



2009 Full Year Results

31 August 2009

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Presentation Sequence

- Introduction and Overview
- 2009 Final Result
- Financial Discussion
- Manufacturing
- Merchenting
- Summary and Outlook
- Questions and Answers

Key Influences on Result

- Weak demand resulted in significantly lower volumes and gross profit
- Aggressive cost reduction programmes
- Australian Paper sale (excluding Tasmanian operations)
- Capital management
 - Funding commitments agreed
 - Equity raising
 - Working capital and debt reduction
- One-off and significant items
 - Sale of Australian Paper and related restructuring costs
 - Foreign exchange losses in the first half
- Covenant breaches and related costs

Results for 2009 Financial Year

- Revenue of \$7.1 billion (down 5% on prior year) and volume of 3.6 million tonnes (down 14%)
- Divisional EBIT of \$110.1 million compares with \$190.4 million (down 42%)
- Reported after tax loss of \$(798.2) million (pre SPS distribution), including after tax significant items of \$(727.9) million
- Year end merchant net working capital reduced by \$71 million versus June 2008 (\$127 million at constant FX)
- Year end net debt reduced to \$217 million from \$1,062 million at 31 December 2008 and gross debt fell to \$586 million

Distributions

- No June distribution on PaperlinX Step-up Preference Securities (SPS) was paid
 - Subject to lender approval as a result of previous covenant breach
 - Approval not received for June, discussions continue for future distributions
 - Non-cumulative, but option to make up at a later date
 - Dividend block on ordinary shares
- No ordinary dividend
 - Negative earnings per share
 - Dividend block in place until 2 consecutive SPS distributions paid

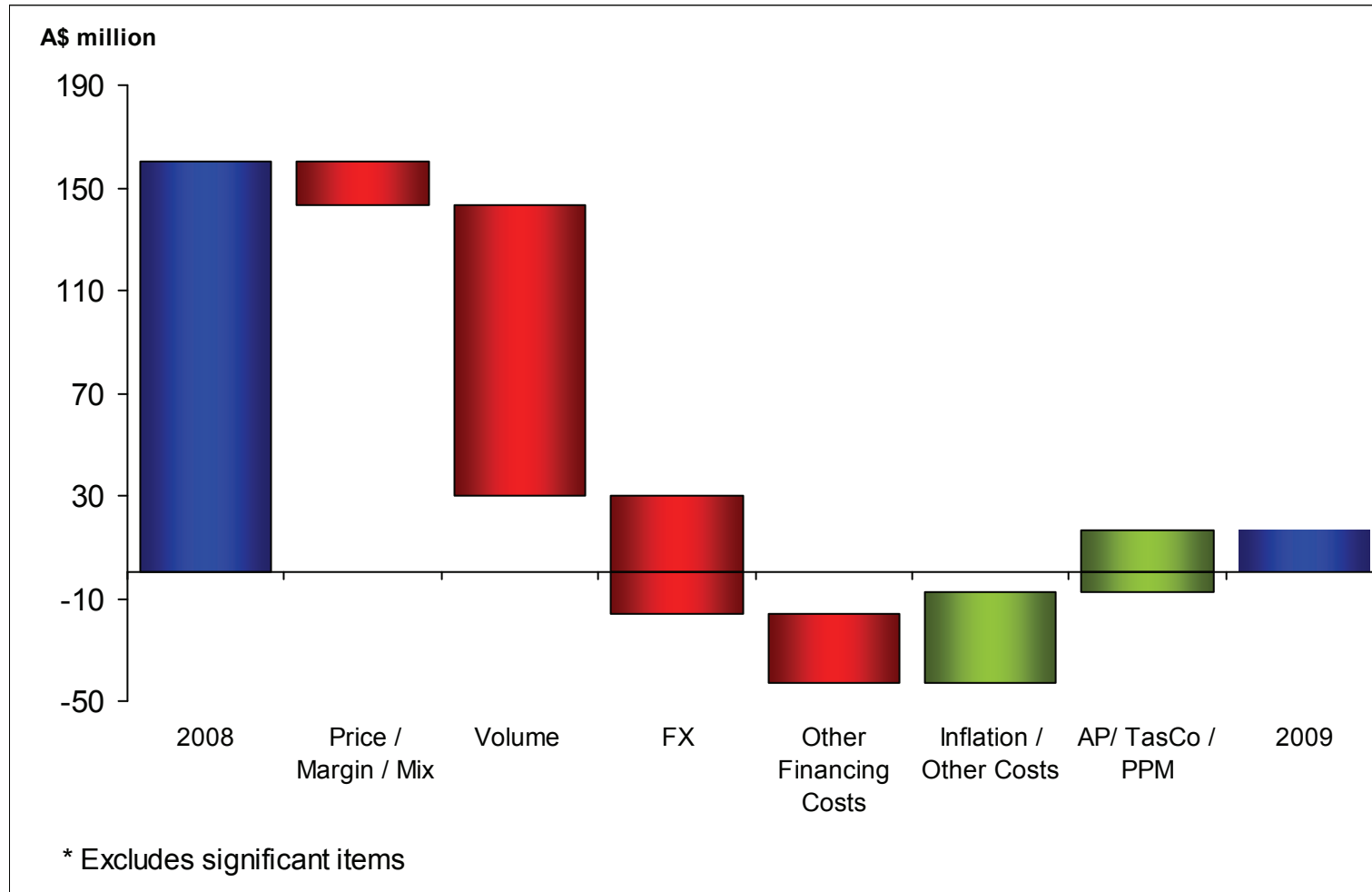
Financial Summary

		12 months to Jun 2008	12 months to Jun 2009	% change
Sales volume	'000 tonnes	4,254	3,638	(15)
Sales revenue	\$M	7,485	7,107	(5)
EBITDA (pre significant items)	\$M	254.3	93.6	(63)
Operating cash flow	\$M	117.1	(6.0)	
Divisional EBIT (pre significant items)	\$M	190.4	110.1	(42)
Reported EBIT (pre significant items)	\$M	160.4	16.4	(90)
Reported EBIT (post significant items)	\$M	160.4	(718.2)	
Reported earnings after Tax (pre significant items)	\$M	72.2	(70.3)	
Reported earnings after tax (post significant items)	\$M	72.2	(798.2)	
Earnings per share (after SPS distribution, post significant items)	cps	10.1	neg	

Key Ratios

		12 months to Jun 08	12 months to Jun 09
Group ratios			
Average working capital/sales	%	17.9	19.4
Year-end working capital/sales	%	15.4	13.6
Net tangible assets per share	\$	2.59	0.85
Net debt / net debt & equity	%	28.7	14.6
Merchant ratios			
Average working capital/sales	%	16.6	17.7
Year-end working capital/sales	%	14.2	13.5
EBIT/average funds employed	%	10.9	4.8
EBIT / sales revenue	%	2.9	1.3

Key Variances to Reported EBIT – 2009 v 2008



Significant Items

	A\$M	
Loss on sale of discontinued operations	(47.7)	} \$(129.5)m
Transaction costs	(25.4)	
Financing costs	(37.2)	
Restructuring costs	(19.2)	
European asset impairment	(37.6)	
Impairment of manufacturing operations	<u>(567.5)</u>	
Total pre-tax significant items	(734.6)	
Tax benefit	<u>6.7</u>	
Total post-tax significant items	(727.9)	

Corporate and Other

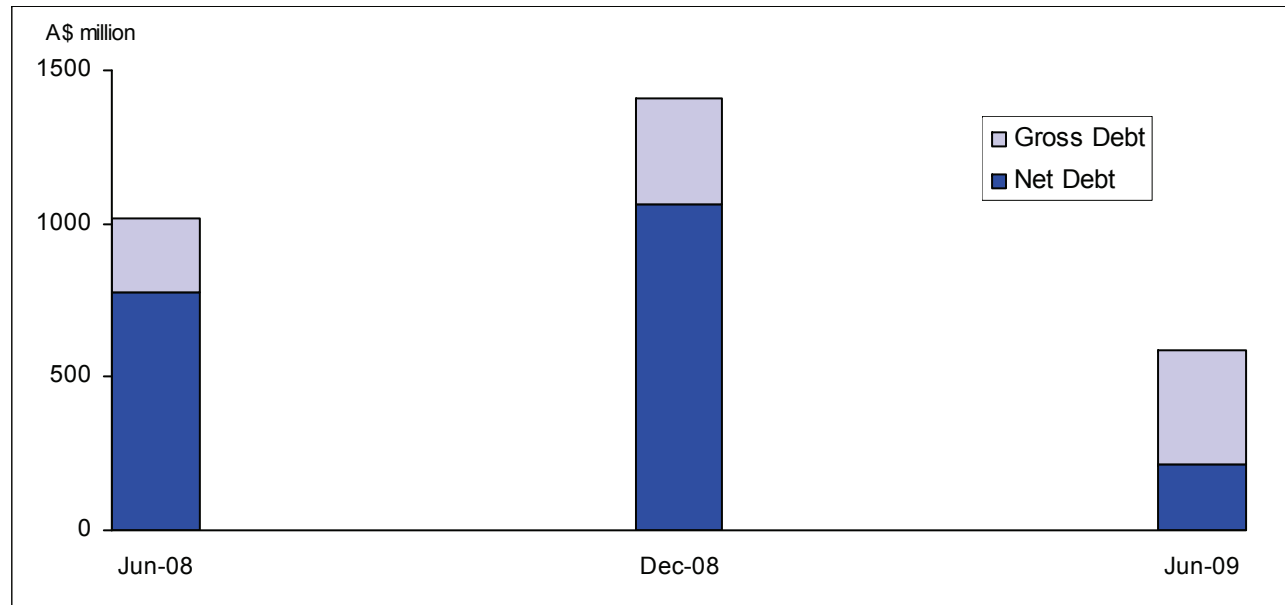
		12 months <u>Jun 08</u>	12 months <u>Jun 09</u>
Corporate overhead	A\$m	(41.8)	(32.8)
Financing charges excluding significant items	A\$m	(3.9)	(30.6)
FX gains and losses	A\$m	<u>15.7</u>	<u>(30.3)</u>
Earnings before Interest & Tax	A\$m	(30.0)	(93.7)

- Underlying Corporate overhead costs significantly lower than prior year due to reduced incentives and headcount
- Total additional costs included in Corporate resulting from covenant breaches have increased these costs to \$30.6 million
- Earnings include significant negative impact from FX losses incurred in the period to December 2008
 - improved / amended processes has ensured these were not repeated in the second half result
 - a small amount of further unrealised losses in relation to mark to market adjustments on a cross currency swap

Cash Flow – 2009 v 2008

	2009	2008	VAR
EBIT	(718)	160	(878)
Non-cash Addbacks	788	58	730
Interest/Tax Paid	(108)	(120)	12
Net Operating Cash Flow (excl W. C.)	(37)	98	(135)
Working Capital Cash Flow	31	19	12
Net Operating Cash Flow	(6)	117	(123)
Capital Expenditure	(183)	(344)	161
Proceeds from Disposal	724	56	668
Dividends/Distributions	(25)	(62)	37
Net Proceeds from Equity Issues	177	(0)	177
Total Cash Flow	686	(233)	919

Debt Profile



- Chart shows actual to June 2009
- Opportunities available to reduce gross debt levels via more efficient structuring of debt facilities / improved transactional banking structures

Funding Initiatives

- Banks and noteholders agreed to commit to terms and new covenants that will secure:
 - Bank borrowings through to February 2011
 - Long term US private placement notes through to 2015
- Refinancing program underway
 - a range of funding options being explored
 - will provide more flexibility / reduced cost
 - supplement with additional working capital initiatives

Lender Covenants

- Borrowing covenants
 - Will be earnings target based to June 2010 (allowing appropriate headroom)
 - More traditional ratios to apply from 1 July 2010
- Beyond 2010
 - Gross interest cover
 - Gross leverage ratio
 - Total debt to total capitalisation
- Repayment schedule
 - Banks through to February 2011
 - US Private Placement Notes through to maturity

Paper Manufacturing

		12 months <u>Jun 08</u>	12 months <u>Jun 09</u>	Change <u>%</u>
Discontinued operations				
Sales volume	'000 tonnes	721	585	(19)
Sales revenue	A\$M	863	752	(13)
Earnings before interest & tax	A\$M	30.8	36.5	19
Continuing operations				
Sales volume	'000 tonnes	234	184	(21)
Sales revenue	A\$M	287	240	(16)
Earnings before interest & tax	A\$M	(26.1)	(8.7)	

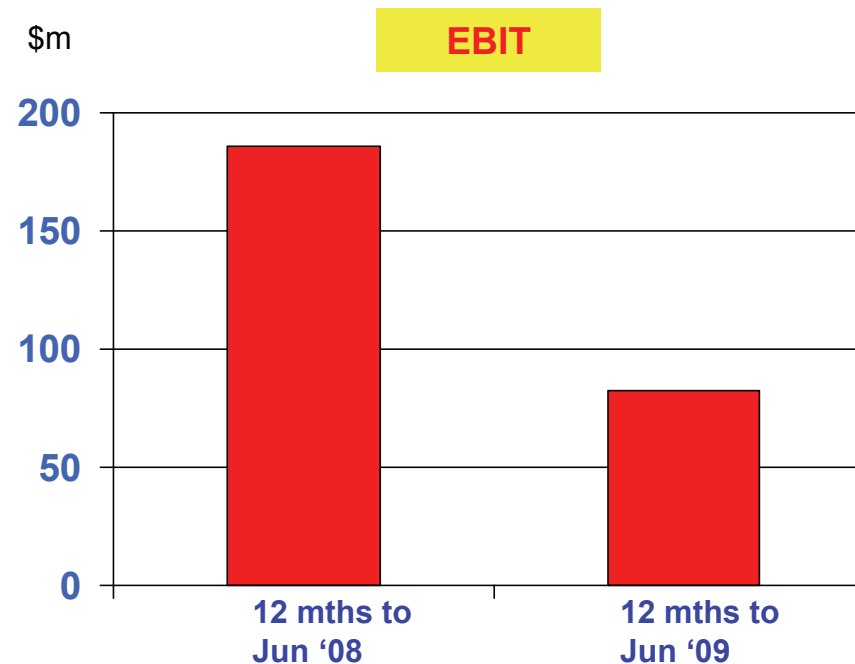
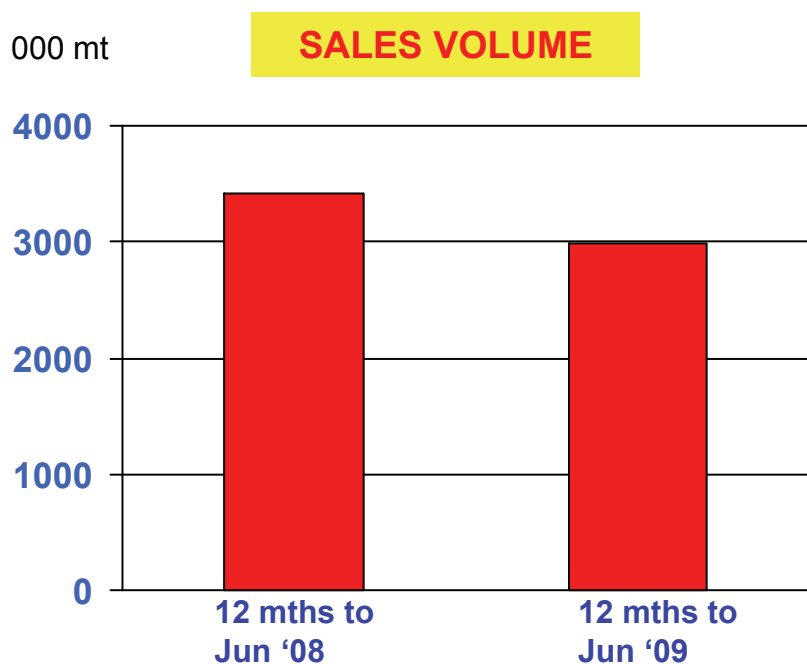
- Sale of Australian Paper (excluding Tasmanian operations) to Nippon Paper completed on 1 June 2009, effective on 31 May 2009
- Completion of Maryvale Mill pulp capacity upgrade in December 2008
- Results split into Discontinued Operations and Continuing Operations
- Lower global demand lowered export earnings
- Pricing implemented at start of fiscal 2009 was supported by currency
- Final quarter impacted by rising A\$ and weakening demand

Tas Paper Review – Progress

- Structured process
 - Exploring options with a number of parties
 - Progressing alternative solutions to a trade sale
 - Refining understanding of remediation requirements and process
- Progressing a range of options
 - Progressing against the range of options as previously indicated
 - Also investigating potential other uses for the sites as well as identifying markets for existing assets
 - Potential outcome favourable to previous guidance of a net \$70-80 million closure cost

Merchanting – Total

		12 months Jun 08	12 months Jun 09	Change %
Sales volume	'000 tonnes	3,424	2,989	(13)
Sales revenue	\$m	6,512	6,296	(3)
Reported earnings before interest and tax and significant items	\$m	185.7	82.3	(56)
EBIT/sales revenue	%	2.9	1.3	
Return on average funds employed	%	10.9	4.8	



Apparent Consumption – Overall Market

(June year)		% change on PCP		
		1H	2H	2009
North America	CWF	-20.3%	-31.6%	-25.7%
	UCWF	-10.7%	-15.5%	-13.0%
Europe	CWF	-2.8%	-18.5%	-10.6%
	UCWF	-3.6%	-17.1%	-10.6%

Source: RISI

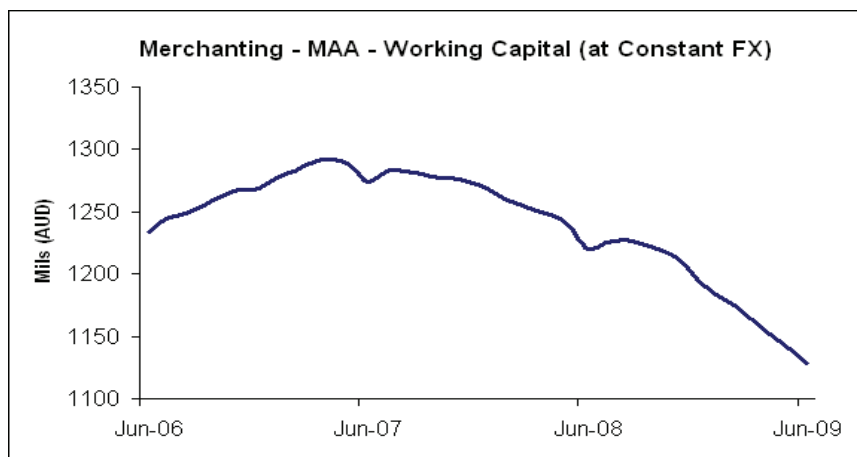
- Paper consumption in all regions was impacted by the weak global economy
- The second half of the 2009 financial year was significantly weaker than the first half, exacerbated by inventory reductions throughout the supply chain

Costs

		% Change	
		FY09 v FY08	2H09 v 2H08
ANZA	A\$	(1.5)%	(4.6)%
Europe	€	(9.4)%	(12.4)%
North America	US\$	(12.7)%	(20.7)%

- Expenses well down in all regions
- Headcount down 632 versus prior (excluding Australian Paper)
- Increasing momentum as the 2009 year progressed
- Structurally lower expense base going into 2010

Working Capital Initiatives - Merchancing



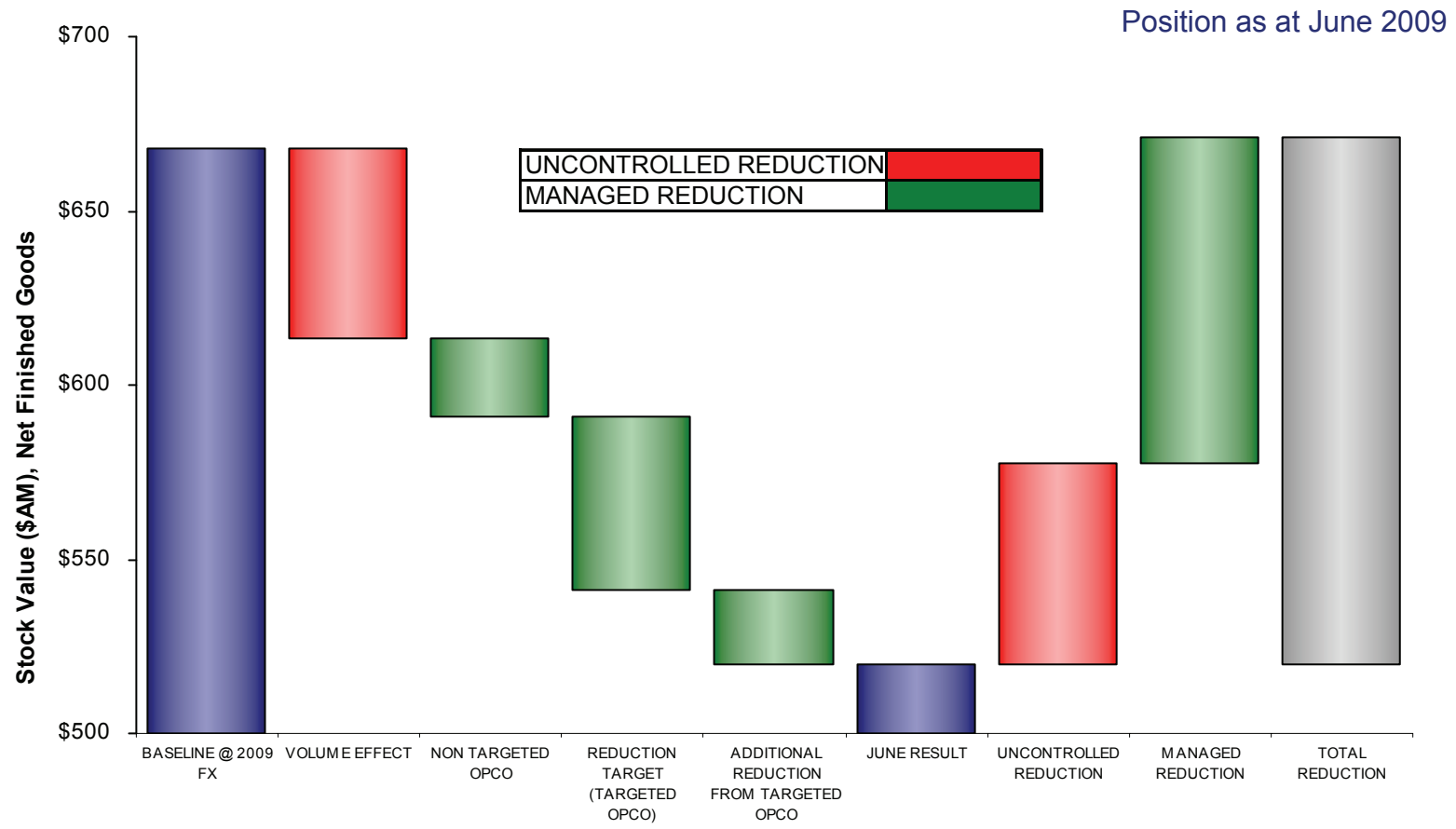
Merchandising June working capital down strongly in Europe (-22%) and North America (-11%) versus prior

	% Change
North America (USD)	(11)%
Europe (Euro)	(22)%
ANZA (AUD)	42%

	Days		
	June 2008	June 2009	Change
Inventory	64.5	58.9	(5.6)
Debtors	62.9	62.6	(0.3)
Creditors	59.2	58.8	(0.4)
WC/Sales	14.2	13.6	(0.7)

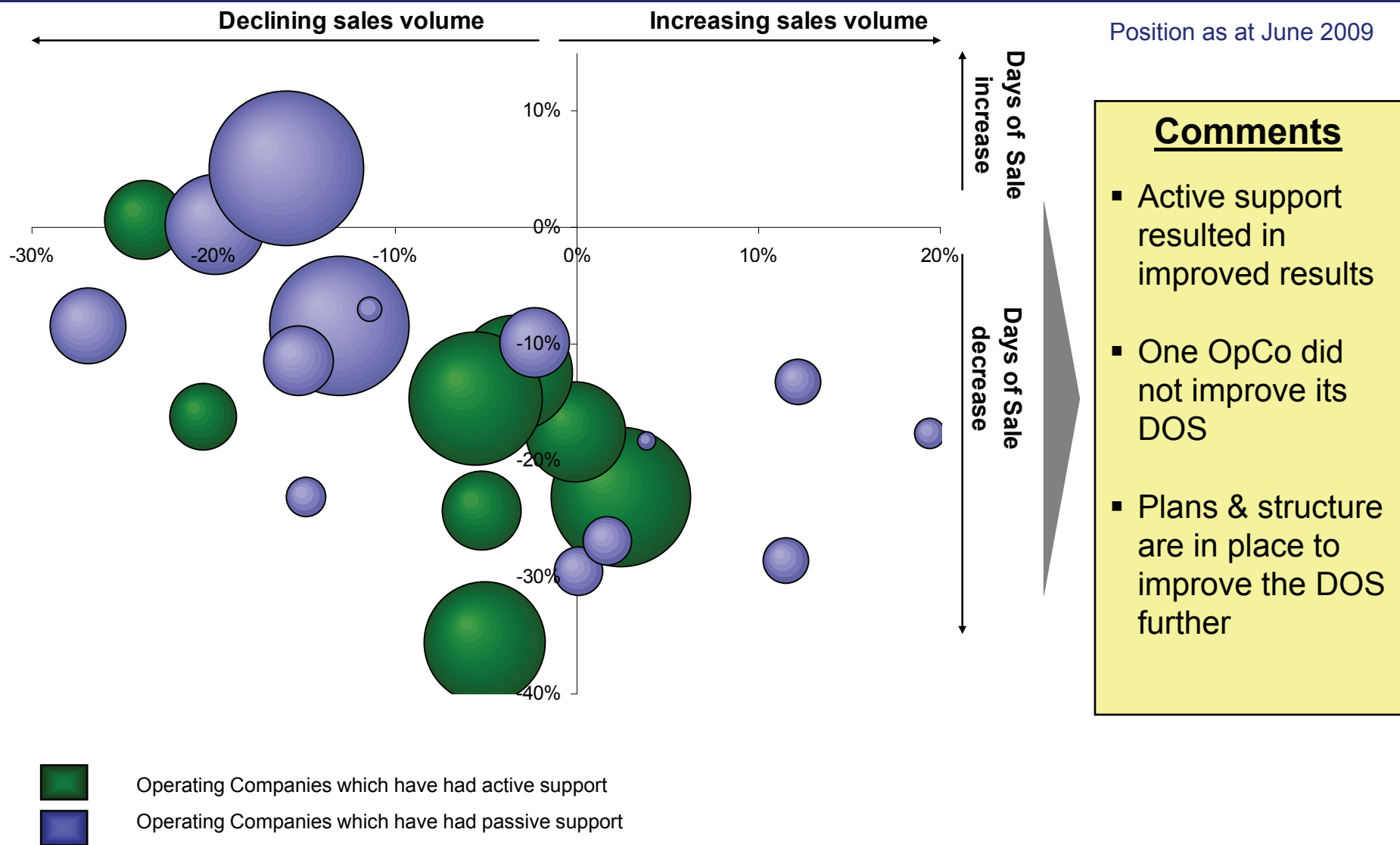
- Roll out of a core process to major operating companies has structurally reduced inventory days despite volume falls
- Debtor days held
- Creditor days has suffered from tightening supplier credit
- Year end working capital shows momentum

Inventory Initiatives



- Around 1/3 from volume reductions
- Balance from internal initiatives

Inventory Initiatives – Reducing Days of Sale



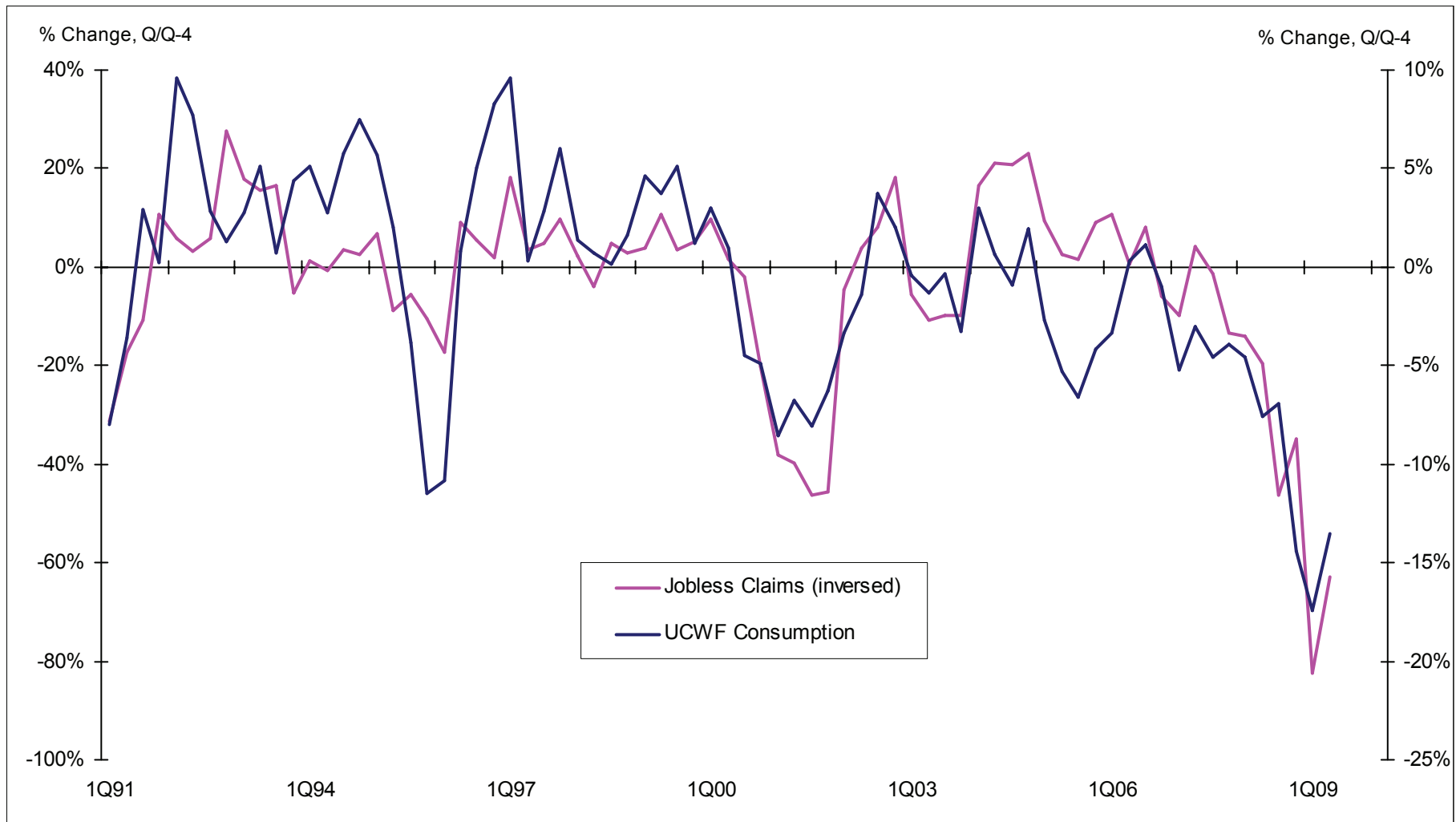
Merchanting - North America

		12 months <u>Jun 08</u>	12 months <u>Jun 09</u>	Change <u>%</u>
Sales volume	'000 tonnes	645	541	(16)
Sales revenue	US\$m	1,138	962	(15)
Trading earnings before interest & tax	US\$m	26.7	6.5	(76)
Reported earnings before interest & tax	US\$m	28.9	6.0	(79)
Trading EBIT/sales revenue	%	2.3	0.7	

- Volume decline resulting from weak markets
- Positive market share gains
- Unprecedented market weakness with coated woodfree consumption down 26% in the year
- Flat average realised prices
- Translation impacts on Canadian earnings into US\$
- Operating expenses down 13%, second half expenses down 21%, with head count down 17%
- Year end working capital to sales reflected strong improvement in inventories in the second half

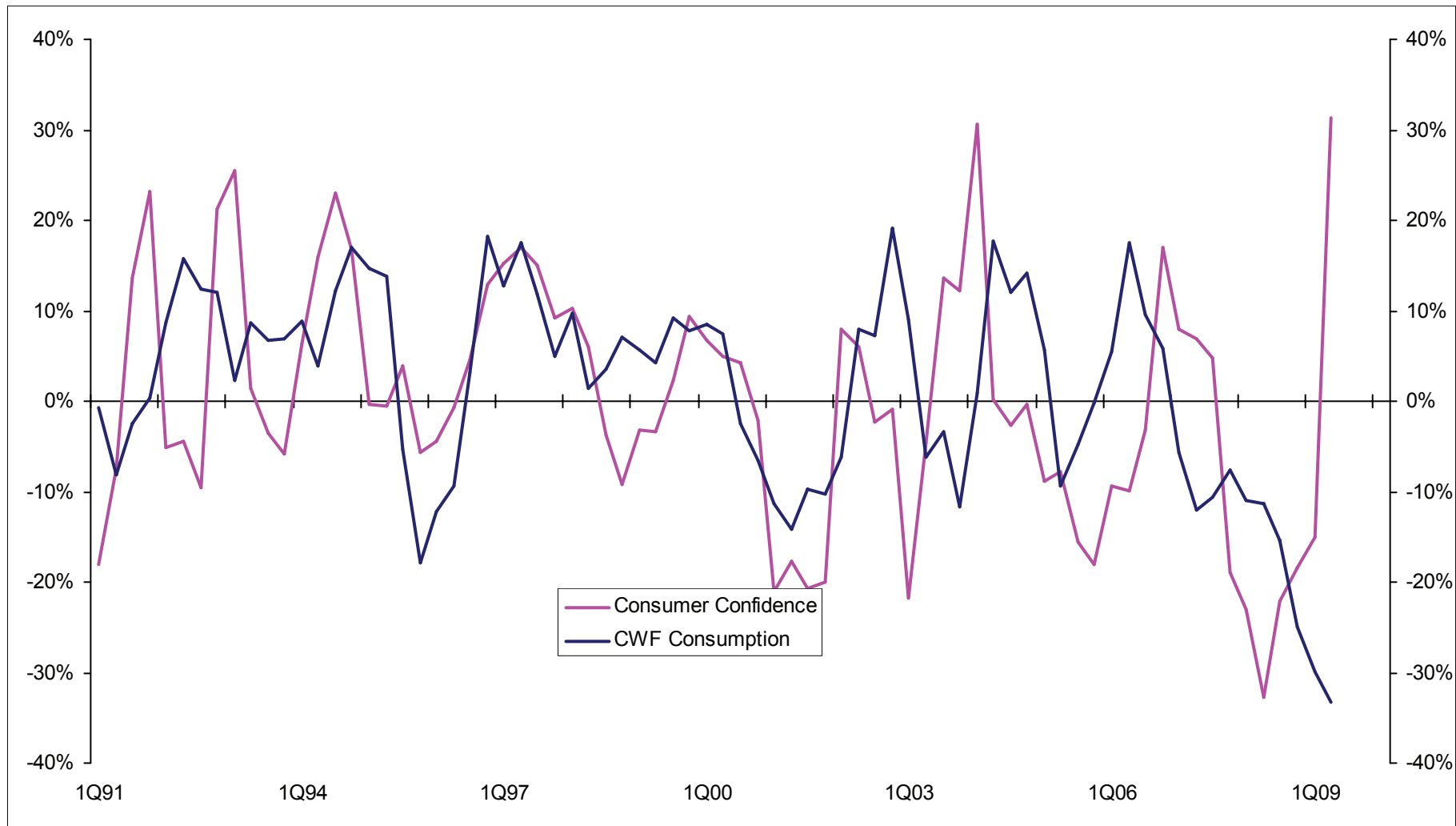
Jobs and Uncoated Woodfree demand

Uncoated paper consumption correlates to changes in employment



Confidence and Coated Woodfree demand

Coated paper consumption correlates to changes in consumer confidence



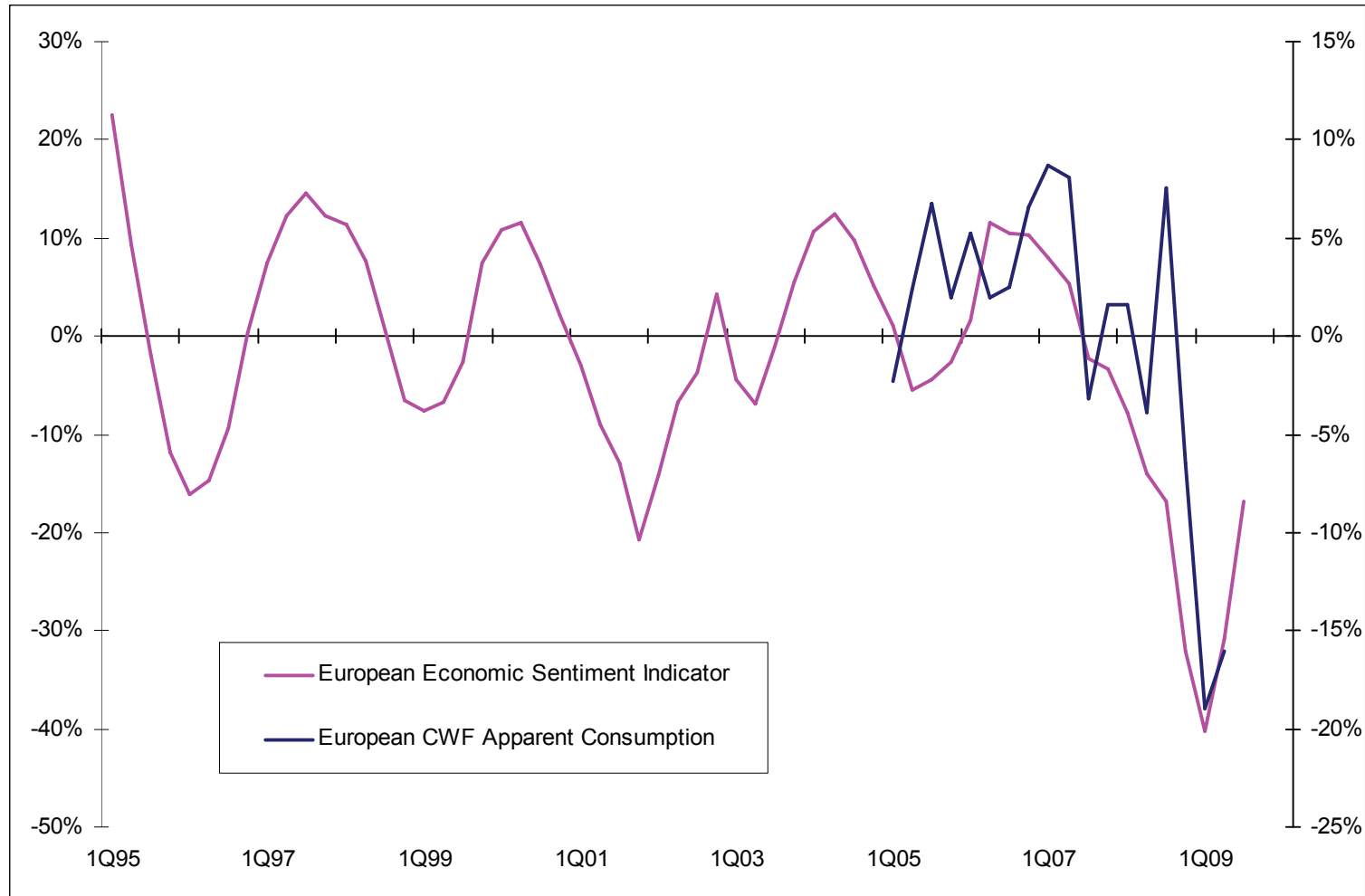
Merchanting - Europe

		12 months <u>Jun 08</u>	12 months <u>Jun 09</u>	Change <u>%</u>
NW Europe	'000 tonnes	690	616	(11)
UK & Ireland	'000 tonnes	1,147	990	(14)
Central & Southern Europe	'000 tonnes	<u>528</u>	<u>474</u>	(10)
Total sales volume	'000 tonnes	2,365	2,080	(12)
Sales revenue	€m	2,743	2,337	(15)
Trading earnings before interest and tax	€m	67.3	20.9	(69)
Reported earnings before interest, tax and significant items	€m	83.3	30.2	(64)
Trading EBIT/sales revenue	%	2.5	0.9	

- Market driven volume reductions, with 2H down 18%
- Price realisations reflect GBP movements vs Euro
- 9% reduction in trading expenses, down 12% in 2H
- Trading EBIT impacted by lower volume and margin
- Reported EBIT additionally impacted by one-off restructuring charges
- June 30 working capital down 22% on prior, benefiting cash flow

Market Forecasts: Lead Indicators – CWF

Change in economic sentiment indicator is a lead indicator in CWF apparent consumption



Merchanting – Australia, NZ and Asia

		12 months <u>Jun 08</u>	12 months <u>Jun 09</u>	Change <u>%</u>
Sales volume	'000 tonnes	419	375	(11)
Sales revenue	A\$m	670	655	(2)
Trading earnings before interest and tax	A\$m	16.2	20.0	23
Reported earnings before interest, tax and significant items	A\$m	14.3	17.9	25
Trading EBIT/sales revenue	%	2.4	3.1	

- Historic comparisons adjusted for sale of Australian Paper
- Lower volumes balanced by higher average prices
- Operating expenses lower with improving momentum in 2H
- Average working capital negatively impacted by changes in creditor terms

2009 Final Result Summary

- Second half volume declines of (19)% required rapid response
- Expense base structurally reduced with momentum in the second half
- Strong improvement in year end working capital position
- Sale of Australian Paper (excluding Tasmania) significantly reduced Group debt
- Divisional EBIT of \$110 million (down 42%) reflects the impact of the unprecedented fall in demand in the key European and North American markets
- Net profit after tax of \$(798) million included after tax significant items of \$(728) million

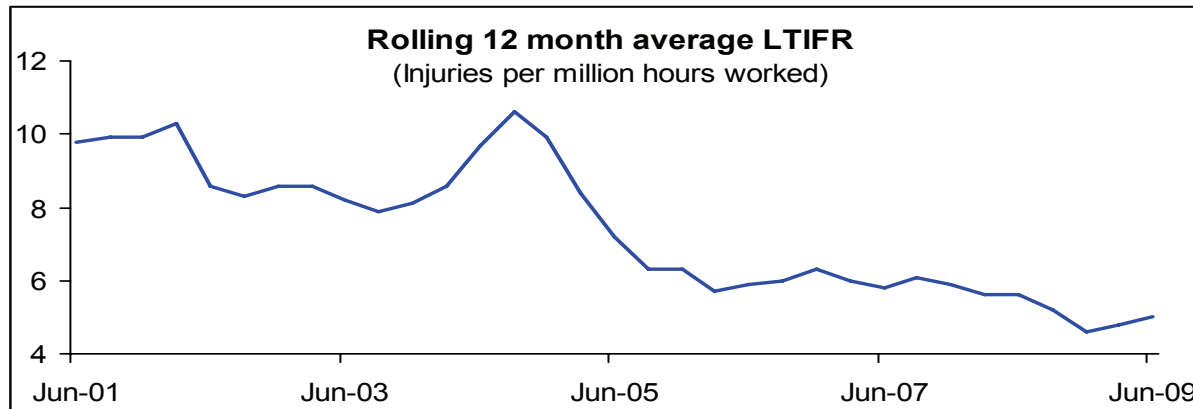
Business Outlook

- The unprecedented fall in demand in Europe and North America in particular is expected to take some time to recover back to previous trend line
 - First quarter in Northern Hemisphere is seasonally slow
 - Inventory rebuild has yet to happen but supply constraint has continued to be supportive of pricing in key grades
- Continued focus on aggressive cost reductions to mitigate external conditions
- Continued drive to reduce working capital, especially inventory
- Improving confidence measures yet to be translated into improved demand

Appendices

Results for 2009 – Non Financial

- Improved safety record (LTIFR down 11% on last year and down 49% in 8 years to 5.0 per million hours worked)



- Equal first ranking in 2009 WHK Horwath Corporate Governance Report
- 100% of OpCos achieving multiple chain-of-custody certification
- Continued participation in the Carbon Disclosure Project; implemented global carbon policy to ensure consistent measure of carbon intensity
- ENVI™, our Australian made range of carbon-neutral papers, won 3 categories in 2009 Australian Business Awards: Best Eco-friendly product, Product innovation and Marketing Excellence
- Member of the FTSE4Good Index for 5th consecutive year

Operating Earnings (A\$)

	Earnings		Sales revenue		Total assets	
	June 2009	June 2008	June 2009	June 2008	June 2009	June 2008
	\$M	\$M	\$M	\$M	\$M	\$M
Merchandising						
Europe	56.5	139.0	4,375	4,573	1,824	2,020
North America	7.9	32.4	1,276	1,275	418	457
Australia, NZ and Asia	17.9	14.3	655	670	378	376
Inter-merchant Sales	—	—	(10)	(6)	—	—
Total Merchandising	82.3	185.7	6,296	6,512	2,620	2,853
Manufacturing						
Continuing	(8.7)	(26.1)	240	287	134	112
Discontinuing	36.5	30.8	752	863	-	1,309
Inter-segment sales	—	—	(15)	—	—	—
Total Manufacturing ⁽¹⁾	27.8	4.7	977	1,150	134	1,422
Divisional EBIT	110.1	190.4				
Corporate ⁽²⁾	(93.7)	(30.0)	-	-	99	35
Operating earnings before interest, income tax and significant items (EBIT pre significant items)	16.4	160.4				
Significant Items						
Continuing	(107.9)	-				
Discontinuing	(626.7)	—				
Total significant items	(734.6)	0.0				
Operating earnings before interest and income tax (Reported EBIT)	(718.2)	160.4				
Net interest ⁽³⁾	(81.8)	(60.0)				
Income tax expense	1.8	(28.1)				
Minority interests	-	(0.1)				
Inter-segment sales			(166)	(177)		
Unallocated assets (deferred tax assets)					94	68
Total	(798.2)	72.2	7,107	7,485	2,947	4,378

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