

**Address given by the
Chairman of PaperlinX Limited
David Meiklejohn, at the
Annual General Meeting in
Melbourne, Australia on
24 October 2008**

INTRODUCTION:

As I indicated in the Annual Report, 2008 was another tough year with difficult economic conditions in all of our markets. In this environment the Board and management have focussed on the key strategic areas which are under our control and which largely involve reducing costs, where possible, to improve overall productivity.

To improve the underlying profitability of some businesses it has been necessary to commit capital funds to facilitate this process. Our major expenditure for the year has been on our new bleach plant and pulp mill upgrade at our Maryvale Mill and I will discuss this project later.

Today I plan to comment on :

- The results for the 2008 year;
- Progress on our strategic initiatives programme including the Pulp Mill upgrade
- Capital management;
- Board Succession Plan;
- The results for the September Quarter.

REVIEW OF 2008:

As reported, the Results for 2008 were below the results achieved for the previous year. Earnings before interest and tax of \$160.4 million was down 14% and disappointingly underlying EBIT was down some 22%. These results reflect our inability to recover increased costs through increasing our selling prices and the adverse impact of currency changes on many of our businesses.

Our Paper Merchenting businesses achieved earnings before interest and tax for the year of \$192.4 million while the earnings from paper manufacturing in Australia was a negative \$1.9 million.

Overall the paper merchenting businesses have continued to produce adequate returns in difficult trading conditions. Conversely, the operating earnings from our paper manufacturing business was negatively impacted by higher input costs generally and the negative impact of the higher Australian dollar. The underlying profit from this business was a positive \$8.2 million but was still well down on the previous year.

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

STRATEGIC INITIATIVES:

We have continued to progress our programme of strategic initiatives across the Group, including the pulp mill upgrade. These initiatives have delivered a positive contribution of \$81 million to date since 2005 which is ahead of plan. Whilst these initiatives have ameliorated to some extent the adverse cost and pricing pressures of recent years, in some cases they have had a negative impact on our short term results as a consequence of the restructuring costs involved. We have, however, continued the programme because of the positive future long term benefits.

The pulp mill upgrade project is now nearing completion but has been subject to delays caused by adverse weather conditions and poor construction productivity. The total cost of the project is around \$340 million and remains on target to yield annualised benefits of some \$40 - \$50 million per annum. This will provide a return above 12% per annum. Tom Park will have more to say about this project in his presentation.

CAPITAL MANAGEMENT :

To be prudent, the Board decided to explore rolling early the one year tranche of our multi currency facility due in February 2009. This was successfully negotiated with our banks by the end of September 2008 and as part of this process we agreed to reduce the overall facility by \$150 million by May 2009.

In early October, to remove uncertainty over the source of funding to affect this, we implemented a non-renounceable entitlement offer to our shareholders. This raised some \$150 million from institutional shareholders. The entitlement offer to our retail shareholders, which could raise up to \$77 million if all retail shareholders participate, closes today.

The net proceeds from the entitlement offer will be used to repay debt and will strengthen the underlying financial platform of the Company.

As I indicated in my letter to shareholders in the Prospectus, we are continuing the strategic review of our Australian Paper manufacturing business which may or may not lead to the sale of all or part of Australian Paper. The proceeds of the entitlement offer have provided us with greater flexibility to ensure that optimal value is realised for shareholders.

BOARD SUCCESSION :

We have continued with the programme of board succession which allows an orderly transition of the Board to avoid having too many directors retire at the one time. David Walsh retired from the Board on 31 December, 2007 and I am pleased to welcome Harry Boon who joined the Board in May 2008. Harry is an experienced director with a strong management background.

As a continuation of this process, I advise that Andrew Guy will retire from the Board on 31 December, 2008. I thank Andrew for the contribution he has made to our deliberations over the past seven years and wish him well for the future.

We will continue this process of appointment and retirement in the year ahead.

We have previously advised that David Lamont, an Executive Director and Chief Financial Officer has resigned from both the Company and the Board and we wish David success in his new career.

SEPTEMBER QUARTER RESULTS AND OUTLOOK :

As I indicated earlier, today we close the retail entitlement offer to shareholders based on our Prospectus issued recently. In that document we have made commentary on current trading and I have little more to add. In the Prospectus we

say that the market weakness evident in May and June of the 2008 financial year has continued into the current financial year and depressed the first quarter results. We expect the weaker conditions to continue to prevail in the first half. PaperlinX's financial performance will continue to be affected by, among other factors, demand, paper prices, input costs and currency relativities. Recently currency has moved in a positive direction for PaperlinX, although external conditions remain volatile.

CONCLUSION :

As I said in the Annual Report, it has been a challenging year for the Company and has placed considerable pressure on our management and all of our employees. The efforts of the PaperlinX team over the past year have been substantial but unfortunately our results do not in any way reflect the benefits of these efforts. I thank particularly our Managing Director, Tom Park, and all of the people who work for PaperlinX for the ongoing commitment they continue to demonstrate. Thanks also to my fellow directors for their advice and support and to all of our stakeholders as we head into what is again a challenging and testing year.

David Meiklejohn
Chairman

24 October 2008

**Address given by the
Managing Director of PaperlinX Limited
Thomas P Park, at the
Annual General Meeting in
Melbourne, Australia on
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INTRODUCTION:

As you have seen in our Annual Report, 2008 was as challenging a year as we thought it might be. The external environment continued to deteriorate, and of course that situation has continued into this year as we are all more than aware. The PaperlinX profit for the 2008 financial year was \$72 million, down 10% on the prior year. The operating result reflects the difficult business environment along with costs associated with the pulp mill upgrade currently being completed at our Maryvale Mill.

These results are clearly not where we want them to be. We understand that and do not shy away from the hard decisions needed to provide our stakeholders with the returns they expect. While our results are heavily influenced by external factors, we have a series of activities underway, or completed, that are improving our competitive position and, importantly, reducing our cost base. I will talk about these activities in more detail later.

As the Chairman indicated, the weak conditions witnessed in May and June had continued into the current fiscal year. This has been the case, reflected in weaker volumes in our key European and North American markets. As a response, we have introduced a number of profit protection plans targeted to release around \$30 million over 2009 to mitigate this market weakness and the impact of higher costs. These plans include fuel surcharges, holds on headcount and discretionary spend, and other organisational efficiency measures. I can report that these activities are gaining good momentum as we move through the year.

Additionally, we are continuing with a programme of sale of European properties, with around a \$20 million EBIT benefit expected this year, heavily weighted to the first half. We are also expecting to see continued benefit from the set of strategic

initiatives we have been reporting on for some time now. These initiatives are targeted at delivering around \$125 million in EBIT benefits this year over the 2005 base level, with \$81 million delivered to the end of 2008. This leaves over \$40 million in benefits to be delivered in 2009, with the majority to come from the completion of the upgrade of pulp capacity at the Maryvale Mill. This project is already contributing \$8-10 million on an annualised basis with the balance to accrue over the last 6-7 months of the year as previously indicated.

Importantly in this time of great volatility, we have seen moves in two key external areas that should bring real benefit to our company going forward. The first of these has been a reversal in currency trends. We have reported in prior years the negative impacts we have seen from a stronger Australian dollar against other currencies, and particularly against the US dollar. This has impacted us directly on prices realised for our exports from Australia as well as a negative impact on the translation of overseas earnings. Indirectly we have been impacted through pricing in Australia, with international benchmark pricing being in US\$.

For the 2008 financial year, the Australian dollar averaged around 90 cents against the US dollar, and in the second half this average was over 92 cents. In July we saw the Australian dollar rise further to average around 98 cents. All of this is negative for PaperlinX. Since then we have seen the Australian dollar fall significantly to levels below 70 cents. While it is not clear where the Australian dollar will finally settle, it does appear the upward trend has ended, and an ongoing lower level will be positive for PaperlinX's future earnings.

The other seminal event of the past few weeks is the announcement of a major consolidation move in the key European coated woodfree paper market. As a part of this announcement, 600,000 tonnes of coated woodfree paper manufacturing capacity was announced to shut. Combined with other recent announcements, this has been reported to be around 10% of European capacity in these grades. This is the type of rationalisation that has been needed to ultimately support sustainable price rises in that region, and is a most welcome move by our largest supplier.

These external changes are important positives for PaperlinX, but we know that we must also deliver on our internal commitments. As already mentioned these deliverables include the successful completion and start up of the new Maryvale pulp

capacity, completion of the sale of European properties, delivery on our profit protection plans and success in our core business activities.

We continue to expect 6-7 months' benefit from the Pulp Mill upgrade contributing around \$30 million of benefit to our profits this year, including the \$8-\$10 million run rate already being realised. In addition to the completed start-up of the woodyard project, we also expect to see improved quality, yields, costs and benefits to our environmental footprint. This has been a long and costly project, but equally an important strategic move for our company, with commissioning already underway and a final major plant shut in a few weeks.

The sale of European properties is an initiative announced previously and well underway. These profits have mitigated the restructuring expenses over past years to improve our competitiveness during these tough times.

I mentioned that our profit protection plans are well underway and already mitigating volume weaknesses as we saw in our September results, where volumes were weak but divisional profits were on budget, due to the positive work on expenses and the early benefits of announced prices across our businesses.

The Chairman has already mentioned the review of Australian Paper. This has been a disruptive process for our people, but a necessary one to truly understand and test our own assumptions on value against the views of outside parties. We are in the final stages of the process of reviewing value following discussions with interested parties.

As we complete the Pulp Mill upgrade, the benefits of this project will be visible for both PaperlinX or potential purchasers. At this stage no decision has been made to sell parts or all of Australian Paper. All parties are also aware of the improved external environment developing for Australian Paper following years of more negative external trends.

I'd also like to comment on activities to secure our near term funding over recent weeks. Our approach on the back of our full year results announcement was to be prudent and to secure appropriate funding early in the event of a major deterioration of world financial conditions. In hindsight, it was fortunate that we moved when we

did. I also have great appreciation for our major institutional shareholders for their support of our entitlement offer which funds an early repayment to our multi-currency bank syndicate of \$150 million due by May 2009. We now look forward to support from our retail shareholders with the offer closing at 5.00pm today (24 October).

PaperlinX is exposed to world events as they impact paper demand, currency, funding and our customers and suppliers. Fortunately, we also have a top-flight management team to drive business priorities even in these tough times.

Today, as I stand here, I can say that this half is as difficult for us as it gets. Our major investments on the strategically important Pulp Mill upgrade are mostly spent, are funded from debt on our balance sheet, but are only just ready to generate future earnings to repay the interest expense we currently cover. Global markets are weak and we are all seeing the evolving impacts on our businesses.

But as you look at PaperlinX, you hopefully also see a company addressing our challenges to be able to benefit from what for us is a potentially improving environment as we move into the new calendar year.

- We have profit protection measures in place to mitigate weak demand.
- We have rolled our short term debt to December 2009, when all will be able to see the benefits in our results from the Pulp Mill upgrade.
- We have repaid the \$150 million due to banks by May 2009 ahead of time.
- Next week Mark Hooper starts as CFO of PaperlinX. He is a terrific person and CFO, and will contribute greatly.
- We are actively completing sales of European properties to support our first half results.
- We are close to start-up of the Maryvale Pulp Mill upgrade that is so important strategically to Australian Paper.
- Currency has turned very favourable for PaperlinX and benefits will accrue as pricing is realised in the Australian market.
- Important restructuring of the European coated wood-free paper sector has finally been announced and is being led by our largest supplier globally.

And despite all the difficulties of past years, I am extremely fortunate to lead a superb team with a passion to see the fruits of their past year's work reflected in improving returns for our shareholders.

I would like to thank all the employees of PaperlinX for their hard work and dedication. I would also like to reiterate to our shareholders that we understand the tasks ahead of us. We are well prepared and keenly focused on delivery.

Thomas P Park

Managing Director

24 October 2008