

22 February 2007

## **ASX ANNOUNCEMENT**

### **PAPERLINX TO RAISE \$250 MILLION THROUGH AN ISSUE OF PAPERLINX STEP-UP PREFERENCE SECURITIES (“PAPERLINX SPS”)**

A product disclosure statement (“PDS”) was lodged today with ASIC for an offer of hybrid capital in the form of PaperlinX Step-up Preference Securities (“PaperlinX SPS”). PaperlinX Limited (“PaperlinX”) proposes to raise \$250 million through the issue of PaperlinX SPS with the ability to accept oversubscriptions for up to a further \$50 million (“Offer”). PaperlinX SPS are preferred units in the PaperlinX SPS Trust which has been established to raise funds for the PaperlinX Group.

The issuer of the PaperlinX SPS is Permanent Investment Management Limited as responsible entity of the PaperlinX SPS Trust (the “Issuer”).

#### **Use of proceeds**

The issue will be used to repay debt, strengthen PaperlinX’s balance sheet and provide increased financial flexibility to take advantage of future opportunities.

#### **Terms of PaperlinX SPS**

PaperlinX SPS are perpetual preferred units in the PaperlinX SPS Trust with a face value of A\$100 (“Face Value”). PaperlinX SPS are expected to pay ongoing unfranked, semi-annual, floating rate, discretionary and non-cumulative distributions calculated as a margin over the 180 day bank bill rate. The margin will be set by way of a bookbuild to be conducted on 6 March 2007. On 30 June 2012, PaperlinX may propose new terms for the PaperlinX SPS through a remarketing process or it may redeem, exchange (for PaperlinX ordinary shares at a 2.5% discount) or resell the PaperlinX SPS. The margin on any PaperlinX SPS that will remain on issue after 30 June 2012 will step up by 2.25% unless the remarketing process has been successful.

Further details on the PaperlinX SPS terms and conditions are contained in the PDS which can be viewed at [www.paperlinx.com](http://www.paperlinx.com).

Australian residents who are existing PaperlinX ordinary shareholders will be eligible to participate under the Shareholder Priority Offer. If there is excess demand, existing PaperlinX ordinary shareholders will receive preferential allocations over other applicants who have applied under the General Offer. Shareholders eligible to participate will receive an invitation to request a PDS.

## Timetable

Product Disclosure Statement lodged with ASIC	22 February 2007
Bookbuild to determine margin	6 March 2007
Margin announced and Replacement Product Disclosure Statement Lodged with ASIC	7 March 2007
Broker Firm, General and Shareholder Offer Priority Opening Date	7 March 2007
General and Shareholder Priority Offer Closing Date	23 March 2007
Broker Firm Offer Closing Date	27 March 2007
Issue Date	30 March 2007
PaperlinX SPS commence trading on ASX on a deferred settlement basis	2 April 2007
PaperlinX SPS commence trading on ASX on a normal settlement basis	5 April 2007
First Distribution Payment Date	30 June 2007
First Remarketing Date	30 June 2012

These dates are indicative only and are subject to change.

### Structurer, Lead Manager and Bookrunner

Macquarie Equity Capital Markets Limited has been appointed as Structurer, Lead Manager and Bookrunner to the Offer.

### Co-managers

Co-managers to the offer are:

- ABN AMRO Morgans Limited
- ANZ Securities Limited
- Grange Securities Limited
- Macquarie Equities Limited
- National OnLine Trading Limited

### Further information

The PDS contains important information on the Offer. An electronic copy of the PDS will be available at [www.paperlinx.com](http://www.paperlinx.com). To obtain a paper copy of the PDS with an attached application form, please call the PaperlinX SPS Information Line on **1800 738 908** (8:30am to 5:00pm Monday to Friday (AEDT)).

Any person wishing to apply for PaperlinX SPS should read and carefully consider the PDS, then complete and lodge an application form. The application form will be attached to the PDS or available online at [www.paperlinx.com](http://www.paperlinx.com) after the offer opens, expected to be at 9:00am (AEST) on 7 March 2007.

### Contact:

Mr David Shirer  
Executive General Manager - Corporate Affairs  
PaperlinX Limited  
Ph: +61 (3) 8540 2302

Shareholders and others parties interested in investing in PaperlinX SPS:  
PaperlinX SPS Information Line: **1800 738 908** (8:30am to 5:00pm Monday to Friday (AEDT))



# **PaperlinX Step-up Preference Securities**

---

## **Investor Presentation**

**February – March 2007**

**Structurer, Lead Manager and Bookrunner**



**Co-Managers**

ABN AMRO Morgans Limited

ANZ Securities Limited

Grange Securities Limited

Macquarie Equities Limited

National OnLine Trading Limited

# Disclaimer

---

**Permanent Investment Management Limited (ABN 45 003 278 831, AFSL 235150) is the Issuer of the PaperlinX Step-up Preference Securities (“PaperlinX SPS”) as responsible entity for the PaperlinX SPS Trust. The Issuer is not liable for the content of the presentation.**

This presentation has been prepared in good faith from information provided by PaperlinX, but no representation or warranty, expressed or implied, is made as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions contained in this presentation.

PaperlinX SPS are not issued by PaperlinX

PaperlinX SPS is not an investment in, or a liability of, PaperlinX or any member of the PaperlinX Group and is subject to investment risk including possible non-payment and loss of income or capital invested. Neither PaperlinX nor any member of the PaperlinX Group in any way guarantees the capital value and/or performance of PaperlinX SPS or the assets of the PaperlinX SPS Trust or any particular rate of return. None of the obligations of the Issuer are guaranteed in any way by PaperlinX or any member of the PaperlinX Group.

Foreign jurisdictions

The distribution of this presentation in jurisdictions outside Australia may be restricted by law. If you come into possession of it you should seek advice on such restrictions and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

This presentation does not constitute an offer in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer. No action has been taken to register or qualify PaperlinX SPS or to otherwise permit a public offering of PaperlinX SPS outside Australia. PaperlinX SPS may be offered in a jurisdiction outside Australia where such an offer is made in accordance with the laws of that jurisdiction.

PaperlinX SPS have not been, and will not be, registered under the United States Securities Act of 1933 (“Securities Act”) and may not be offered or sold in the United States or to, or for the account or benefit of, a US Person (as defined in Regulation S under the Securities Act).

Future performance

Except as required by law, and only then to the extent so required, neither the Issuer nor any other person warrants or guarantees the future performance of PaperlinX SPS or any return on any investment made pursuant to this presentation.

Diagrams

Diagrams used in the presentation are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the date of this presentation.

Product Disclosure Statement

A Product Disclosure Statement for PaperlinX SPS is available and can be obtained on [www.paperlinx.com](http://www.paperlinx.com). Persons deciding whether to acquire PaperlinX SPS should consider the Product Disclosure Statement.

# Content

---

1.	Offer Summary	1
2.	PaperlinX	2
3.	Financial Information	13
4.	PaperlinX SPS	18
5.	Offer Timetable	23
6.	Contacts	24

# 1. Offer Summary

---

<b>Security</b>	<ul style="list-style-type: none"><li>▪ PaperlinX Step-up Preference Securities (“PaperlinX SPS”)</li><li>▪ Preferred, non-cumulative, units in the PaperlinX SPS Trust</li></ul>
<b>Distributions</b>	<ul style="list-style-type: none"><li>▪ Unfranked, semi-annual, floating rate, discretionary and non-cumulative</li></ul>
<b>Issuer</b>	<ul style="list-style-type: none"><li>▪ Permanent Investment Management Ltd as responsible entity of the PaperlinX SPS Trust</li></ul>
<b>Offer Size</b>	<ul style="list-style-type: none"><li>▪ \$250 million with an ability to accept up to \$50 million in oversubscriptions</li></ul>
<b>Use of Proceeds</b>	<ul style="list-style-type: none"><li>▪ Used to retire senior debt</li></ul>
<b>Key Holder Protections</b>	<ul style="list-style-type: none"><li>▪ Dividend Restriction</li><li>▪ Step-up of 2.25% on 30 June 2012 subject to a Remarketing process</li><li>▪ Holder Realisation right on a Change of Control Event</li><li>▪ Holder Redemption right on PaperlinX breach of undertakings (e.g. Dividend Restriction)</li><li>▪ Ranking on a winding up of PaperlinX as a PaperlinX preference shareholder</li></ul>
<b>Takeover participation</b>	<ul style="list-style-type: none"><li>▪ Holder participation in a portion of any bid premium paid for PaperlinX ordinary shares on a change of control</li></ul>

---

## 2. Overview of PaperlinX

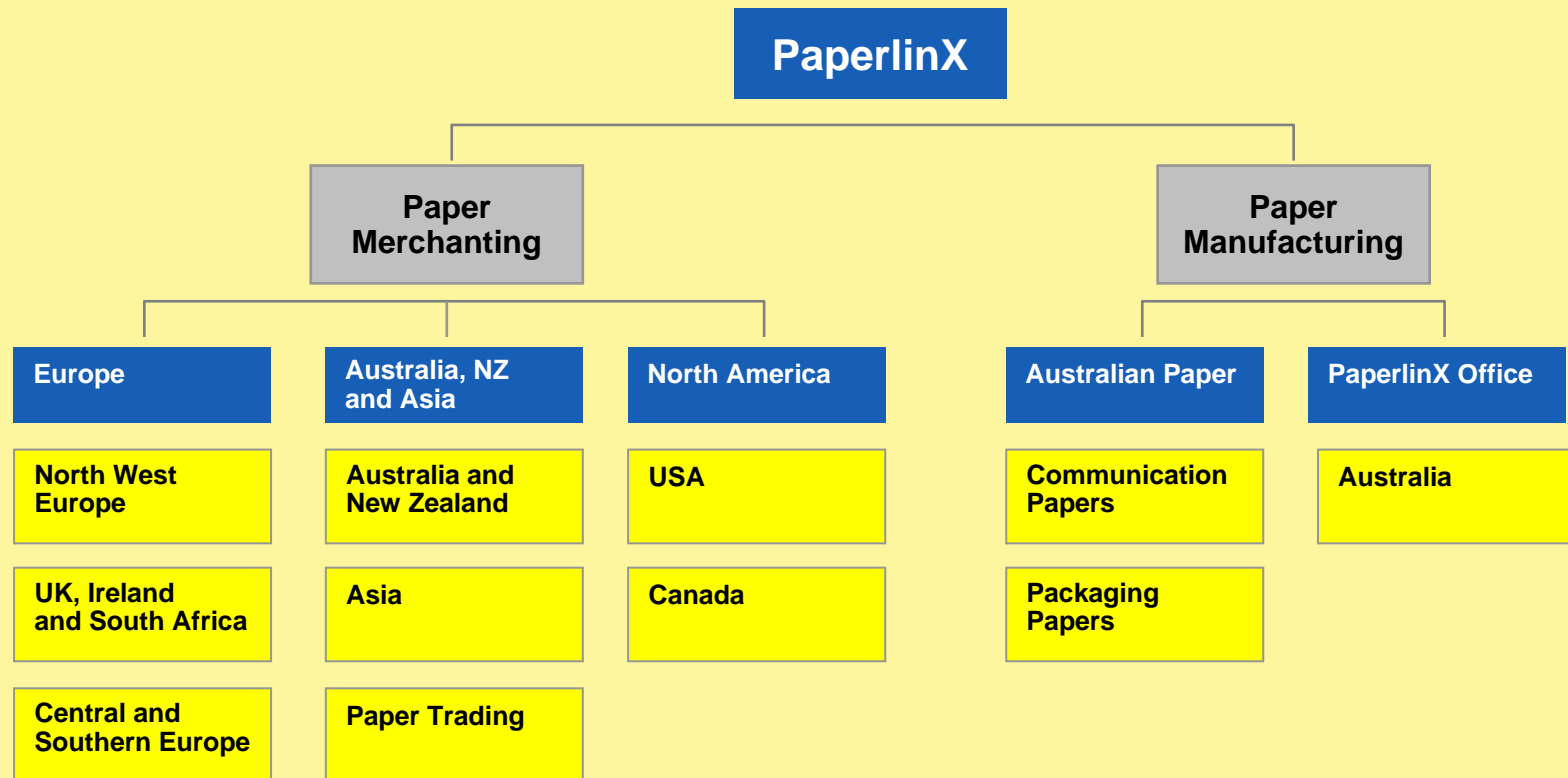
---

- Listed on ASX in 2000 following the demerger from Amcor
- In 2001, expanded into paper merchanting with the acquisition of Spicer's Paper
- Today, PaperlinX is a leading international fine paper merchant and Australia's principal manufacturer of high-quality communication, packaging and industrial papers
- PaperlinX sold over four million tonnes of paper and packaging material worldwide last year
- An ASX 100 company, with a market capitalisation of approximately \$1.7 billion
- PaperlinX is currently implementing a program of strategic initiatives and is seeking to further strengthen its balance sheet and increase financial flexibility to take advantage of future opportunities

## 2. PaperlinX Group Structure

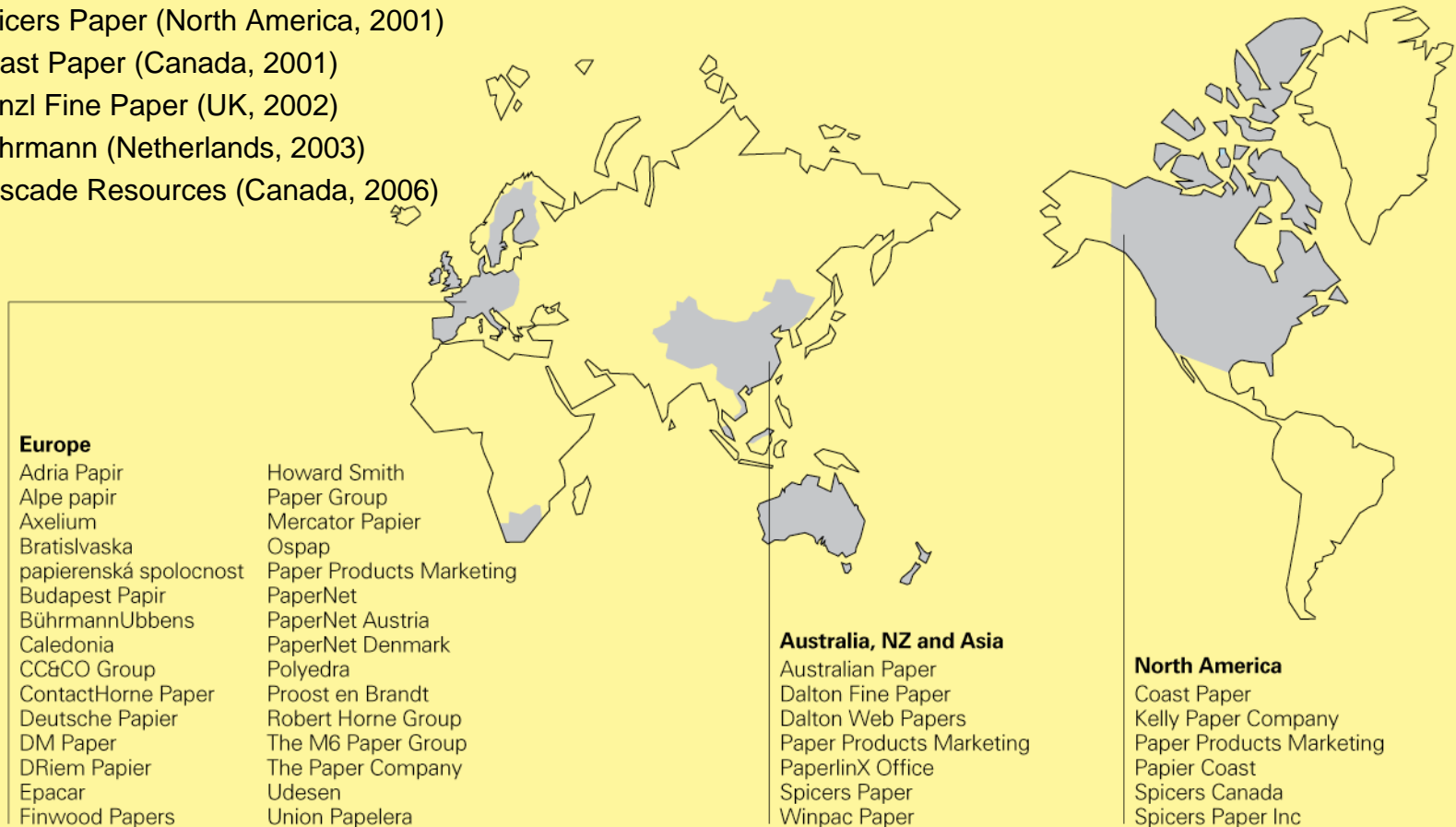
---

- The PaperlinX Group is divided into merchandising and manufacturing



## 2. PaperlinX Global Platform

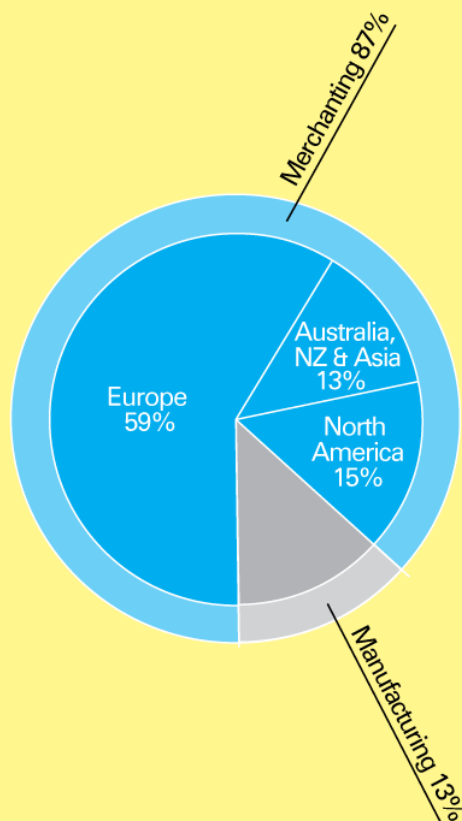
- PaperlinX operates 47 businesses across 29 countries
- Major international paper merchant acquisitions include
  - Spicers Paper (North America, 2001)
  - Coast Paper (Canada, 2001)
  - Bunzl Fine Paper (UK, 2002)
  - Buhrmann (Netherlands, 2003)
  - Cascade Resources (Canada, 2006)



## 2. PaperlinX Sales Revenue

### Split by Geography

Note: % calculated before inter segment sales deducted



Sales Revenue (\$m)	Year ended 30 June 2006
Total Merchanding	6,692
• Australia, NZ, Asia	1,030
• Europe	4,528
• North America	1,134
Total Manufacturing	1,021
Inter segment sales	(341)
Total Sales Revenue	7,372

## 2. PaperlinX Merchanting

---

- Paper merchants operate as intermediaries between suppliers (mills) and customers (printers)
  - Suppliers produce large quantities of few grades
  - Customers buy small quantities of many grades
- Value proposition:

### **For suppliers:**

- Increasing volume results in increasing relevance
- Multi-regional / multi-geographies
- Access to many consumers
- Efficiency gains
- Financial strength

### **For customers:**

- Wide range of the leading products, both Mill and Merchant brands
- High service level
- Stock on demand
- 24 hour or less delivery
- Technical/Design support (backselling, or 'pull-through' selling)

## 2. PaperlinX Manufacturing

---

### Australian Paper – paper manufacturing

- Focus on Australian market
  - 80% of production is sold in Australia
- Vertical integration - 70% self-sufficient in pulp
- Only manufacturer of communication paper in Australia
- Leading producer of packaging paper
- Leading copy paper manufacturer
- Reflex – Australia's leading office paper
- Strategic long term advantages
  - Branding
  - Long term customer contracts
  - Local supply
  - Secure fibre source

## 2. PaperlinX Strategy

---

### Core Operating Principles

Our Core Operating Principles have provided guidance to improve our competitiveness and position itself for improved returns going forward:

- 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 our 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

## 2. PaperlinX Strategy

---

### Status of major business initiatives

- |   |  |
|---|--|
| • Upgrade of Maryvale PM1               | Complete, in market                        |
| • Closure of Shoalhaven PM1             | Complete and on plan. PM2 also shut        |
| • Spicers Canada Acquisition (external) | Complete, exceeded expectations            |
| • PaperlinX Office                      | Complete, market successes                 |
| • The Delivery Company                  | On track, 5 <sup>th</sup> site operational |
| • Netherlands Restructure               | On track, DRiem integrated                 |
| • European IT platform                  | On track, Ireland successful               |
| • Maryvale Pulp Mill upgrade            | On track for targeted returns              |
| • Maryvale Wood yard outsourcing        | On track                                   |
| • Growth of own brands                  | Strong first half                          |
| • Strategic Sourcing Alignments         | On going                                   |
| • European Portfolio Change (external)  | Additional conditional agreements          |
| • Global Customer Solutions             | Structure developed                        |

## 2. PaperlinX Strategy

---

Announced strategic initiatives are on-track –  
\$100 million p.a. incremental benefit in 2009

- Net \$16 million delivered versus prior half year
- Net one-off costs associated with these initiatives of \$9 million pre-tax were incurred in this period
- Exceed a net positive contribution to operating earnings of \$23 million in 2007
- Exceed a net \$100 million per annum benefit to operating earnings in 2009

## 2. PaperlinX Trading Update

---

### PaperlinX 2007 interim result summary

- Profit after tax of \$33 million including net \$(10) million of after tax one-off costs
- Underlying EBIT of \$96 million (up 24% on pcp) reflects positive contributions from strategic initiatives, mix and effective cost management, with minimal benefit realised from improving market conditions
  - Net positive EBIT contribution of \$16 million from strategic initiatives including Maryvale M1 upgrade, Spicers Canada acquisition, Shoalhaven closures and PaperlinX Office
  - Strong productivity and some pricing mitigated by higher input costs
- Australian Paper underlying EBIT benefits from internal initiatives and efficiency gains despite input cost increases
- Potential European portfolio changes follows current strategy

## 2. PaperlinX Trading Update

---

### Business outlook

- UK, North America and Australasia demand remains modest, though balanced by more modest capacity increases net of mill closures
- Manufacturing input costs remain high but are stabilizing
- Strategic initiatives are on-track to exceed \$23 million/ \$100 million net EBIT benefits in 2007/2009
- Seasonal improvement in working capital and on-going focus on working capital % sales by year end is targeted in a climate of higher revenue
- Minimal “market improvement” benefits expected in the second half
- Growth opportunities to leverage existing global platform will be addressed
- Focus remains on improved competitiveness, economic profit and shareholder returns through the cycle

### 3. Financial Information

#### Income Statement Highlights

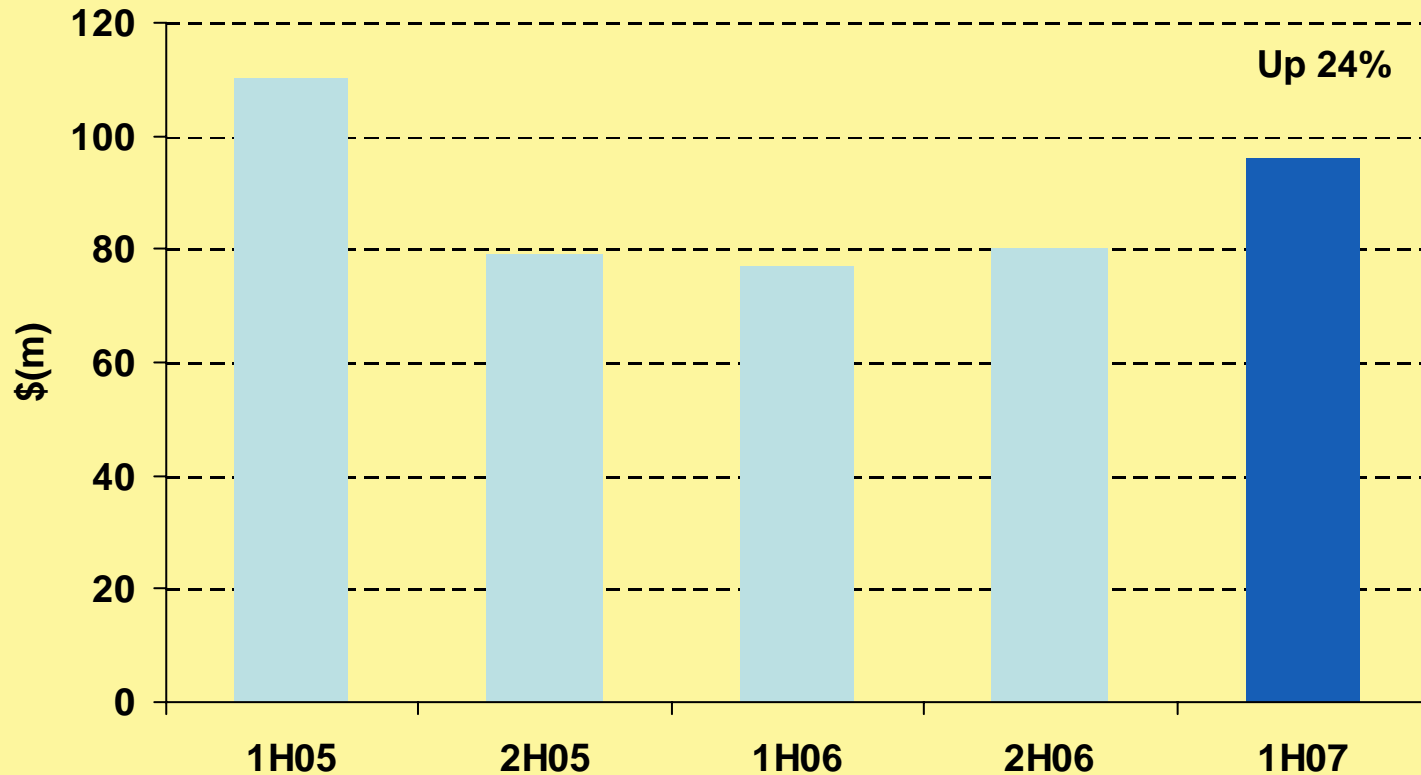
<b>Consolidated (\$m)</b>	<b>Year ended 30 June 05</b>	<b>Half year ended 31 Dec 05</b>	<b>Year ended 30 June 06</b>	<b>Half year ended 31 Dec 2006</b>	<b>Calendar year ended 31 Dec 2006</b>
Revenue	7,583	3,576	7,351	3,926	7,701
EBITDA	293	129	257	138	266
Underlying EBIT	190	78	157	96	176
EBIT	180	79	152	87	160
Net Interest Expense	(69)	(33)	(65)	(36)	(69)
Tax Expense	(22)*	(11)	(22)	(18)	(28)
Profit after Tax	90*	35	65	33	63

\* Excludes benefits of entering Australian Tax Consolidation regime of \$77 million.

### 3. Financial Information

---

Underlying EBIT has improved as a result of internally generated initiatives



## 3. Financial Information

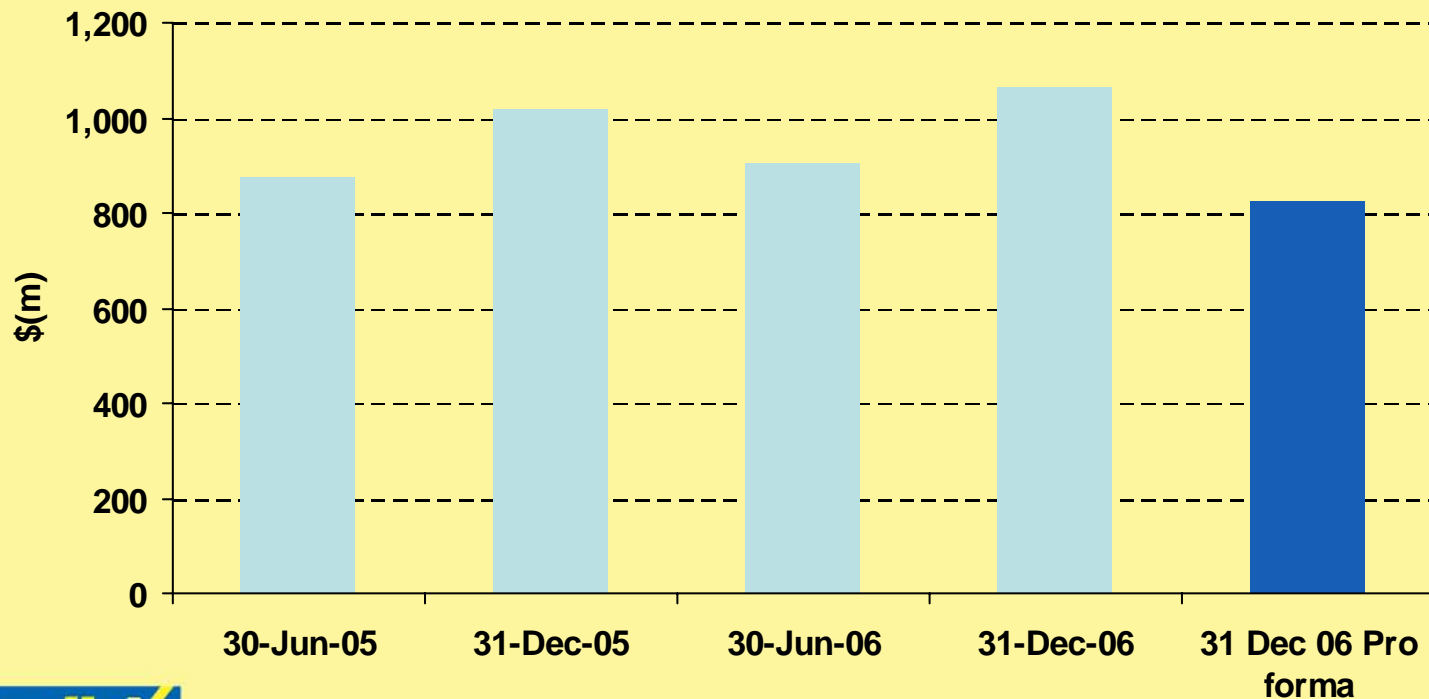
### Balance Sheet Highlights

Consolidated (\$m)	30 June 05 Historical	31 Dec 05 Historical	30 June 06 Historical	31 Dec 06 Historical	31 Dec 06 Pro forma
Cash	429	289	455	198	198
Inventory	812	815	864	890	890
Total assets	4,167	4,078	4,390	4,193	4,193
Total Debt	1,303	1,306	1,359	1,265	1,023
Total liabilities	2,604	2,514	2,782	2,572	2,330
Net assets	1,563	1,564	1,609	1,622	1,864
Net Debt	874	1,017	904	1,067	825

# 3. Financial Information

Net debt has risen from expansionary capex

- Maintenance capex generally follows depreciation and amortisation
- 22% rise in net debt over the last three halves represents expansionary capex
  - Cascades in Canada (\$100 million)
  - Pulp mill upgrade (total approved cost \$203 million)



# 3. Financial Information

## Selected Financial Ratios

- PaperlinX target gearing policy is 40-50% (net debt/net debt + equity)

	Year ended 30 Jun 2006 Historical	Calendar year ended 31 Dec 2006 Historical	Calendar year ended 31 Dec 2006 Pro-forma
Gearing <sup>(1)</sup>	36.0%	39.7%	30.7%
Net Debt/EBITDA	3.5 x	4.0 x	3.1 x
Interest Coverage <sup>(2)</sup>	3.9 x	3.9 x	5.2 x
Interest + Distribution Coverage <sup>(3)</sup>	N/A	N/A	3.7 x
Distribution Coverage <sup>(4)</sup>	N/A	N/A	9.9 x

1. Net debt/net debt + equity

2. EBITDA/net interest expense

3. EBITDA/(net interest expense + Distribution Payment)

4. (EBITDA – net interest expense )/Distribution Payment

# 4. PaperlinX SPS

---

## Use of Proceeds

### Rationale for issue

- Debt repayment
- Strengthening balance sheet capacity
- Increasing financial flexibility to take advantage of future opportunities

### Use of proceeds

- PaperlinX SPS Trust will use the proceeds of the Offer to subscribe for shares in a subsidiary of PaperlinX (“PaperlinX LLC”)
- PaperlinX LLC will in turn lend the proceeds of subscription to members of the PaperlinX Group
- The PaperlinX Group will use the proceeds to retire debt

# 4. PaperlinX SPS

---

## Key Terms

---

<b>Security</b>	<ul style="list-style-type: none"><li>▪ PaperlinX Step-up Preference Securities (“PaperlinX SPS”)</li><li>▪ Perpetual preferred units in the PaperlinX SPS Trust</li></ul>
<b>Issuer</b>	<ul style="list-style-type: none"><li>▪ Permanent Investment Management Ltd as responsible entity of the PaperlinX SPS Trust</li></ul>
<b>Distributions</b>	<ul style="list-style-type: none"><li>▪ Unfranked, semi-annual, floating rate, discretionary and non-cumulative</li></ul>
<b>Distribution Rate</b>	<ul style="list-style-type: none"><li>▪ 180 day Bank Bill Swap Rate + Margin</li></ul>
<b>Distribution Payment Dates</b>	<ul style="list-style-type: none"><li>▪ 30 June and 31 December each year</li><li>▪ The first Distribution will be payable on 30 June 2007</li></ul>
<b>Remarketing</b>	<ul style="list-style-type: none"><li>▪ Issuer can initiate a process to adjust the Margin and other terms on a Remarketing Date</li></ul>
<b>Remarketing Dates</b>	<ul style="list-style-type: none"><li>▪ First Remarketing Date on 30 June 2012</li></ul>
<b>Step-up Margin</b>	<ul style="list-style-type: none"><li>▪ Margin plus 2.25%</li></ul>
<b>ASX Code</b>	<ul style="list-style-type: none"><li>▪ PXUPA</li></ul>
<b>Voting Rights</b>	<ul style="list-style-type: none"><li>▪ PaperlinX SPS Holders may not vote in general meetings</li></ul>

---

# 4. PaperlinX SPS

---

## Key Holder Protections

---

### **Dividend Restriction**

- If a PaperlinX SPS Distribution is not paid in full or if the Redemption Amount has not been paid in full or equivalent shares issued on a Realisation Date

### **Step-up of 2.25%**

- Applies from 30 June 2012 unless PaperlinX has set a Remarketing Margin or Realised Holders' PaperlinX SPS

### **Holder put right on a Change of Control Event**

- Holders may request Realisation following a Change of Control Event

### **Holder redemption if PaperlinX breaches its undertakings**

- PaperlinX must exchange PaperlinX SPS for PaperlinX Preference Shares that are immediately redeemable at the option of the holder

### **Ranking on a winding up of PaperlinX**

- PaperlinX SPS will be exchanged for PaperlinX Preference Shares that will rank ahead of PaperlinX Ordinary Shares but behind all creditors of PaperlinX
-

# 4. PaperlinX SPS

---

## Remarketing

---

- |   |   |
|---|---|
| <b>First Remarketing Date</b>                             | ▪ 30 June 2012  |
| <b>Successful Remarketing threshold</b>                   | <ul style="list-style-type: none"><li>▪ 'Bid' or 'Hold' Notices (excluding deemed 'Hold' Notices) in respect of 25% of PaperlinX SPS on issue are required in order to set a new Margin and new terms to apply</li><li>▪ PaperlinX must Redeem, Exchange (at a 2.5% discount) or Resell any Exiting Holders</li></ul> |
| <b>New Credit Rating Remarketing</b>                      | <ul style="list-style-type: none"><li>▪ If PaperlinX obtains a credit rating it may initiate a Remarketing process but may not propose a lower Margin</li><li>▪ Holders may respond with 'Bid' Notices or 'Hold' Notices</li></ul>  |
| <b>New Credit Rating Successful Remarketing threshold</b> | ▪ As above other than PaperlinX must Resell any Exiting Holders (i.e. may not Redeem or Exchange and thereby reduce the liquidity the PaperlinX SPS issue)  |
| <b>Benefits for PaperlinX</b>                             | ▪ Creates flexibility for PaperlinX to propose adjustments to the PaperlinX SPS terms in future to obtain favourable credit rating agency treatment, if required  |
-

# 4. PaperlinX SPS

## Peer Comparison

	PaperlinX SPS	Orica SPS	Fairfax SPS	Nufarm NSS	Transpacific SPS
<b>Structure</b>	Trust	Stapled	Stapled	Notes	Trust
<b>Security</b>	PNC5	PNC5	PCN5	PNC5	PNC5
<b>Franking</b>	Unfranked	Unfranked	Unfranked	Unfranked	Franked
<b>Step-up</b>	2.25%	2.25%	2.25%	2.00%	2.50%
<b>Breach of Dividend Restriction</b>	Request redemption <sup>1</sup>	Request redemption or conversion	Request redemption or conversion	Not specified	Request redemption or conversion
<b>Holder Change of Control right</b>	Yes	Yes	No	Yes	Yes
<b>Takeover participation</b>	Yes	Yes	Yes	No	No

<sup>1</sup>Redemption effected via exchange into an immediately redeemable preference share.

# 5. Offer Timetable

---

<b>Product Disclosure Statement (“PDS”) lodged with ASIC</b>	22 February
<b>Institutional and Broker Firm Roadshow</b>	27 February – 2 March
<b>Bookbuild</b>	6 March
<b>Margin announced and Replacement PDS lodged</b>	7 March
<b>Opening Date of General, Shareholder Priority and Broker Firm Offer</b>	7 March
<b>Closing date of General and Shareholder Priority Offer</b>	23 March
<b>Closing date of Broker Firm Offer</b>	27 March
<b>DvP Settlement</b>	29 March
<b>Allotment of PaperlinX SPS to Applicants</b>	30 March
<b>PaperlinX SPS commence deferred settlement trading on ASX</b>	2 April
<b>PaperlinX SPS commence normal trading on ASX</b>	5 April
<b>First Remarketing Date</b>	30 June 2012

## 6. Contacts

---

### PaperlinX Limited

<b>Tom Park</b>	Chief Executive Officer	(03) 8540 2333
<b>David Lamont</b>	Chief Financial Officer	(03) 8540 2305
<b>David Shirer</b>	Executive General Manager Corporate Affairs	(03) 8540 2302

### Lead Manager and Bookrunner

<b>Cameron Duncan</b>	Macquarie Securities	(02) 8232 7405
<b>Hugh Falcon</b>	Macquarie Equity Capital Markets	(03) 9635 9363
<b>Greg Hosking</b>	Macquarie Equity Capital Markets	(03) 9635 8111