



# Annual General Meeting

**Chairman – David Meiklejohn**

# Introduction

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- Difficult external environment remains
- Focus on key strategic areas
  - Reducing costs
  - Improving productivity
- Capital investment
  - Maryvale Mill pulp upgrade

# Agenda

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- 2008 Results
- Strategic initiatives
- Capital Management
- Board succession planning
- September quarter

# Year in Review

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- Earnings before interest and tax down 14%
- Underlying EBIT down 22%
- Paper Merchanting EBIT of \$192.4 million
- Paper Manufacturing EBIT of \$(1.9) million
  - Underlying EBIT of \$8.2 million

# Strategic Initiatives

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- \$81 million contribution since 2005
- Positive future with long-term benefits
- Maryvale Mill Pulp upgrade
  - \$340 million capital cost
  - \$40-50 million annualised benefit

# Capital Management

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- Roll of one-year tranche of multi-currency facility
- Entitlement offer
  - \$150 million institutional offer complete
  - Retail offer closes today
  - Repay debt and strengthen financial platform
- Australian Paper Review

# Board Succession

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- Succession plan → orderly transition
- Retirement of David Walsh
- Appointment of Harry Boon
- Retirement of Andrew Guy
- Resignation of David Lamont

# September Quarter and Outlook

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- Challenging conditions remain
  - Market weakness continued and depressed first Quarter
  - Weaker conditions to prevail in first half
  - Impacts from demand, paper prices, input costs, currency relativities
  - Recent currency trends positive



# Annual General Meeting

CEO & Managing Director – Tom Park

# 2008 Results

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- Reported profit of \$72 million
- EBIT of \$160 million
- Difficult business environment
- Pulp mill upgrade costs

# Internal Activities

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- Profit protection plans - \$30 million in 2009
  - Fuel surcharges, freeze on headcount and discretionary spend
- Sale of European properties
  - \$20 million benefit in 2009, heavily weighted to first half
- Strategic Initiatives
  - \$125 million in 2009 over 2005 base
  - \$81 million delivered to end of 2008
  - Over \$40 million in 2009
    - Majority from pulp upgrade
    - \$8-10 million annualised already contributed

# External Conditions

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- Great volatility
- Positive currency trend-benefits
  - Australian exports
  - Translation of earnings
  - Indirectly through pricing
- European Consolidation
  - Key coated woodfree paper market
  - 600,000 tonnes of capacity to shut
  - Needed to support sustainable price rises

# Delivery on Internal Activities

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- Pulp mill upgrade
  - 6-7 months benefit in 2009
  - Around \$30 million benefit including \$8-10 million current run rate
  - Quality, yields, costs and environment all benefited
- Sale of European properties
  - Previously announced and well underway
  - \$20 million profit; bias to first half
- Profit Protection Plans
  - Mitigating volume weakness
- Review of Australian Paper
  - Final stages of process
  - No decision made

# Funding Activities

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- Secured early debt funding roll
- Support from major institutional shareholders for entitlement offer
  - Repay debt early
  - Retail offer closes today

# Summary

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- As difficult as it gets
  - Pulp mill capital investment with no return yet
- Meeting the challenges
  - Profit Protection Plans
  - Short term debt roll
  - \$150 million of debt repaid early
  - New CFO
  - European properties sales
  - Maryvale Mill pulp upgrade
  - Currency trends
  - Industry restructuring

# Disclaimer

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