



# Annual General Meeting

Chairman – David Meiklejohn

# Introduction

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- Difficult external environment remains
- Benefits of internal initiatives
- Internal productivity helps mitigate cost pressures
- Focus on improving underlying earnings

# Agenda

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- 2007 Results
- Strategic initiatives
- Paper manufacturing & Pulp Mill
- Growth prospects
- Board succession planning
- September quarter

# Year in Review

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- Earnings before interest and tax up 22%
- Net profit after tax up 22%
- Earnings per share up 12%
- Dividend up 10%
- Underlying operating earnings up 26%

# Paper Merchanting & Manufacturing

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## Paper Merchanting

- Earnings before interest and tax up 9%
- Return on average funds employed to 11.9%

## Paper Manufacturing

- Earnings before interest and tax of \$10 million
- Underlying Earnings before interest and tax doubled

# Strategic Initiatives

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- \$41 million contribution in 2007
- Modest net additional benefit in 2008
- \$100 million net increment in 2009 over 2005

# Paper Manufacturing

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- External impacts on profitability
- Positive internal activities
- Improved underlying earnings

# Pulp Mill Upgrade

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- Complex project
- First shut complete
- 90% of materials / 40% labour committed
- Increased costs as already announced
- Returns on target

# Growth

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- Unique position as leading global paper merchant
- Disciplined approach to any opportunities

# Board Succession

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- Succession plan → orderly transition
- Appointment of Jim Hall
- Retirement of David Walsh

# September Quarter and Outlook

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- Challenging conditions remain
  - Currency impact on paper prices
  - Rising input costs
  - Some regional volume weakness
- September Quarter
  - Merchanted ahead or in line in local currency
  - Impacted by translation
  - Quarter down on previous corresponding period
- Potential impact on half and full year results
- Benefits of strategic initiatives



# Annual General Meeting

CEO & Managing Director – Tom Park

# Major Business Initiatives - Update

Upgrade of Maryvale PM1	Complete, in market. Pricing favourable
Closure of Shoalhaven PM1 and PM2	Complete
Spicers Canada acquisition	Complete, returns exceeding expectations
PaperlinX Office	Complete, market successes
The Delivery Company	On track, 7 <sup>th</sup> site operational
Netherlands restructure	On track, DRiem and industrial packaging integrated
European IT platform	On track, 1 OpCo completed, 2 OpCo's in progress
Maryvale pulp mill upgrade	On track for targeted returns. EBIT upside potential
Maryvale wood yard outsourcing	On track
Growth of own brands	+10% Europe, +18% North America
Strategic sourcing alignment	On going
European portfolio change	Exit France, Sweden, Portugal, Finland, acquisition in Italy
Global customer solutions	Positive momentum

# Strategic Questions

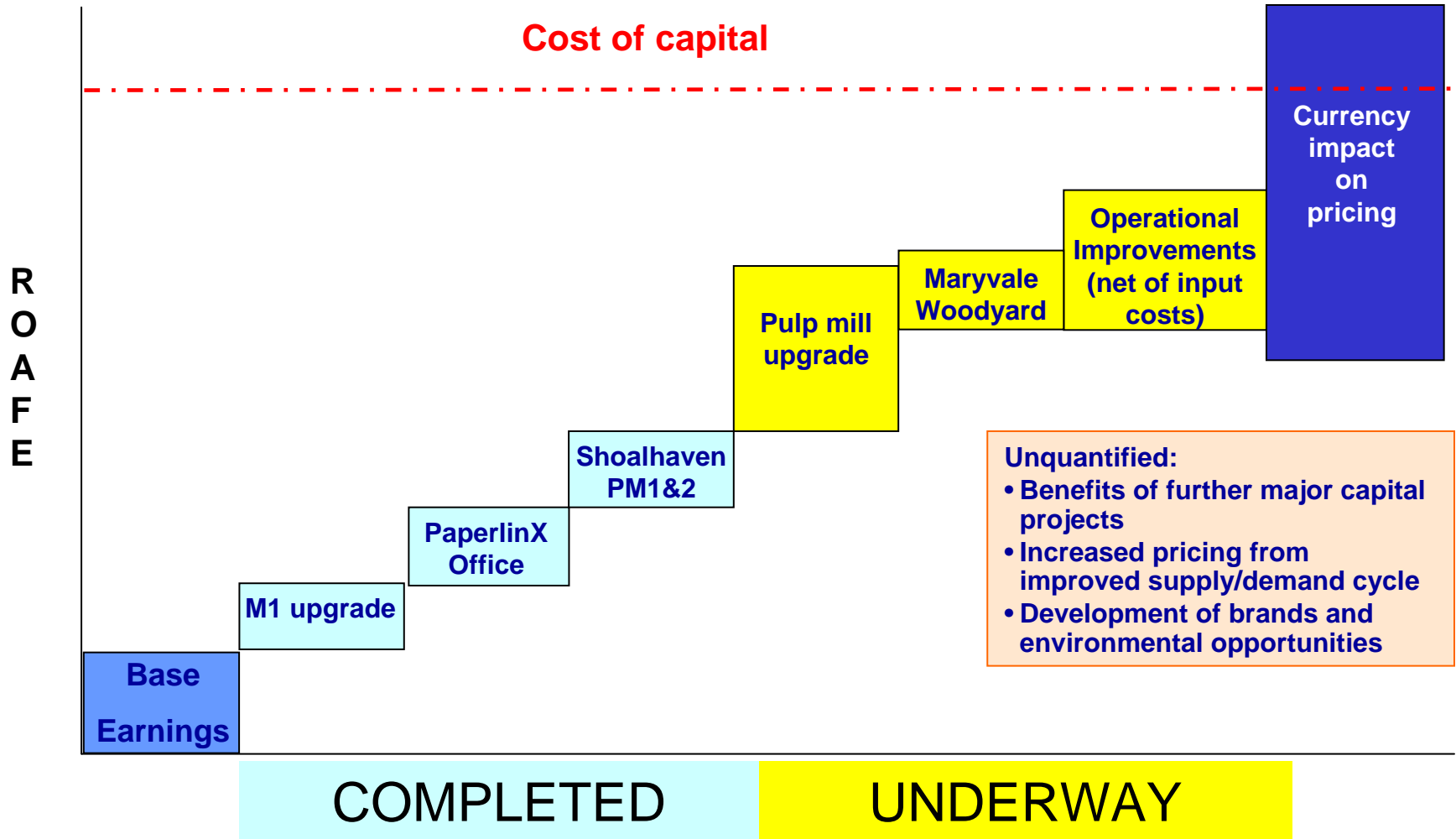
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- Will you be able to restore manufacturing to a position where its returns exceed its cost of capital?

and

- How do you make money as a global merchant?

# Actions for Paper Manufacturing to achieve cost of capital



NB: Not to scale

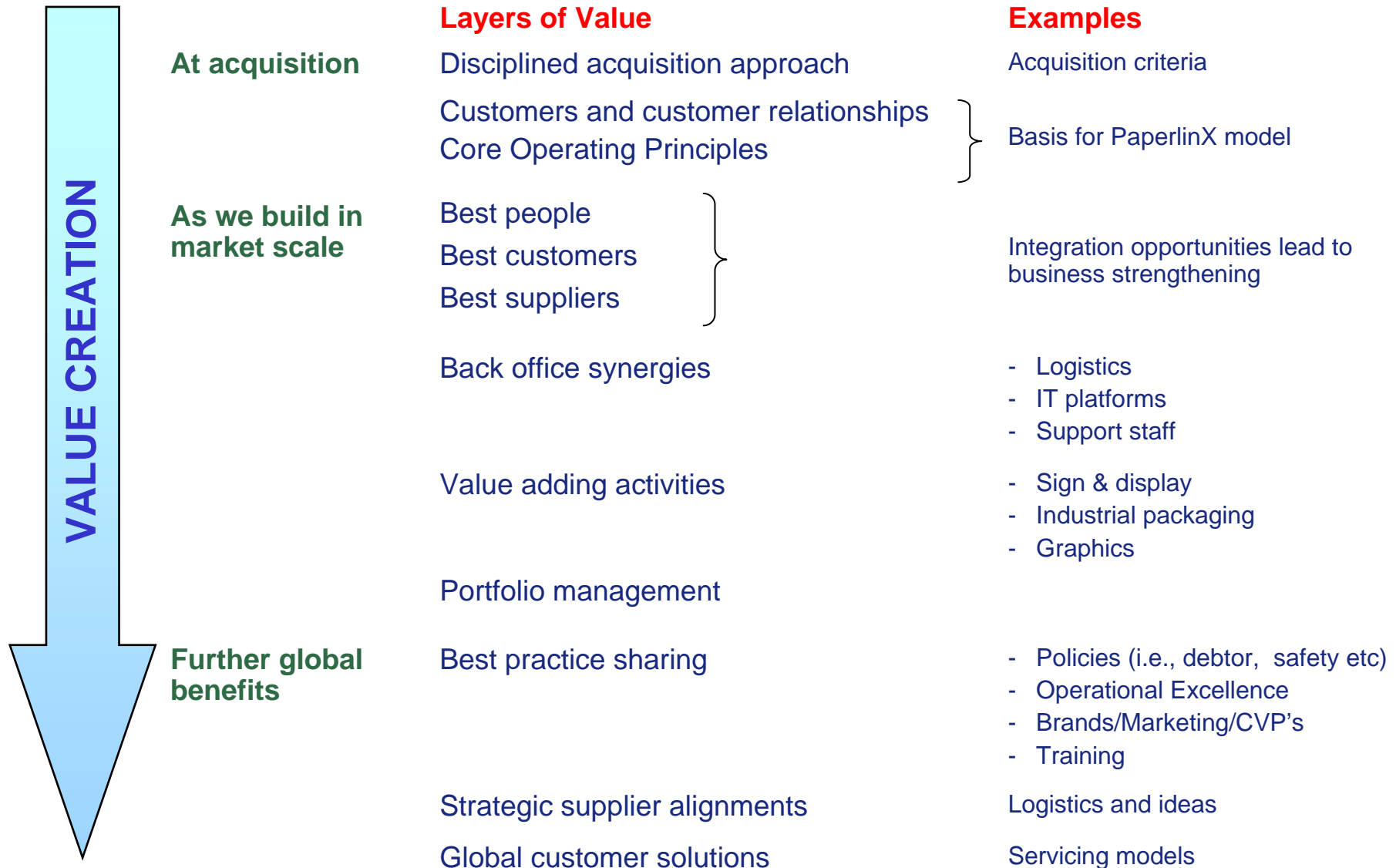
## The Value Creation Story

# Largest Global Fine Paper Merchant

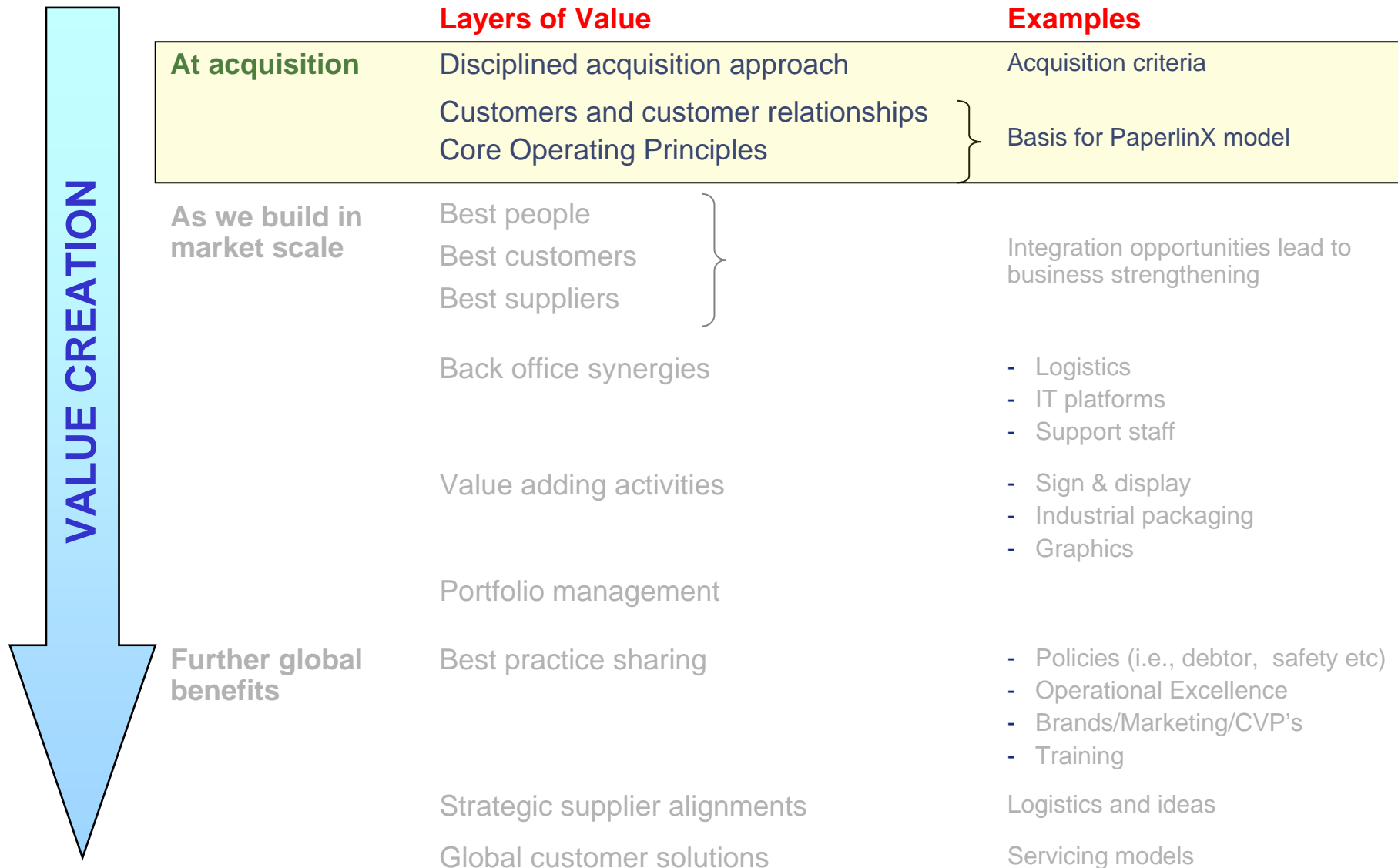
- PaperlinX operates 36 businesses across 27 countries
- Disciplined acquisition criteria and integration
- Major international paper merchant acquisitions include:
  - Spicers Paper (International, 2001)
  - Coast Paper (Canada, 2001)
  - Bunzl Fine Paper (UK, 2002)
  - Buhrmann (Netherlands, 2003)
  - Cascade Resources (Canada, 2006)
  - Antalis S.p.A (Italy, 2007)



# The PaperlinX Merchanting Model - Layers of Value



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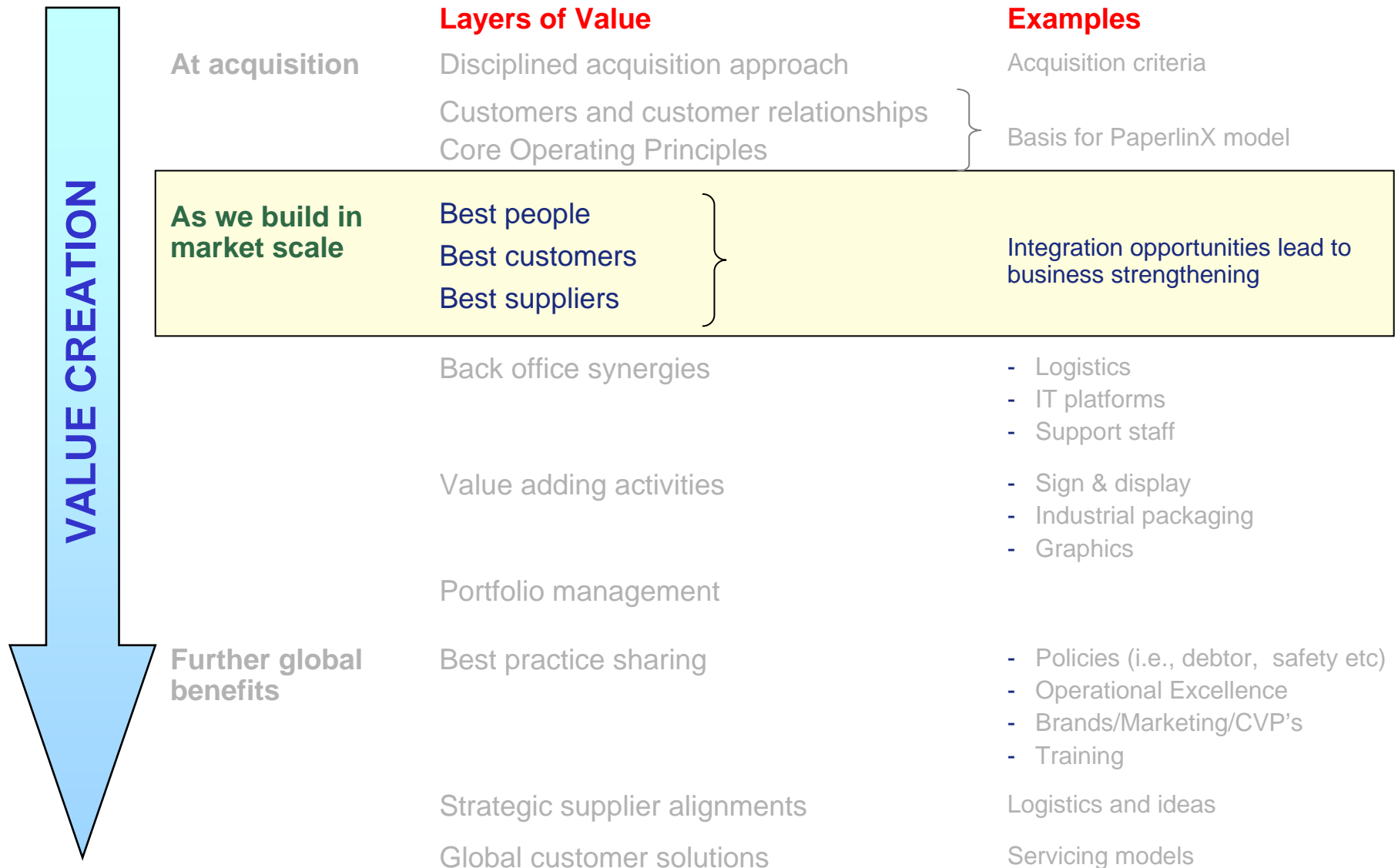


# Core Operating Principles

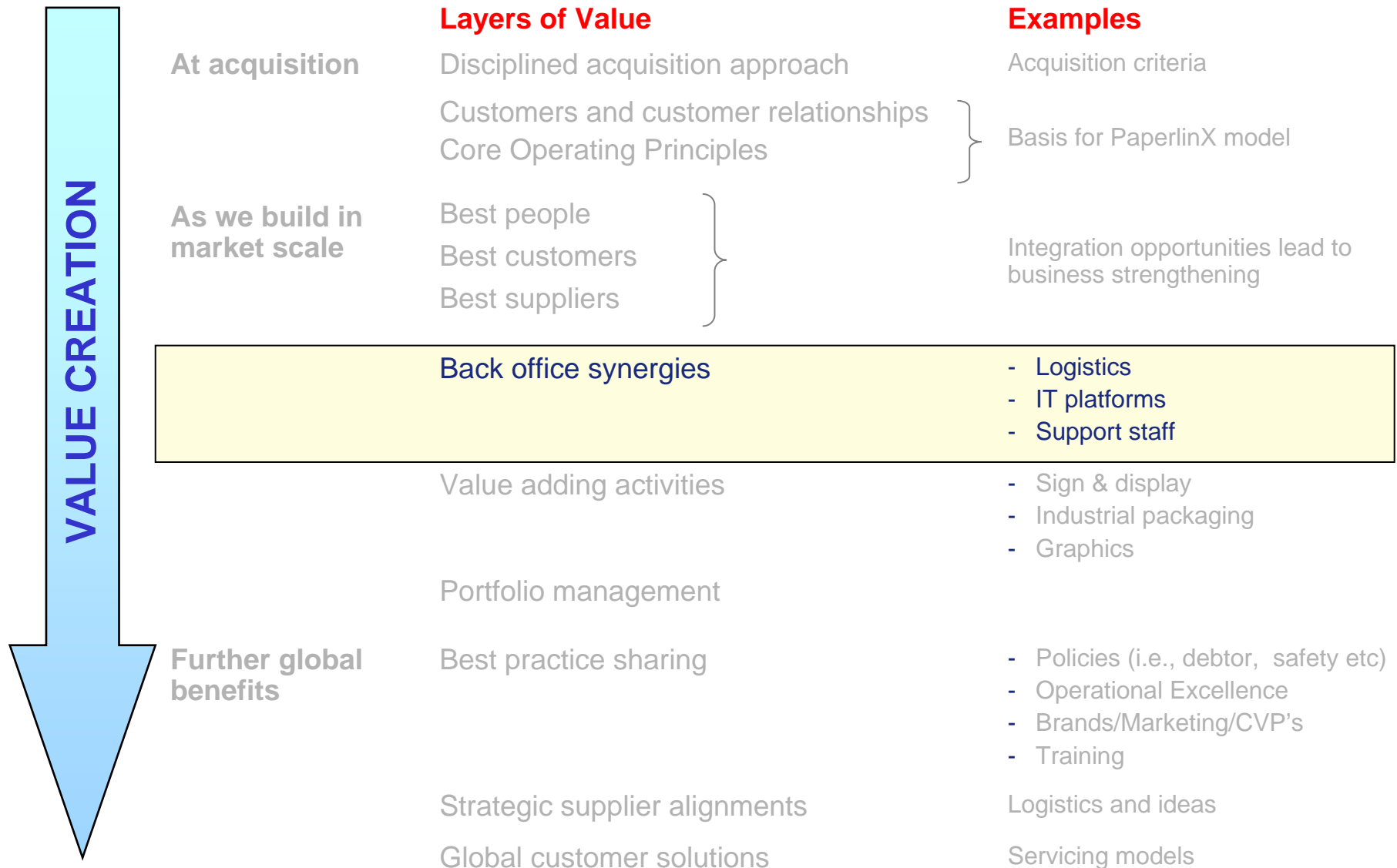
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- Strengthen then build off existing business platforms
- Productivity to provide funds to improve sustainability and growth
- Simplification
- Actively prioritise activities based on value creation for customers, suppliers and for PaperlinX
- Fully leverage our global opportunities
- Invest in our people and their skills
- Compliance is mandatory
- Results oriented teamwork/success as a team.

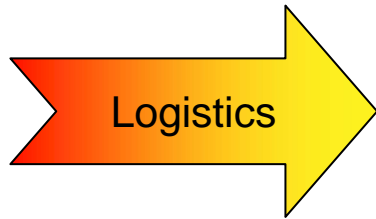
# The PaperlinX Merchandising Model - Layers of Value



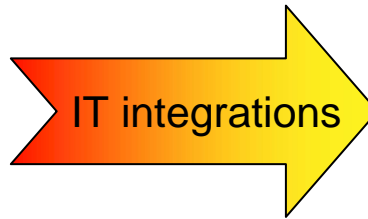
# The PaperlinX Merchanting Model - Layers of Value



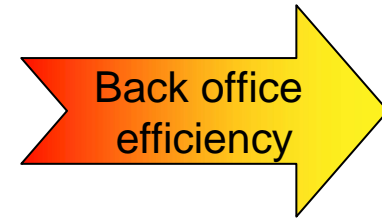
# Back Office Synergies



Australia/NZ model  
UK Delivery Company  
Warehouse integrations  
SKU rationalisations

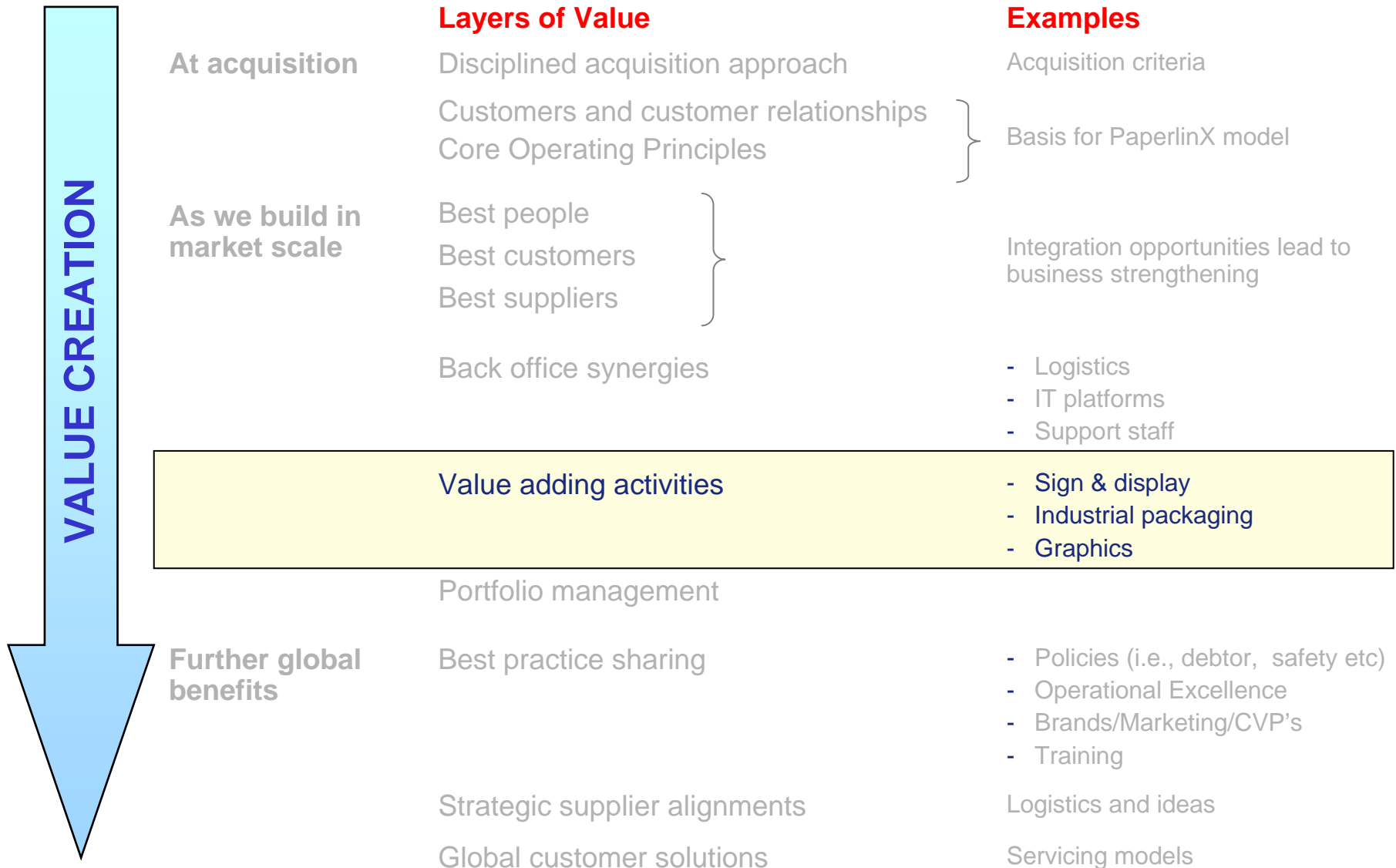


Ireland  
North America  
Australia  
Germany/UK underway



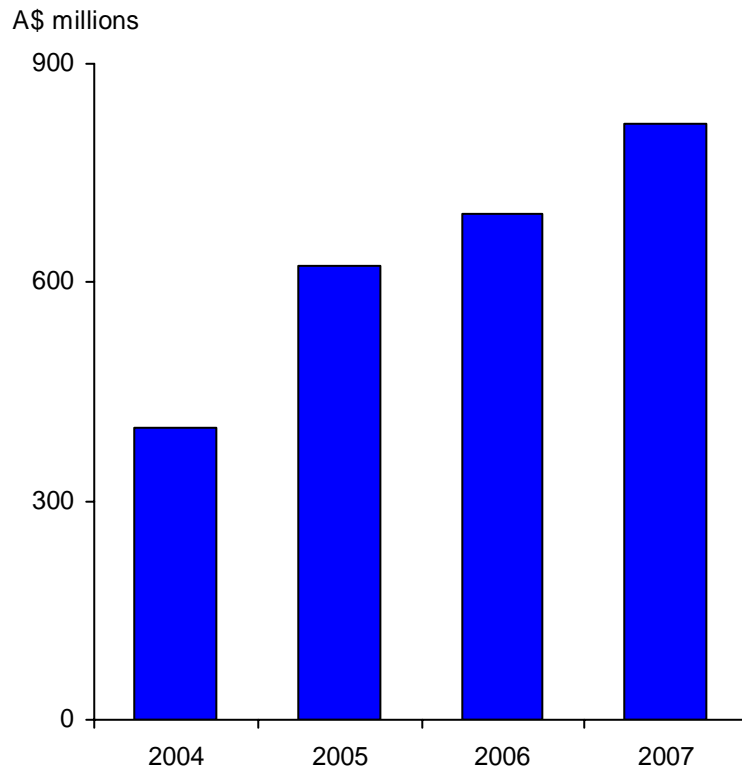
Costs  
Efficiency  
Enhanced service

# The PaperlinX Merchandising Model - Layers of Value



# Value Adding Activities

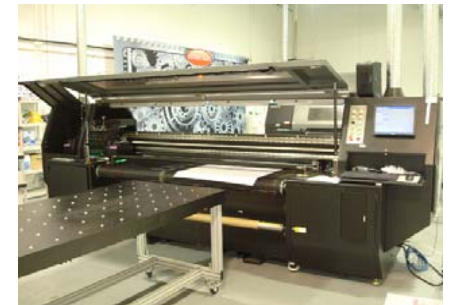
## Revenue from Sign & Display, Industrial Packaging and Graphics – CAGR 27%



➤ Sign & Display



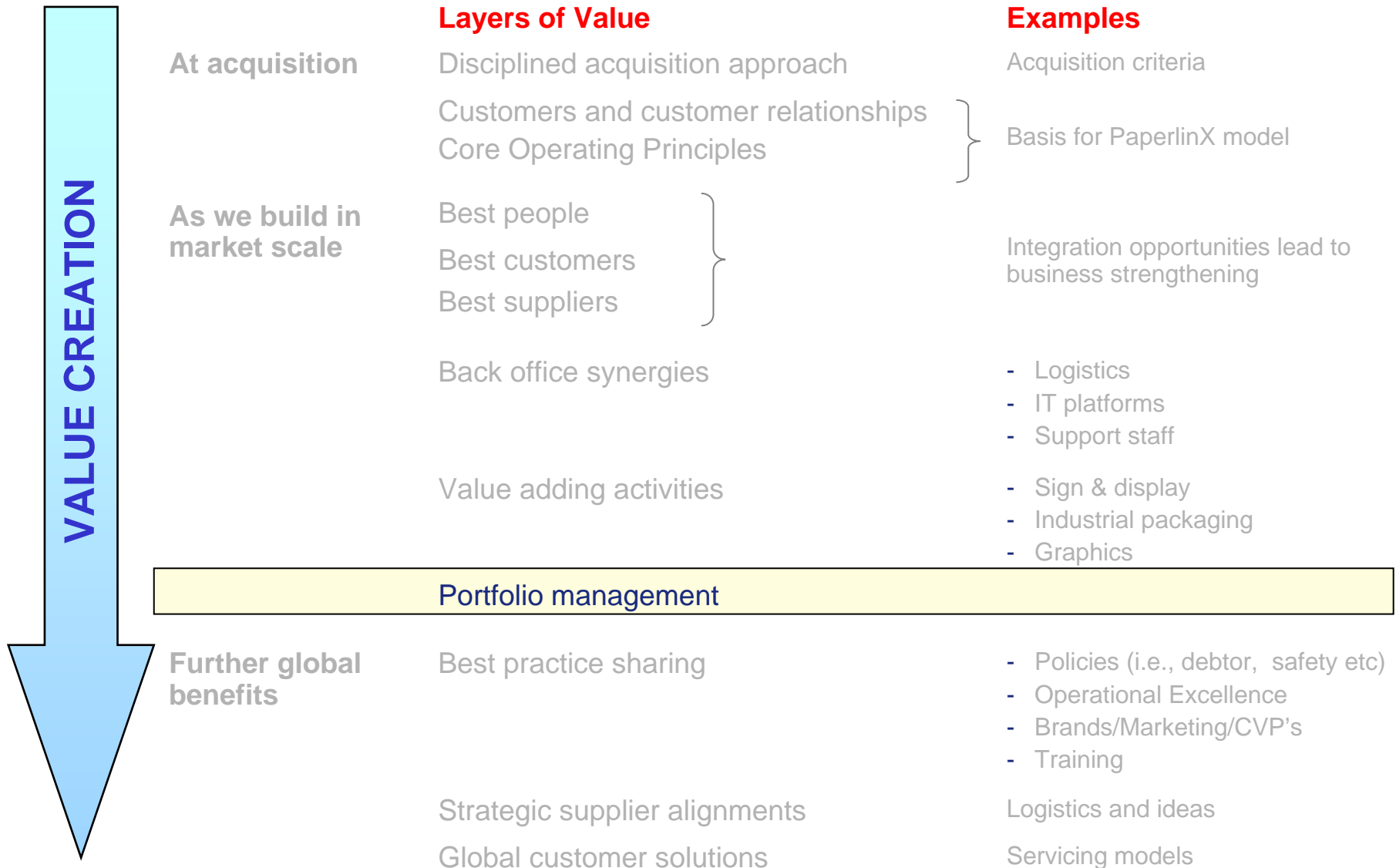
➤ Graphics



➤ Industrial Packaging



# The PaperlinX Merchanting Model - Layers of Value



# Portfolio Management to Build In-Market Scale

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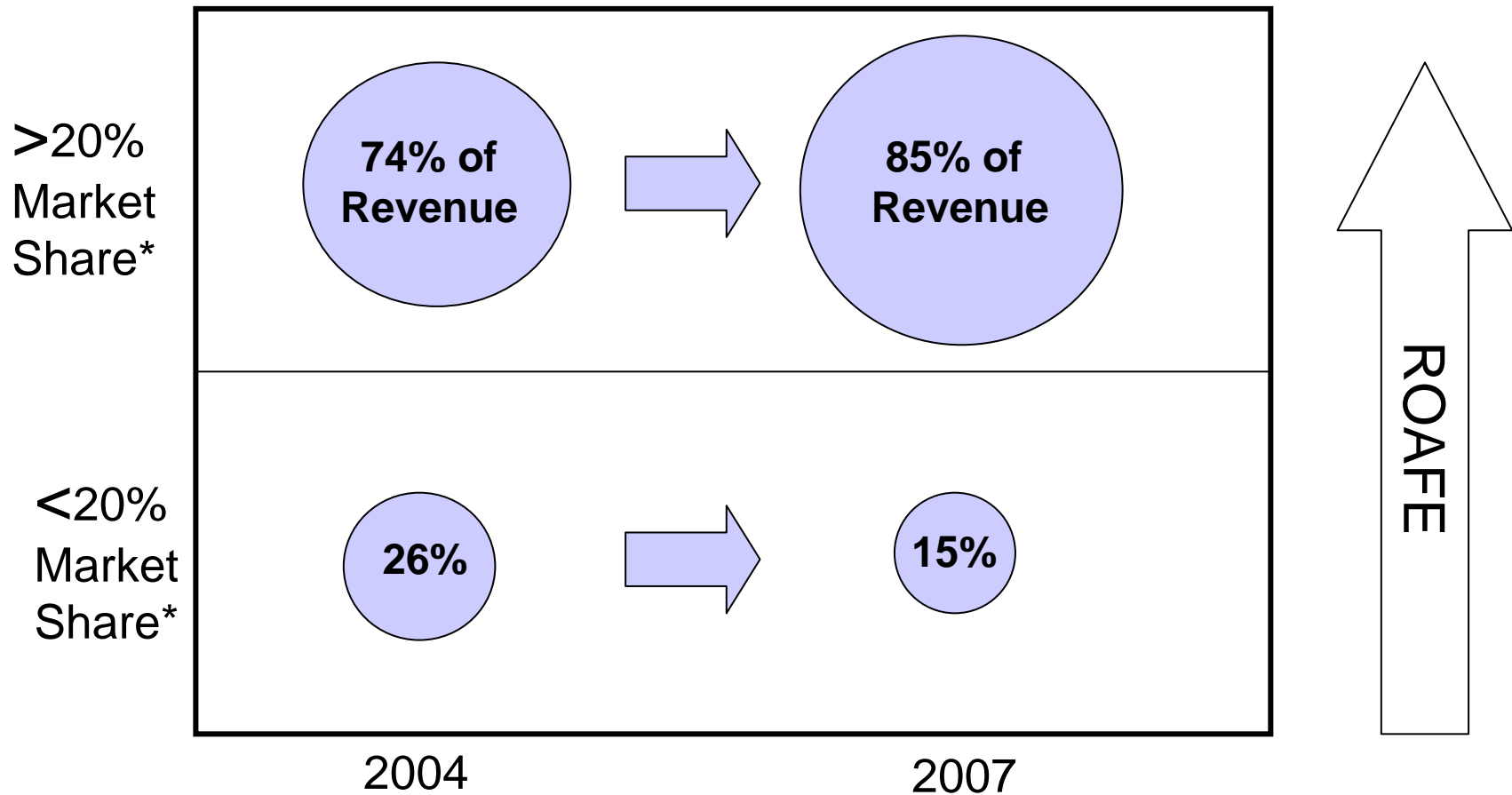
## Acquired

- Spicers Paper
- Coast Paper
- Papier Turgeon
- Bunzl Fine Paper
- Buhrmann PMD
- Cascades Resources (Canada)
- Antalis SpA (Italy)

## Divested

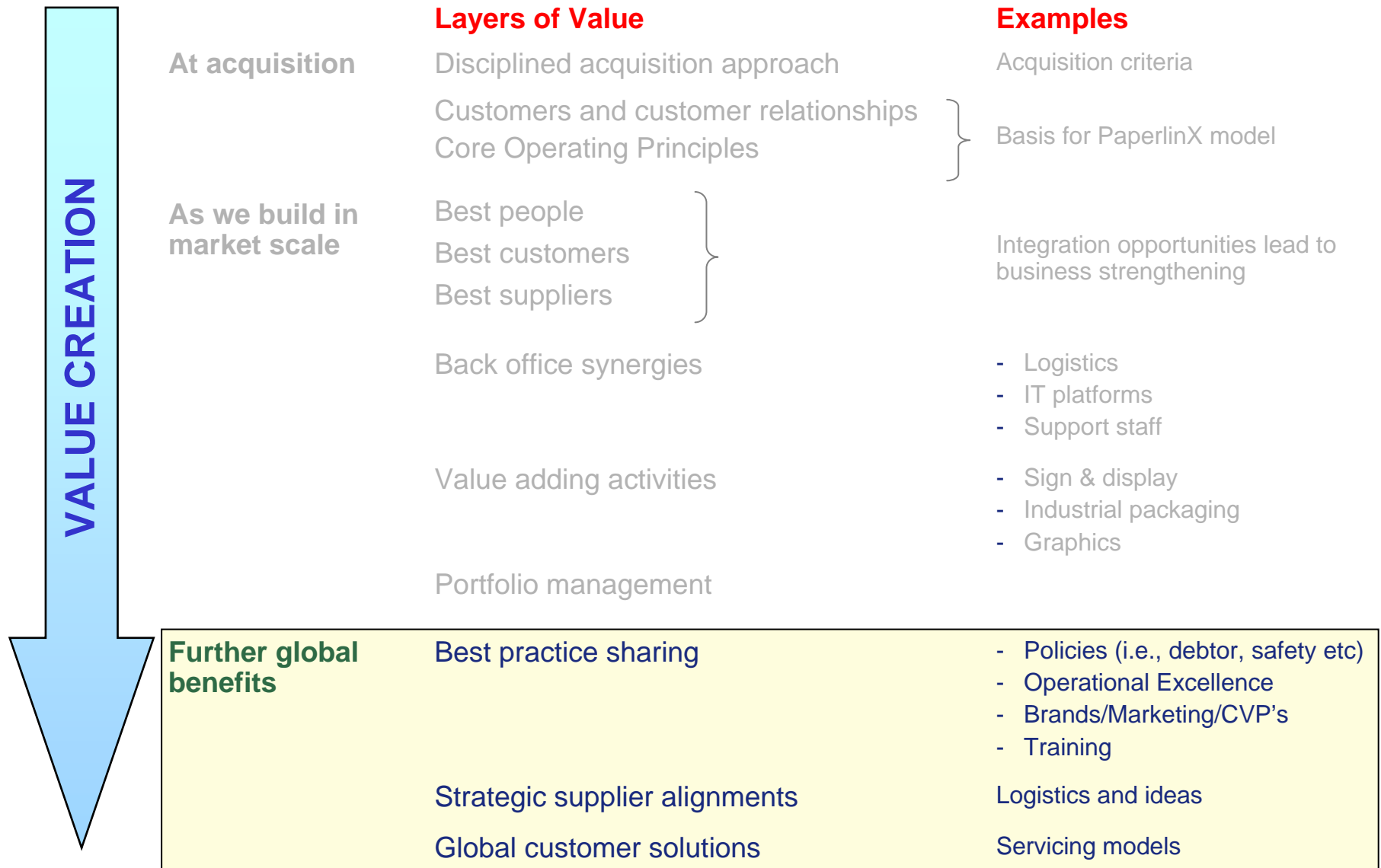
- Portugal
- Sweden
- France
- Western Canada (Cascades)
- Finland

# In-Market Scale



\* Merchant market

# The PaperlinX Merchanting Model - Layers of Value



# Best Practice Sharing

## Impact of Group Policies

	2004	2007
Debtor days	67.5	60.9
Inventory days	71.2	62.2
WC/Sales (%)	16.4	13.5
Safety (LTIFR)	10.3	5.3

## Operational Excellence

- The Delivery Company
- Netherlands restructuring
- PaperlinX Office
- European and NA IT platforms
- Sales and Operations planning

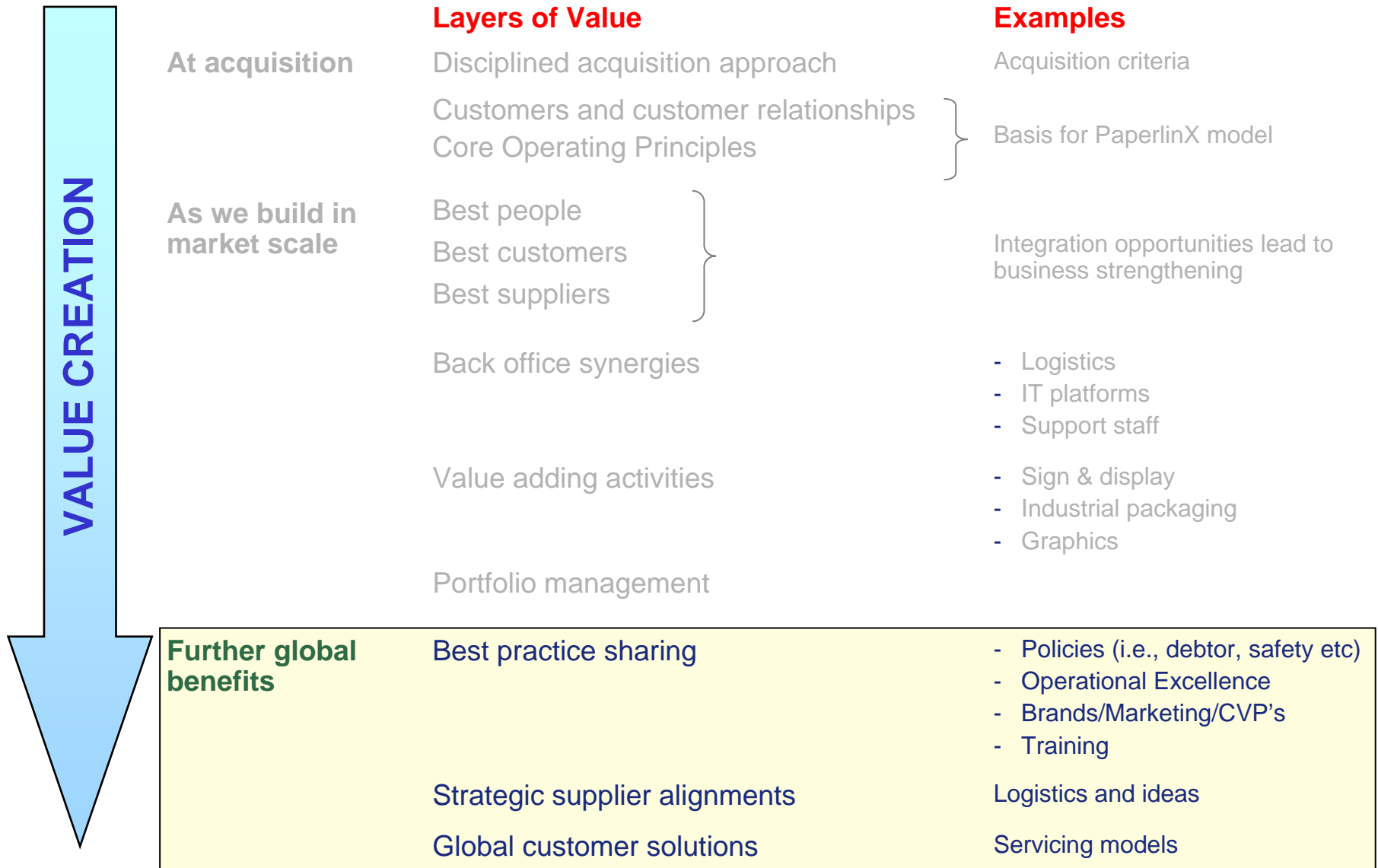
## Merchant Brands

Growth in 2007	10%
CAGR 2005-2007	>10%
% of Merchant volume	26%

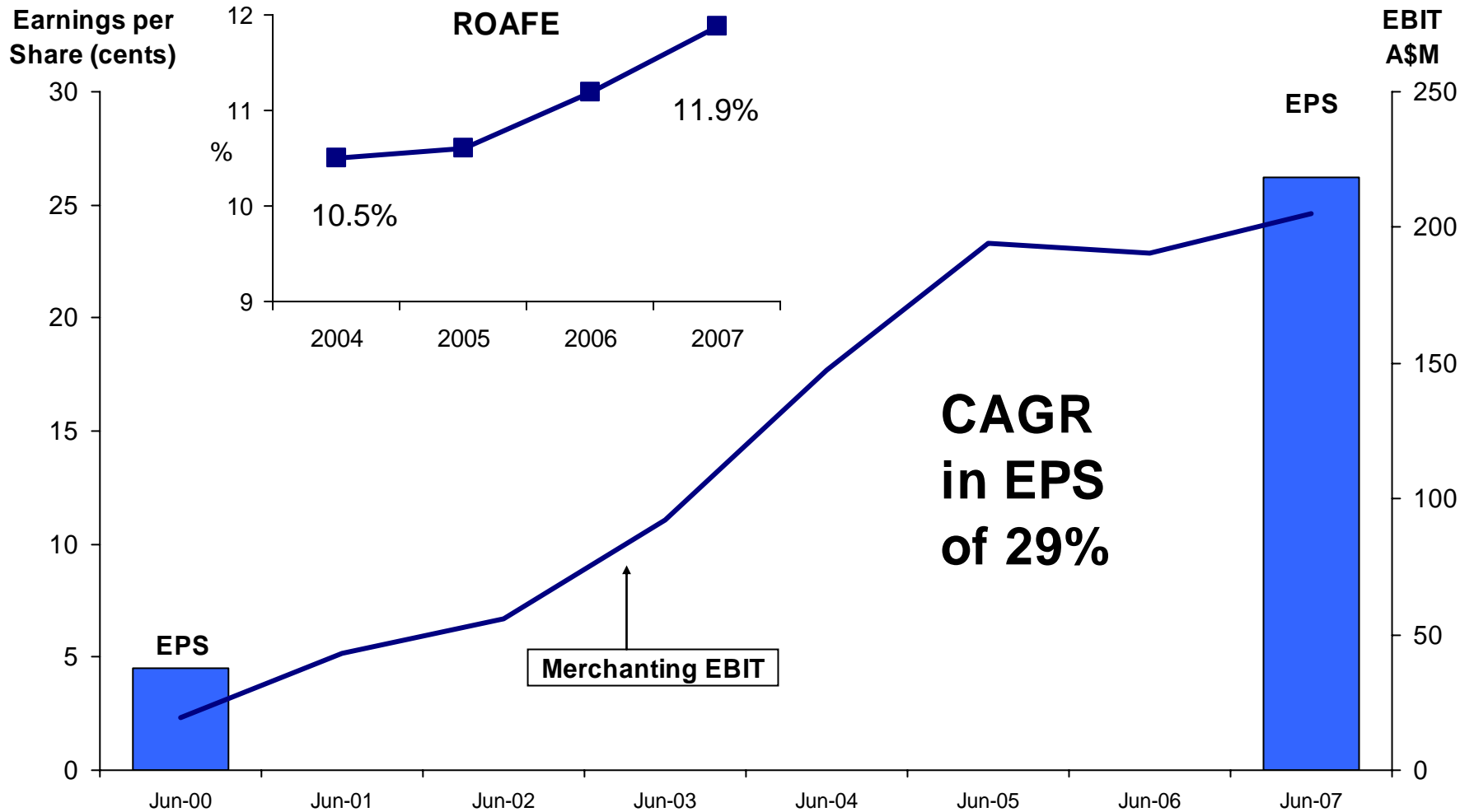
## Training

- Leadership, Economic Profit and Strategic Selling
- 1,000 employees to date
- 1,500 planned through 2008

# The PaperlinX Merchanting Model - Layers of Value



# Merchanting Growth highly Accretive to EPS



# Core Belief Underpins the Unique PaperlinX Model

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PaperlinX is founded upon a respect for the people, customer relationships and uniqueness of our local businesses ... and a fundamental belief in the value to be added from our global skills, capabilities and desire to improve.

## RESPECT LOCAL / ADD VALUE WITH GLOBAL

- Respect local customer relationships
- Leverage global ideas, capabilities & scale
- Actively collaborate to create ideas and value for PaperlinX as a whole

# Conclusion

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- Strategic direction clear
- Positive internal momentum
- US dollar and capacity utilisation

**PaperlinX**