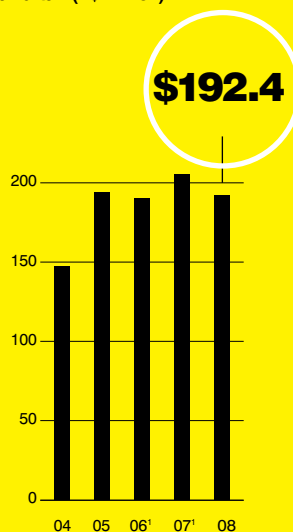
**RETURN**

**ON AVERAGE FUNDS EMPLOYED**

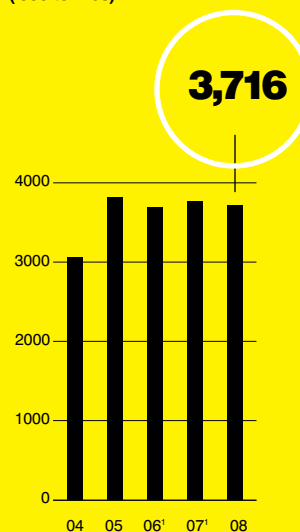
**Sales revenue**  
(A\$ million)



**Earnings before interest and tax**  
(A\$ million)



**Sales volume**  
(<sup>'000 tonnes</sup>)



<sup>1</sup> Adjusted to reflect PaperlinX Office

**PaperlinX is one of the world's largest global paper merchants, linking customers and suppliers through a global network of locally-focused fine paper merchants. Providing customers what they want, when they want it, backed up by global scale, and an expanding offering in Sign and Display, Industrial Packaging and Graphics.**

We stock and market own branded paper, and we distribute well known mill brands in office, commercial print, printing and publishing paper. We offer a diverse range, superior product knowledge and technical expertise. We provide professional and timely solutions, and ongoing support until the job is completed.

We offer supply chain assurance that the wood fibre used in the paper we sell is sourced from sustainably managed forests. We support independent certification systems, such as the FSC accreditation process and the Programme for Endorsement of Forest Certification (PEFC).

#### Merchants Overall Results

Paper Merchenting produced an EBIT of \$192.4 million, down 6 per cent, with underlying EBIT of \$172.9 million, down 16 per cent. Overall, Paper Merchenting has continued to produce adequate returns in this difficult environment, with clear potential for upside from any improvements in the current market conditions. The total Merchenting return on average funds employed was 11.4 per cent.

<b>Paper Merchenting Overall</b>			
		<b>Year June 2008</b>	<b>Year June 2007</b>
Sales volume	'000 tonnes	3,716	3,764
Sales revenue	A\$m	6,816	7,159
Earnings before interest and tax	A\$m	192.4	205.2
EBIT/Sales ratio	%	2.8	2.9
Return on average funds employed	%	11.4	11.9

- Overall sales volume for Paper Merchenting was down 1 per cent due mainly to lower volumes in the UK and NW Europe (mostly indent and commodity uncoated) and the divestment of the Western Canadian business.
- The EBIT/sales ratio declined slightly (2.8 per cent versus 2.9 per cent) largely due to the weaker US market.
- Growth in Sign and Display, Graphics and Industrial Packaging revenue was around 3 per cent in source currency, with these non-paper businesses now accounting for 17 per cent of gross profit.
- Sales revenue for the total Paper Merchenting business was down 5 per cent (flat in constant currency) and EBIT was down 6 per cent, but up 2 per cent versus 2006.
- Average working capital was \$88 million below prior year and the average working capital to sales ratio declined from 16.1 per cent to 15.6 per cent.
- The return on average funds employed was 11.4 per cent, above the cost of capital.



### Paper Merchating Europe

PaperlinX is one of Europe's leading independent merchants of paper and related products for the commercial print, office, packaging and display markets. Our European network of paper merchants across 17 countries provides over two million tonnes of paper products to our 80,000 customers. The customer base comprises printers, publishers, sign makers and advertisers who produce high added value, time-sensitive publications. We also serve resellers, retailers, offices and businesses with paper and packaging material.

#### Paper Merchating Europe – Results

		Year June 2008	Year June 2007
NW Europe	'000 tonnes	690	738
UK and Ireland <sup>(1)</sup>	'000 tonnes	1,147	1,180
Central and Southern Europe	'000 tonnes	<u>528</u>	<u>525</u>
Total European sales volume	'000 tonnes	2,365	2,443
Sales revenue	€m	2,743	2,828
Earnings before interest and tax	€m	83.3	82.8
EBIT/Sales ratio	%	3.0	2.9

(1) Also includes volume from South Africa.

- Sales volumes were down 3 per cent. Our key markets in the UK and the Netherlands both suffered market driven volume declines, with reduced stock volumes and office products sales.
- The average price realisation across the European Merchating platform was in line with last year, with the benefits to mix of the acquisition in Italy, continued growth in Sign and Display and Industrial Packaging in a number of markets, and branded sales of key coated and environmental papers balancing lower stock volumes.
- Reported EBIT was in line with the prior year, despite the lower volume, supported by gains on asset sales. Underlying EBIT was down 15 per cent (although in line with 2006), with the weaker UK result exacerbated by a weaker £ versus the €. The reported EBIT/sales ratio was 3.0 per cent.
- Average working capital improved as did the average working capital to sales ratio, which improved to 17.4 per cent from 17.8 per cent in 2007.

### Paper Merchating North America

PaperlinX is a leading US West Coast and Canadian fine paper and graphic arts merchant distribution network serving printers and graphic customers across North America with a unique offering of products from domestic and international suppliers. Custom sheet converting facilities offer a fast turnaround to provide sheeting to meet customers' exact size dimensions, eliminating waste and increasing customers' productivity. As well as offering a wide variety of paper options, many of our operations also provide graphic systems solutions.

#### Paper Merchating North America – Results

		Year June 2008	Year June 2007
Sales volume	'000 tonnes	645	623
Sales revenue	US\$m	1,138	1,078
Earnings before interest and tax	US\$m	28.9	40.2
EBIT/sales ratio	%	2.5	3.7

- Total sales volume growth for North America of 3.5 per cent (5.5 per cent adjusted for sale of Western Canada) was well ahead of a declining market, supported by a 6.5 per cent growth in proprietary brands and various top line growth initiatives. Market share growth was strongly positive.
- Overall market conditions were soft, with the US showing reduced market volumes (total US printing and writing paper volumes were down 4.7 per cent in calendar 2007 and a further 3.2 per cent for the six months to June).
- US paper selling prices continued to be supported by mill capacity reductions (some 2.1 million short tonnes of woodfree capacity alone in North America in calendar 2007), with realised prices up 2 per cent on last year despite ongoing weakness in market demand. Canadian prices remained under pressure from the weak US dollar.
- The total operating earnings result was sharply lower, reflecting the impact of the weak US market on EBIT margins, down to 2.5 per cent.
- Kelly Paper was under particular pressure as a result of the sharp weakening of US retail and residential housing sectors on the West Coast. Both volumes and prices fell, with margins depressed.
- Canadian prices were down over 5 per cent as a result of the weak US dollar, but due to disciplined margin management gross profit percentage was up almost one full percentage point. Overall EBIT was lower as the business absorbed one-time costs relating to the new Toronto warehouse.
- Average working capital to sales at 12.7 per cent was an improvement over the prior year's 13.0 per cent.

#### Paper Merchanting Australia, NZ and Asia

PaperlinX is the leading Merchanting group in Australia and New Zealand, and also has specialist Merchanting operations in Asia and an extensive global paper trading business, PPM. The primary focus is on commercial print, packaging, web and office segments, with a growing level of activity in graphics supplies. Our network of locally based merchants offers compelling benefits to the local market in the way of product range, quality and availability, supported by our global scale.

#### Paper Merchanting Australia, NZ and Asia – Results<sup>(1)</sup>

		Year June 2008	Year June 2007
Sales volume	'000 tonnes	731	725
Sales revenue	A\$m	1,005	1,033
Earnings before interest and tax	A\$m	21.0	13.8
EBIT/Sales ratio	%	2.1	1.3

(1) Includes the Group's paper trading activities.

- Reported EBIT was up 52 per cent, with underlying EBIT up 34 per cent. The prior year included negative currency impacts that were not repeated. Revenue was down 3 per cent, with lower revenues in paper trading (Paper Manufacturing plant shuts reducing export tonnage) having a considerable impact. Excluding paper trading, revenues were down only 1 per cent.
- Pricing in Australia and New Zealand remained under pressure from a weak US dollar. Overall price realisations for the region were down around 3.5 per cent, with regional and mix variations. This trend is reversing, with increases being realised in early fiscal 2009.
- Average working capital was reduced 15 per cent as a result of ongoing good performance on inventory management and warehouse consolidations leading to a continued improvement in the average working capital to sales ratio (11.6 per cent to 10.2 per cent).
- Earnings benefited from good performance on operating expenses, which were down 4 per cent.

**PAPER  
MANUFACTURING**



**%**

**GROWTH**

**IN REFLEX® OFFICE PAPER VOLUMES**

## PaperlinX's Australian manufacturing business, Australian Paper, is the only paper manufacturing operation in the PaperlinX Group, and is Australia's leading manufacturer of quality communication and packaging papers.

Australian Paper primarily services the Australian market directly and through sales to PaperlinX Merchanting operations, PaperlinX Office and PaperlinX Printing and Publishing Papers, other third-party merchants and packaging manufacturers.

Paper Manufacturing has channels to market, building off its Australian mills, so our local customers benefit from our expert manufacturing capabilities, our widely available product offering, our superior service, customer support, and our extensive and efficient supply lines.

### Paper Manufacturing – Results

Earnings before interest and tax for Paper Manufacturing were \$(1.9) million with underlying operating earnings of \$8.2 million. Earnings were negatively impacted by higher input costs and currency, but benefited from some pricing, a positive mix, improved mill efficiencies and supply chain management.

Paper Manufacturing – Results			
		Year June 2008	Year June 2007
Communication paper sales volume	'000 tonnes	485	499
Packaging paper sales volume	'000 tonnes	<u>300</u>	<u>319</u>
Total sales volume	'000 tonnes	785	818
Sales revenue	A\$m	973	1,016
Underlying earnings before interest and tax	A\$m	8.2	20.8
Reported earnings before interest and tax	A\$m	(1.9)	10.2
Return on average funds employed	%	(0.2)	1.1

- Overall sales volumes were impacted by the four shuts relating to the pulp mill upgrade and a corresponding reduction in export volumes. Domestic communication papers volumes were up, although overall volume declined due to reduced exports. Copy paper market share in Australia has shown encouraging growth, despite price differentials as customers recognise our superior value proposition.
- The Reflex<sup>®</sup> brand of copy paper recorded a 6.3 per cent volume growth and market share growth supported by recycled offerings, advertising and delivery against the overall 'reliability' positioning.
- In the face of cost and currency impacts, good progress has been made on operating efficiencies, supply chain management and positive mix management to contain the downward impact on underlying EBIT to only \$12.6 million. Record production weeks from the Maryvale Mill were recorded post the May-June pulp mill shut.
- Higher pulp costs have continued to impact operating earnings, with the average price of hardwood pulp up 25 per cent in US dollars. Cost increases in US dollars have been mitigated to some extent by the stronger Australian dollar (up 16 per cent in Australian dollars). Pulp prices have remained high with further increases announced. Commodity input costs for all raw materials resulted in an increase of \$7.2 million.
- Reported EBIT declined to \$(1.9) million from \$10.2 million. Underlying EBIT of \$8.2 million was lower due to the combined impact of the stronger Australian dollar, higher pulp costs and weaker coated paper prices.
- The high Australian dollar continued to hold down pricing across most segments, though more particularly in coated woodfree and publication papers markets, with a net direct impact on EBIT from export earnings of \$(21.6) million.
- Ongoing work on product and customer rationalisation saw shift reductions on three manufacturing units taking effect in the second half of the year. Restructuring charges associated with the shift reductions were booked in the first half.
- The ENVI<sup>™</sup> range of carbon-neutral papers has received strong support since its launch earlier this year, offering Australian customers and corporates the first Australian made carbon-neutral paper certified by the Australian Government's Department of Climate Change.
- Average working capital was 1 per cent lower than last year; however, the period end position for working capital to sales was adverse due to the timing of plant shuts.
- Four major shuts have now been completed for the Maryvale pulp mill project, with benefits being seen from the work completed. This will substantially simplify the final commissioning activities.

# DIRECTORS OF PAPERLINX



## David Meiklejohn

BCom, Dip Ed, FCPA, FAIM,  
FAICD

Independent Non-executive  
Director (Chairman)  
Age 66

Appointed a Director and Chairman in December 1999. An experienced company director with a solid financial background and over 40 years' experience in paper manufacturing and distribution businesses. Currently, a director of ANZ Banking Group Limited (from October 2004), Coca-Cola Amatil Limited (from February 2005) and Mirrabooka Investments Limited (from March 2006). Previous roles include Chief Financial Officer of Amcor Limited; Chairman of SPC Ardmona Limited (2002–2005) and a director of Amcor Limited (1985–2000), OneSteel Limited (2001–2005) and WMC Resources Limited (2002–2005). President of Melbourne Cricket Club (since Feb 2007). He is the Chairman of the Nomination & Governance Committee and an ex officio member of the Audit Committee, Remuneration & HR Committee and Safety & Environment Committee.

## Thomas (Tom) Park

BSEE, MBA

Executive Director  
(Managing Director)  
Age 61

Appointed Managing Director and Chief Executive Officer of PaperlinX Limited in February 2004. Broad business experience in Australia, Asia, North America and Europe. Previous roles include Managing Director and Chief Executive Officer of Goodman Fielder Limited, Chief Executive Officer of Southcorp Limited and a director of the National Australia Bank and the Business Council of Australia.

## Harry Boon

LLB (Hons), BCom

Independent  
Non-executive Director  
Age 60

Appointed a Director in May 2008. An experienced director with a strong background in international marketing, sales and manufacturing operations. Currently, he is the Chairman of Tatts Group Limited and Gale Pacific Limited and a director of Toll Holdings Limited and Hastie Group Limited. A former Chief Executive Officer and Managing Director of Ansell Limited (retired in 2004) and a director of Funtastic Limited (September 2004 – February 2008). He is a member of the Audit Committee and Nomination & Governance Committee.

## Andrew Guy

LLB, MBA, FAICD

Independent  
Non-executive Director  
Age 60

Appointed a Director in March 2001. Experienced commercial lawyer and former director of Spicers Paper Limited. Currently a director of Djerriwarrh Investments Limited (from December 1989), Aviva Australia Holdings Limited (from June 2003) and Anglicare Victoria (from August 1997). A former managing partner in the law firm Arthur Robinson and Hedderwicks, and director of Australian Institute of Company Directors (September 2001–2007). He is the Chairman of the Safety & Environment Committee and a member of the Remuneration & HR Committee.



**James (Jim) Hall**  
BCom (Acc), FCPA,  
MAICD

Independent  
Non-executive Director  
Age 57

Appointed a Director in May 2007. An experienced company director and is currently a director of Alesco Corporation Limited (since July 2005), the ConnectEast Group (since June 2005), Centro Properties Group (since September 2005) and a member of JP Morgan Advisory Council (Australia) since May 2005. A former executive director finance of Orica Limited (February 2002 – April 2005) and former director Symbion Health Limited (June 2005 – February 2008). He is the Chairman of the Audit Committee and a member of the Nomination & Governance Committee.

**Barry Jackson**  
BCom (Hons), MAICD

Independent  
Non-executive Director  
Age 63

Appointed a Director in February 2000. Over 30 years' experience in manufacturing and industrial marketing in Australian and international markets. Currently a director of Equity Trustees Limited (from September 2002). A former director of CSR Limited (April 2003 – March 2007) and Alesco Corporation Ltd (November 2001 – September 2008). He is a member of the Audit Committee and the Nomination & Governance Committee.

**David Lamont**  
ACA, BCom

Executive Director  
(Chief Financial Officer)  
Age 43

David joined PaperlinX as Chief Financial Officer in February 2006 and was appointed an Executive Director in February 2008. David has worldwide responsibility for finance, taxation, commercial, legal, audit and business systems. David was previously Chief Financial Officer of BHP Billiton's Carbon Steel Materials business and has held a number of senior finance roles in the mining, chemical and agricultural industries. David has resigned as an Executive Director and Chief Financial Officer effective 26 September 2008.

**Nora Scheinkestel**  
LLB (Hons) PhD, FAICD

Independent  
Non-executive Director  
Age 48

Appointed a Director in February 2000. An experienced company director with a background in international project and structured financing. An Associate Professor at the Melbourne Business School. Currently a director of AMP Limited (from September 2003), AMP Capital Group (from February 2004) and Orica Ltd (from August 2006). Previous directorships include Mayne Group Ltd (July 2005 – November 2005), Mayne Pharma Ltd (November 2005 – February 2007) and Newcrest Mining Limited (August 2000 – August 2007). She is a member of the Safety & Environment Committee and Remuneration & HR Committee.

**Lindsay Yelland**  
BSc, FAICD, MACS

Independent  
Non-executive Director  
Age 62

Appointed a Director in February 2000. Extensive experience in the IT industry. Currently Chairman of Argus Solutions Limited (from March 2003) and a member of the NSW AICD Council and AICD Reporting Committee (from March 2008). Previous roles include: Chairman of Legion Interactive Pty Limited (2002–2005) and Ideas International Limited (November 2000 – December 2007); a Group Managing Director of Telstra Corporation; Vice President Asia-Pacific of Data General Corp; and Vice President of Apollo Computer Corporation. He is the Chairman of the Remuneration & HR Committee and a member of the Safety & Environment Committee.

# **GOVERNANCE SUMMARY**

PaperlinX supports and is committed to the principles of best practice in corporate governance. In accordance with this approach it has elected to make an early transition to the revised Principles and Recommendations from the ASX Corporate Governance Council. PaperlinX considers that its corporate governance practices substantially comply with the Principles and Recommendations in all material respects. The detailed corporate governance statement along with the Company's corporate values, policies and systems of internal compliance and control are set out on the Company's website at [www.paperlinx.com](http://www.paperlinx.com). Information on the Company's sustainability policies and processes are set out in the Sustainability Report.

## **Board of Directors**

The Board has the overall responsibility for the conduct and governance of the Company, including its strategic direction and the monitoring of performance targets. The Board, which is comprised of a majority of independent non-executive Directors, operates in accordance with PaperlinX's Guidelines for Board Operation and Management. To assist in executing its responsibilities, the Board has established four Board committees (Audit, Nomination & Governance, Remuneration & HR and Safety & Environment). The Board includes Directors with a range of skills, experience and expertise to promote Board effectiveness.

## **Risk Oversight and Management**

PaperlinX operates a comprehensive risk oversight and management programme which is reviewed by management twice yearly. As part of this programme, material business risks are identified and assessed by both internal and external parties, as are procedures and other actions for managing and mitigating them.

## **Ethical and Responsible Decision-making**

The Company has a code of ethics that guides all employees in how to conduct the business of the Company in the highest ethical manner. Together with the Company's values and core operating principles, they set the standards of behaviour required from Directors and employees in how they should conduct themselves in dealing with the Company's affairs. The Company has numerous policies designed to prevent fraud and illegal practices and to encourage and protect persons who report suspected fraud or illegal activities through the 'Speak Up' reporting service.

## **Trading in Company Securities**

The Company has a policy which is required to be complied with by Directors, senior executives and employees in relation to transacting in the Company's securities.

## **Disclosure Policies**

The Company has established policies and procedures to ensure that the ASX, shareholders and the investment market generally are informed in a timely manner of all major developments affecting the Company's business and affairs.

## **Integrity of Financial Reporting**

The Managing Director and the Chief Financial Officer provide an assurance to the Board that:

- there is a sound system of risk management and internal control which is operating effectively in all material respects,
- the Company's financial records have been properly maintained; and
- the financial statements and notes comply with the accounting standards and give a true and fair view of the Company's financial position.

## **Rights of Shareholders and Communications Strategy**

The Company is committed to promoting open and effective communication with its shareholders. In addition to providing information at the Annual General Meeting and in the Annual Report a number of other publications are prepared. These include a Half Yearly Financial Report, Sustainability Report, the Chairman and Managing Director addresses at the Annual General Meeting and commencing this year an Annual Review. Other information about the Group, including ASX Releases, can be found on the Company's website.

## Board Committees

To assist in the execution of its responsibilities, the Board has established the following committees:

- Audit
- Nomination & Governance
- Remuneration & Human Resources
- Safety & Environment

All committees have written Charters, which are set out in full in the Guidelines on Board Operation and Membership. The committees operate principally in a review or advisory capacity, except where powers are expressly conferred on or delegated to a committee by the Board. Each committee reports to the full Board following a committee meeting.

### Audit Committee

The Audit Committee's primary responsibilities are to make recommendations to, and assist, the Board in relation to:

- financial reporting, including adequacy of disclosures and application of accounting policies;
- the external audit;

- maintenance of an effective framework of business risk management, including compliance, internal controls and the internal audit; and
- the insurance programme.

### Nomination & Governance Committee

The Nomination & Governance Committee's primary responsibilities are to make recommendations to, and assist, the Board in connection with the appointment and performance of Directors, corporate governance, the appointment and remuneration arrangements of the Managing Director and related matters.

### Remuneration & Human Resources Committee

The Remuneration & Human Resources Committee's primary responsibilities are to make recommendations to, and assist, the Board in relation to human resources and remuneration policies and practices for the Company.

### Safety & Environment Committee

The Safety & Environment Committee's primary responsibilities are to make recommendations to, and assist, the Board in relation to safety (including occupational health and wellbeing) and environment matters generally.

## Directors' Meetings

The number of Directors' meetings (including meetings of committees of Directors) and number of meetings attended by each of the Directors of the Company during the financial year are detailed in the table below.

Directors	Board of Directors		Audit Committee		Nomination & Governance Committee		Remuneration & HR Committee		Safety & Environment Committee	
	A	B	A	B	A	B	A	B	A	B
D E Meiklejohn <sup>(4)</sup>	9	9	3	2	3	3	2	2	2	2
T P Park	9	9								
H Boon <sup>(1)</sup>	2	2								
A F Guy	9	9					5	5	4	4
J W Hall <sup>(6)</sup>	9	9	5	5					4	4
B J Jackson <sup>(7)</sup>	9	9	5	5	3	3	2	2		
N L Scheinkestel <sup>(5)</sup>	9	9	3	3	3	3	3	3	2	1
D M Lamont <sup>(2)</sup>	3	3								
L J Yelland	9	9					5	5	4	4
D A Walsh <sup>(3)</sup>	4	4	3	2	2	2				

(1) Appointed on 5 May 2008.

(2) Appointed on 21 February 2008. Has resigned effective 26 September 2008.

(3) Retired on 31 December 2007.

During the financial year, the composition of the Board committees changed as follows:

(4) D E Meiklejohn resigned as a member of and joined in an ex officio capacity the Audit, Remuneration & HR and Safety & Environment Committees.

(5) N L Scheinkestel resigned from the Audit and Nomination & Governance Committees and joined the Remuneration & HR Committee and stood down from the Safety & Environment Committee for 5 months.

(6) J W Hall resigned from the Safety & Environment Committee and joined the Nomination & Governance Committee.

(7) B J Jackson resigned from Remuneration & HR Committee.

A – Number of meetings held during the time the Director held office or was a member of relevant committee during the year.

B – Number of meetings attended.

# FIVE YEAR HISTORY

For years ended 30 June

		Actual <sup>(1)</sup> 2007/2008	Actual <sup>(1)</sup> 2006/2007	Actual <sup>(1)</sup> 2005/2006	Actual <sup>(1)</sup> 2004/2005	Actual 2003/2004
(\$AUD million except where indicated)						
<b>Paperlinx consolidated financial performance</b>						
Sales revenue		7,485 <sup>(3)</sup>	7,839 <sup>(3)</sup>	7,372 <sup>(3)</sup>	7,574	6,212
Sales growth (%)		(4.5)	6.2	(2.7)	21.9	71.7
Earnings from ordinary activities before depreciation, amortisation, net interest and income tax		254.3	286.5	257.1	293.0	300.7
Earnings from ordinary activities before interest and income tax		160.4	185.5	152.4	180.1	189.7
Profit from ordinary activities before income tax		100.4	114.6	87.3	111.6	141.2
Profit from ordinary activities after income tax (excluding ATC)		72.3	80.1	65.4	89.6	108.5
Profit from ordinary activities after income tax (including ATC)		72.3	80.1	65.4	166.6 <sup>(2)</sup>	108.5
<b>Financial statistics</b>						
Depreciation and amortisation expense		93.9	101.0	104.7	112.9	111.0
Net interest expense		60.0	70.9	65.1	68.5	48.5
Cash flow from operating activities		113.0	142.9	259.8	273.4	402.7
Capital expenditure – acquisitions		17.8	35.3	100.9	44.6	1,104.1
Capital expenditure – plant and equipment		326.0	177.4	101.4	86.3	54.7
<b>Earnings from ordinary activities before interest and income tax by segments</b>						
Merchanting and Paper Trading		192.4	205.2	188.9	194.1	147.5
Paper Manufacturing		(1.9) <sup>(4)</sup>	10.2 <sup>(4)</sup>	(3.3) <sup>(4)</sup>	12.1	66.4
Corporate		(30.1)	(29.9)	(33.2)	(26.1)	(24.2)
<b>Total EBIT</b>		<b>160.4</b>	<b>185.5</b>	<b>152.4</b>	<b>180.1</b>	<b>189.7</b>
<b>Financial position summary</b>						
Current assets		2,678	2,874	2,881	2,674	3,000
Non-current assets		1,700	1,568	1,510	1,493	1,781
<b>Total assets</b>		<b>4,378</b>	<b>4,442</b>	<b>4,391</b>	<b>4,167</b>	<b>4,781</b>
Current liabilities		1,536	1,823	1,460	1,373	1,341
Non-current liabilities		917	714	1,322	1,231	1,626
<b>Total liabilities</b>		<b>2,453</b>	<b>2,537</b>	<b>2,782</b>	<b>2,604</b>	<b>2,967</b>
<b>Net Assets/Total shareholders' equity</b>		<b>1,925</b>	<b>1,905</b>	<b>1,609</b>	<b>1,563</b>	<b>1,814</b>
<b>Financial ratios</b>						
Basic earning per share (excluding ATC)	(cents)	10.1	16.4	14.7	20.1	24.7
Basic earning per share (including ATC)	(cents)	10.1	16.4	14.7	37.3 <sup>(2)</sup>	24.7
Earnings per share growth (excluding ATC)	(%)	(38.4)	11.6	(26.9)	(18.6)	(33.1)
Return on average funds employed	(%)	5.7	7.0	6.2	6.7	7.5
Return on average shareholders' equity	(%)	3.8	4.7	4.4	10.4 <sup>(2)</sup>	6.2
Dividend per ordinary share	(cents)	6.5	11.0	10.0	25.5	27.5
Dividend franking	(%)	0	0	0	0	0
Net tangible asset per ordinary share	(\$)	2.59	2.58	2.49	2.40	3.15
Net interest cover	(times)	2.0 <sup>(5)</sup>	2.5 <sup>(5)</sup>	2.3 <sup>(5)</sup>	2.6	3.9
Gearing (Net debt/net debt and shareholders' equity)	(%)	28.7	24.3	36.0	35.9	36.3
Gearing (Net debt/shareholders' equity)	(%)	40.3	32.1	56.2	55.9	57.0
<b>Other information</b>						
PaperlinX share price:						
• Year's high	(\$)	3.71	4.40	3.86	5.46	5.85
• Year's low	(\$)	1.72	3.03	2.85	2.33	4.42
• Close as at 30 June	(\$)	1.72	3.72	3.12	3.01	4.85
Fully paid ordinary shares as at 30 June	(millions)	453.1	448.7	446.2	446.2	446.1
Weighted average number of shares	(millions)	450.8	447.6	446.2	446.1	439.9
Market capitalisation as at 30 June	(millions)	779	1,669	1,392	1,343	2,163
Number of shareholders as at 30 June		57,002	62,663	73,223	90,889	109,011
Employee numbers as at 30 June		9,365	9,502	9,672	9,369	9,666

(1) Reported under AIFRS.

(2) Includes once only benefit of entering Australian Tax Consolidation regime of \$77 million.

(3) Sales revenue is net of trade and settlement discounts.

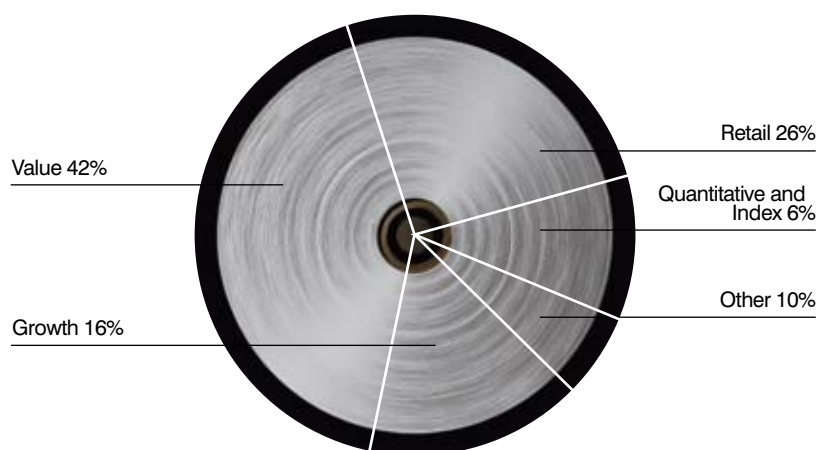
(4) Paper Manufacturing reflects the formation of Paperlinx Office.

(5) Includes capitalised interest in 2008 of \$18.8 million, \$4.2 million in 2007 and \$0.3 million in 2006.

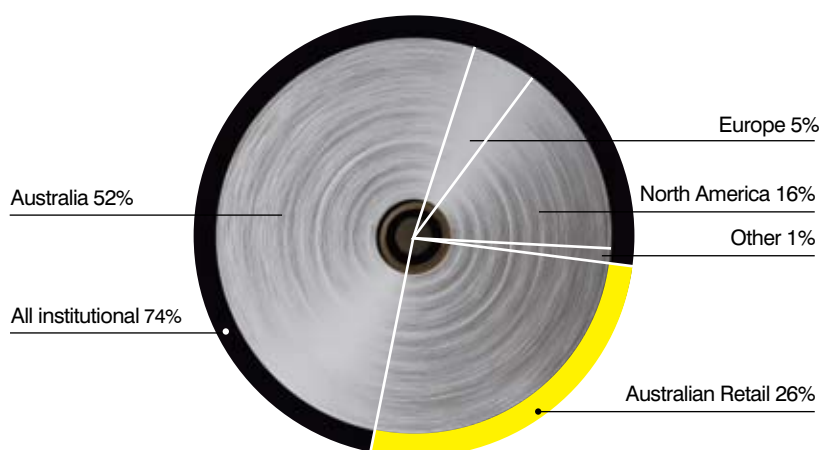
# SUMMARY OF REGISTER

Shareholders as at 30 June 2008

## Shareholders by type (based on investment style)



## Shareholders by geography (based on registered address)



# INVESTOR INFORMATION

## Share Registry

Shareholders with queries about anything related to their shareholding should contact the PaperlinX Share Registry in Melbourne, Australia:

by telephone (within Australia) 1300 662 058

or (outside Australia) +61 3 9415 4021

by facsimile +61 3 9473 2500

by email at [web.queries@computershare.com.au](mailto:web.queries@computershare.com.au)

Alternatively, shareholders may wish to write to:

PaperlinX Share Registry  
GPO Box 2975, Melbourne  
Victoria 3001, Australia.

Details of individual shareholdings can be checked conveniently and simply by visiting our Share Registry's website at [www.computershare.com/au/investors](http://www.computershare.com/au/investors). For security reasons, you then need to key in your Securityholder Reference Number (SRN) or Holder Identification Number (HIN) plus company name or ASX code and postcode to enable access to personal information.

## Dividends

The Company normally pays dividends in September and April. Shareholders should retain full details of dividend payments for taxation purposes.

The following options are available to shareholders regarding payment of dividends:

1. By direct deposit to a financial institution in Australia, New Zealand, United Kingdom and United States of America.
2. By cheque payable to the shareholder. Lost or stolen cheques should be reported immediately to the PaperlinX Share Registry, in writing, to enable stop payment and replacement.

Shareholders may choose to have their dividends paid directly into a nominated bank, building society or credit union account anywhere in Australia. Shareholders resident in New Zealand, United Kingdom and United States of America may choose to have their dividends paid directly into a nominated financial institution located in their respective jurisdictions. Payments are electronically credited on the dividend date and confirmed by a payment advice sent to the shareholder. Request forms for this service are available from the PaperlinX Share Registry.

Shareholders resident in Australia and New Zealand may choose to participate in the Dividend Reinvestment Plan (DRP). Request forms for the DRP are available from the PaperlinX Share Registry.

## Tax file numbers

PaperlinX is required to withhold tax at the rate of 46.5 per cent on any unfranked component of dividends or interest paid to investors resident in Australia who have not supplied the Company with a tax file number (TFN) or exemption form. Investors are not required by law to provide their TFN if they do not wish to do so.

## Transfer of shares off-market

No stamp duty is payable on off-market transfers.

## Annual General Meeting

The Annual General Meeting is normally held in October.

The 2008 Annual General Meeting will be held at 11.00am on Friday, 24th October 2008 at the Melbourne Exhibition Centre, Level 2 Auditorium, 2 Clarendon Street, Southbank, Victoria, 3006 Australia.

## Financial Calendar

Full Year Results 2008	21 August 2008
Record Date for 2008	
Final Dividend	19 September 2008
Final Dividend Mailed	15 October 2008
Annual General Meeting 2008	24 October 2008
Interim Results 2009	19 February 2009
Full Year Results 2009	20 August 2009
Annual General Meeting 2009	23 October 2009

## Securities Exchange listing

PaperlinX shares are listed on the ASX. All shares are recorded on the principal share register, which is located in Victoria, the state of incorporation of PaperlinX. The Company's ASX code is 'PPX'.

## Publications

### Annual Review 2008

This year, PaperlinX Limited has produced an Annual Review. This is a short form non-statutory review of the Company's performance and activities for the year. The Annual Review will be sent to shareholders unless they elect not to receive it.

### Full Annual Report 2008

The PaperlinX Limited 2008 Full Annual Report, including the Independent Auditor's Report, is available to all shareholders. It will only be sent to those shareholders who have requested a printed copy. Shareholders can request a copy of the Full Annual Report from the Share Registry by Telephone (Australia 1800 232 867, outside Australia +613 9415 4000) or by email at [contact@paperlinx.com.au](mailto:contact@paperlinx.com.au). Alternatively, the Full Annual Report and Annual Review can be accessed on the PaperlinX website at [www.paperlinx.com](http://www.paperlinx.com).

Since 2005, results have been reported under Australian equivalents to International Financial Reporting Standards (AIFRS). Prior periods to that have not been adjusted.

Other sources of information include:

1. The addresses of the Chairman and Managing Director to the Annual General Meeting, which are available on the PaperlinX website that same day and mailed to shareholders in November.
2. The half-year Financial Report reviewing the July – December half-year, which is mailed to shareholders in March.

## PaperlinX Website

A range of corporate information may be obtained from the PaperlinX website at [www.paperlinx.com](http://www.paperlinx.com). Investor information is available from the Investor Relations section.

**Change of address**

Issuer sponsored shareholders should notify the PaperlinX Share Registry immediately, in writing, signed by the shareholder(s), of any change to their registered address. For added security, shareholders should quote their previous address and HIN or SRN. CHESS uncertified shareholders should advise their sponsoring broker or non-broker participant.

**Removal from mailing list**

Shareholders who do not wish to receive a paper copy of the Annual Review or other publications should advise the PaperlinX Share Registry, in writing, and include their HIN or SRN.

**Change of name**

Shareholders who change their name should notify the PaperlinX Share Registry, in writing, and attach a certified copy of a relevant marriage certificate or deed poll, and include their HIN or SRN.

**Registered Office and Head Office**

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**Share Registry**

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## ANNUAL REVIEW 2008

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