

**PaperlinX**

**Presentation to the  
Macquarie Conference**

**6 May 2010**

**PaperlinX**

# Disclaimer

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# Presentation Sequence

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- PaperlinX Overview
- 2010 Interim Result Overview
- Market Indicators
- Strategic Progression
- Strategy and Focus
- Summary

# Context

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- For the past year we have been focused on resolving a number of key internal structural issues
- This has taken a great deal of management time, effort and resilience
- At the same time our industry suffered a significant fall in demand as a result of the global financial crisis
- We are now at the final stages of what will be a major company transformation

## In the past year we have...

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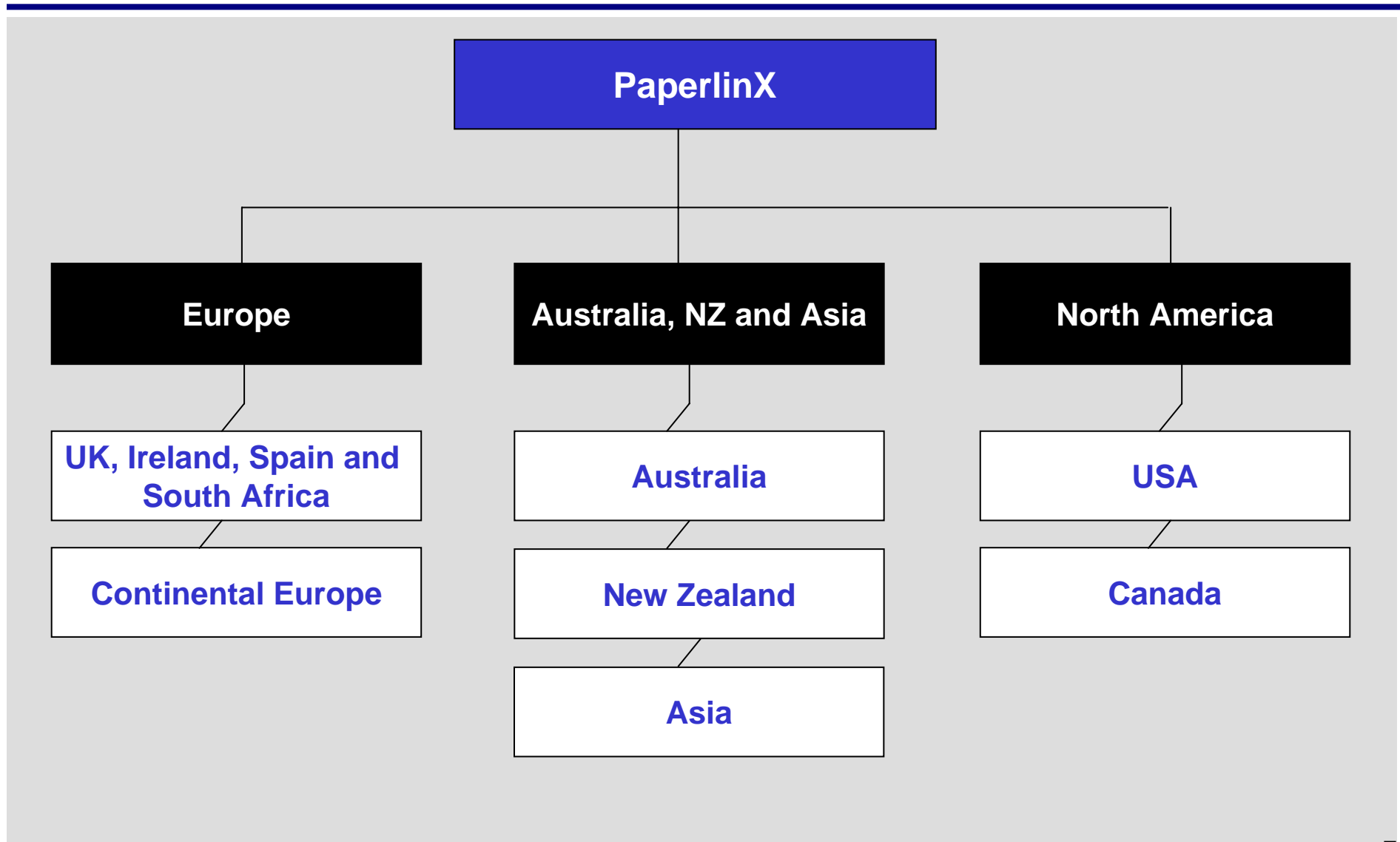
- Restructured our business and reduced risk
  - Sold Australian Paper (excluding Tasmanian operations)
  - Closed or announced the closure of our Tasmanian Paper manufacturing business
  - To become a pure play global merchant
- Completely reshaped our balance sheet
  - Reduced gross debt by over a billion dollars
  - Replacing all of our syndicated bank debt and US private placement notes with regional asset backed facilities
- While continuing to drive operational efficiencies
  - Reduced head count, costs and working capital

# PaperlinX as a Global Merchant

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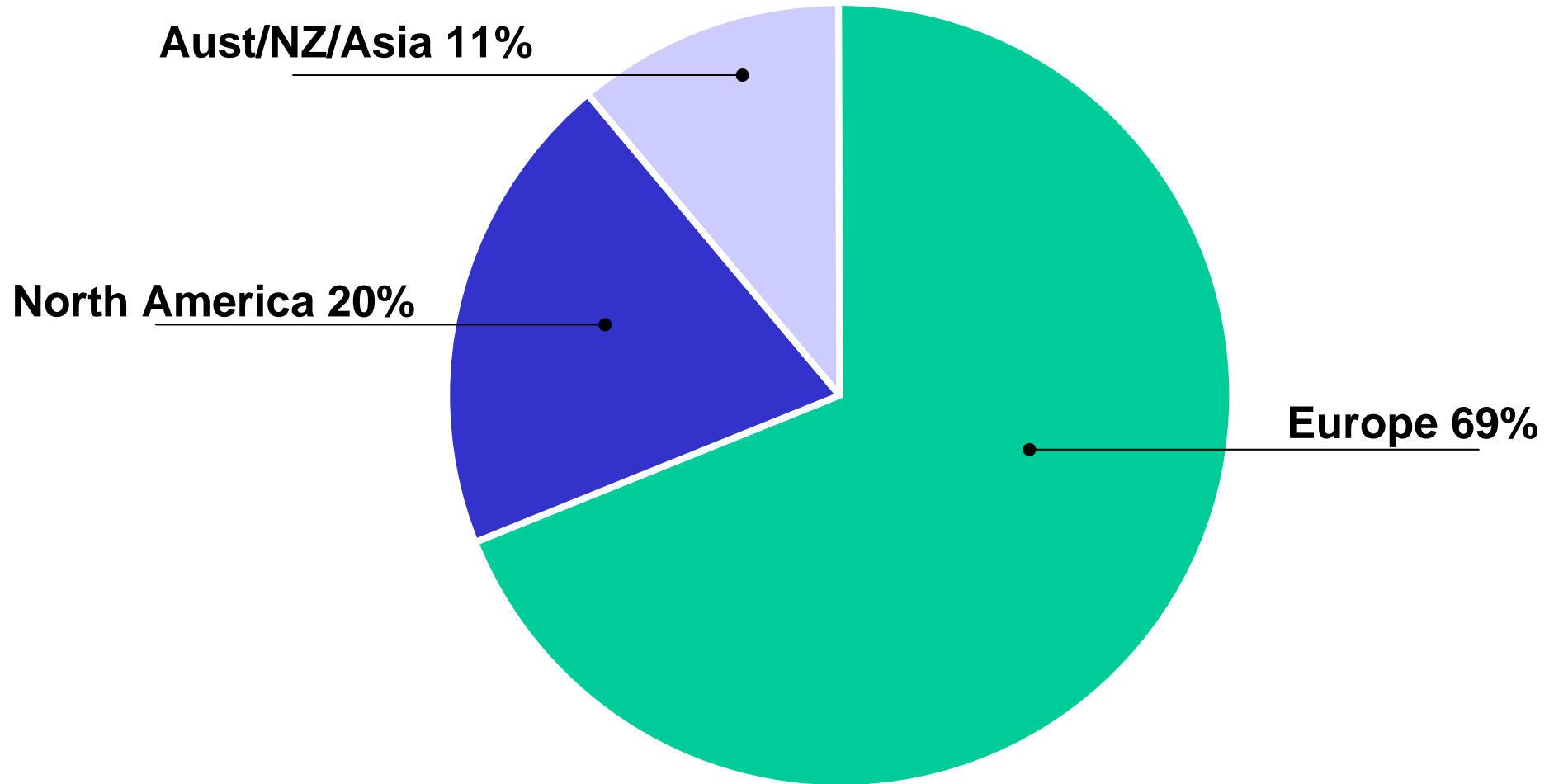
- Leading global paper merchant with significant market shares in key markets
- Growing non-paper contribution to compliment core paper distribution activities
- 45 operating companies in 26 countries
- Annual sales of about \$6 billion
- Paper sales volumes of around 3 million tonnes per annum
- Employee numbers around 6,700

# PaperlinX Group Structure



# Merchanting Sales Revenue by Geography

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# Merchanting - Europe



# Merchanting - North America



# Merchanting - Australia, NZ and Asia



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# Overview of 2010 Interim Results

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- Revenue of \$2.7 billion was down 28% and volume of 1.5 million tonnes was down 24%, due to the sale of Australian Paper and the impact of weak markets
- Continuing EBIT, excluding significant items, was \$11.7 million, while Total Group EBIT was \$(5.6) million
- The reported after tax loss of \$(175.3) million, included after tax significant items of \$(148.8) million relating to the exit from paper manufacturing
- Net working capital decreased by 36% versus December 2008
- Average working capital/sales reduced to 18.3% (from 18.7% pcp)
- Period end net debt moved to \$251 million from \$1,062 at December 2008, with gross debt of \$526 million, \$1,518 million at December 2008

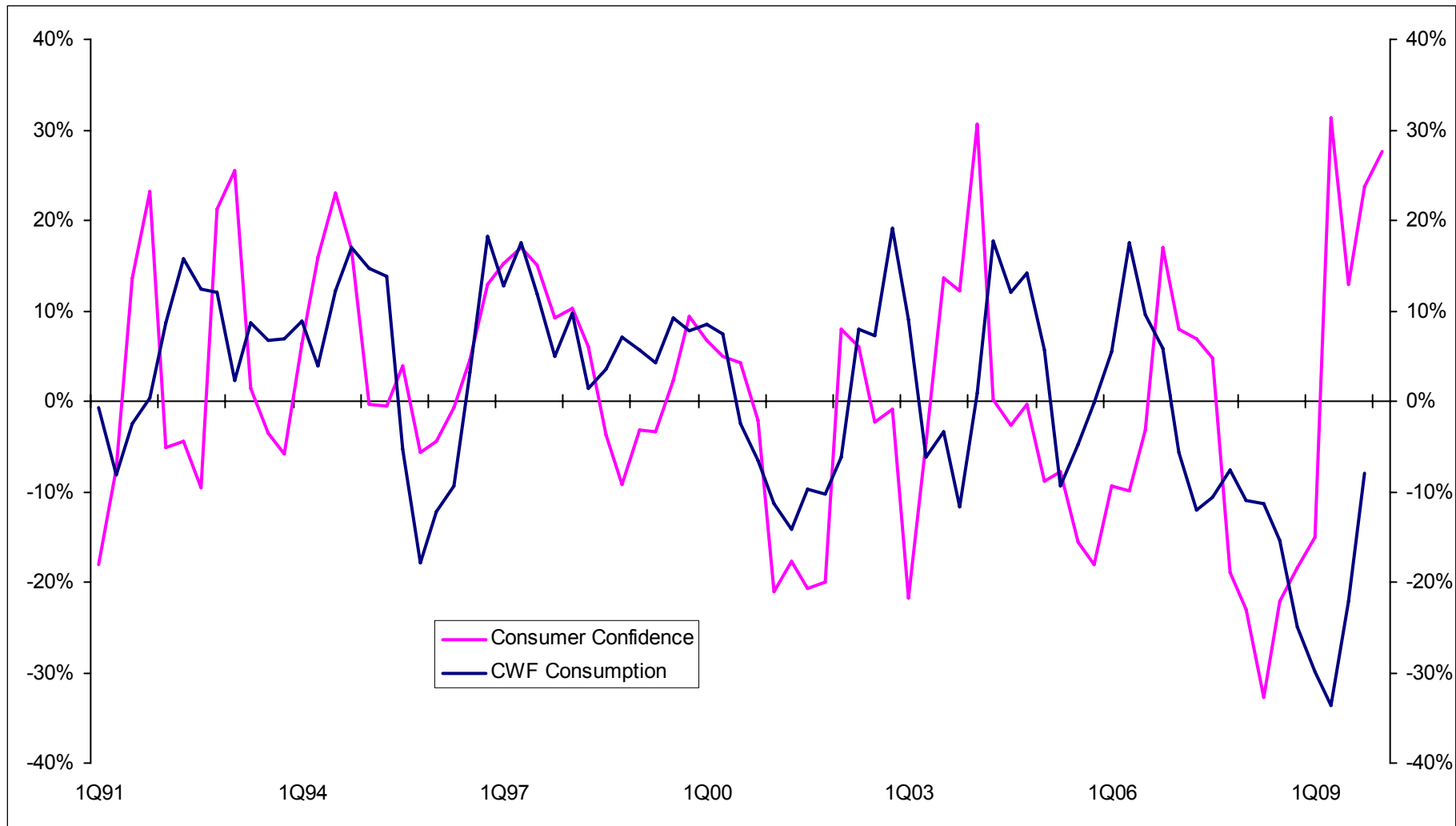
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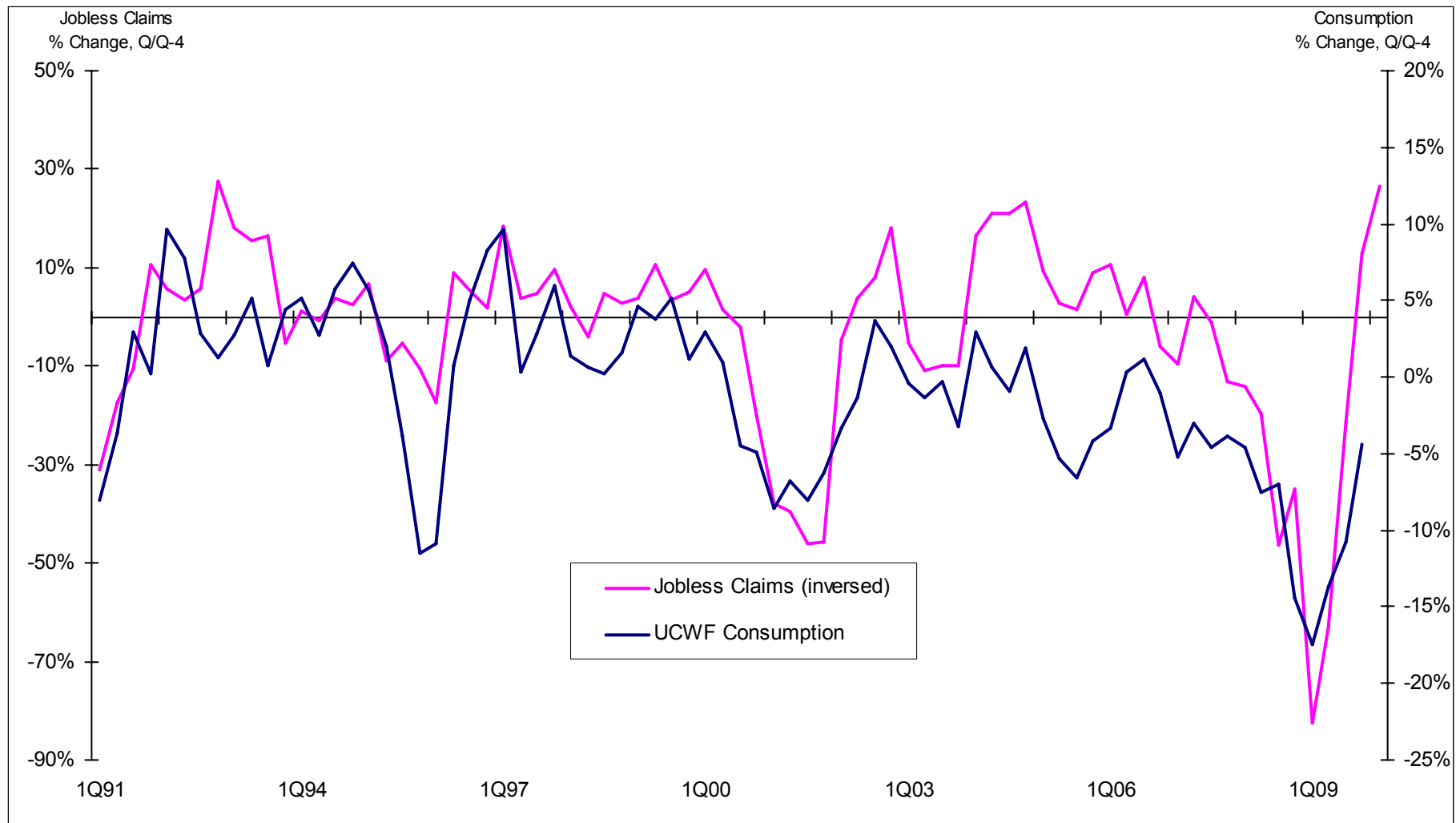
# Confidence and Coated Woodfree Demand

Coated paper consumption lags changes in consumer confidence



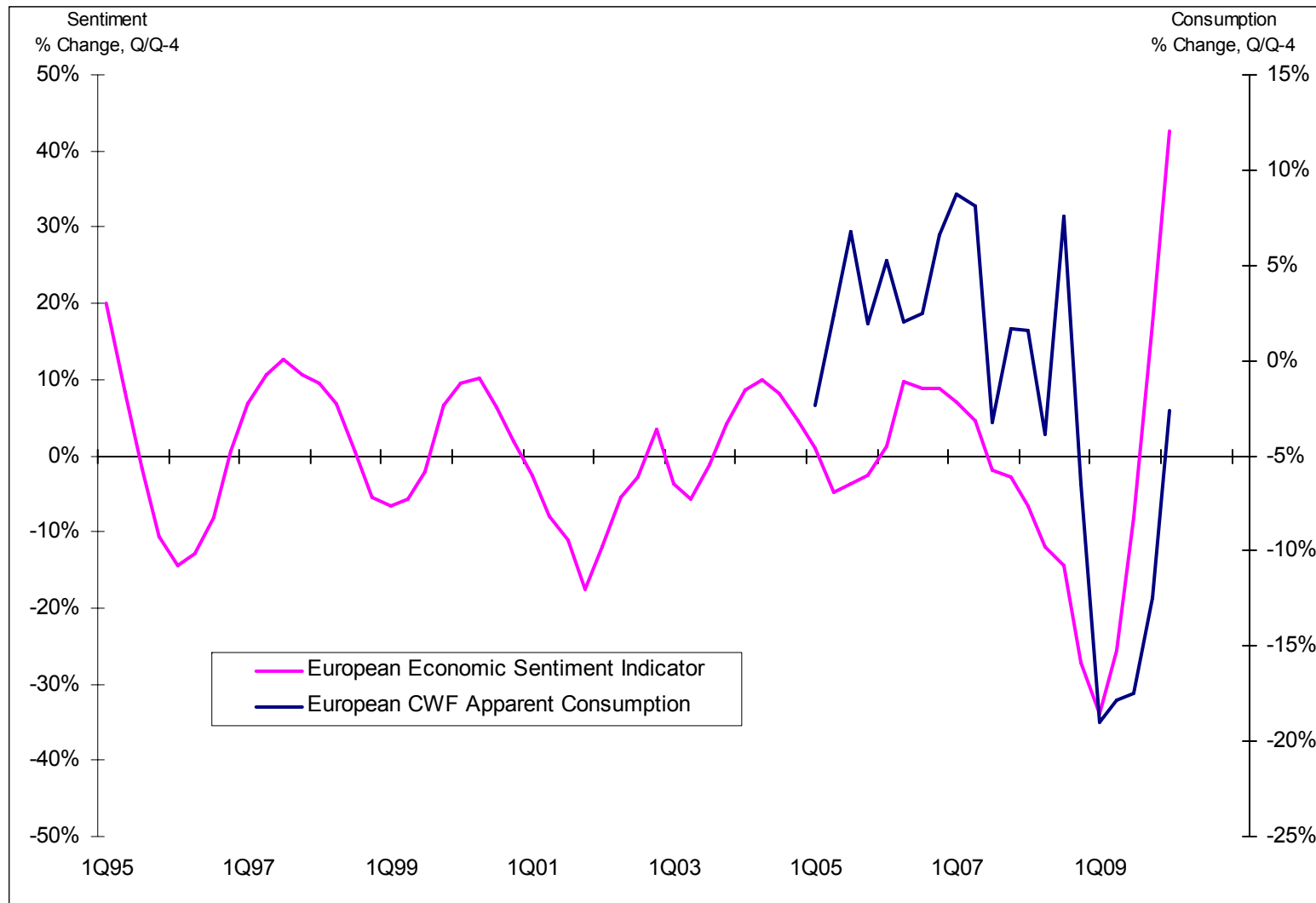
# Jobs and Uncoated Woodfree Demand

Uncoated paper consumption correlates to changes in employment



# Market Forecasts: Lead Indicators – CWF

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



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# Strategic Progression Update

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- Business restructure:
  - Exited Australian manufacturing:
    - Sale of Australian Paper completed May 2009
    - Tasmanian exit to be completed by June 2010
  - Tasmanian exit:
    - Closures on track with December 2009 estimate (timing and costs)
    - Closure of remainder of Burnie Mill announced 13 May
    - Reduced currency exposure following exits
- Debt reduction
  - Reduced gross debt by \$992 million (65%) since December 2008
    - Sale of Australian Paper and other assets
    - Reduction in working capital
    - Cash freed up around the Group from improved cash management
    - Reduction of bank syndicate and USPP noteholder debt by two thirds since December 2008 (\$1.14 billion to \$414 million)
  - Further reductions in gross debt in 2H10 to ≤\$400 million.

# Strategic Progression

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- Debt refinancing well progressed:
  - Asset based lending provides more appropriate structure:
    - Greater flexibility to manage cash during monthly cycle
    - Interest cost to reduce to \$20-25 million range on an annualised basis
    - Improved currency alignment of borrowing – natural hedge
    - Tenure of around three years
  - New facilities established in New Zealand, Australia, Canada and USA
  - Repayment of bank syndicate and USPP noteholder debt is positive:
    - Remove \$27.7m of advisor and waiver charges over past 12 months
    - Substantial release of time to focus on business
    - Reduce absolute funding costs
    - More appropriate geographic alignment of borrowings
  - Target completion by financial year end.

# Borrowing Facilities

		New Facilities			
		Receivables Facilities	Facility Size	A\$ Equiv.	Comment
	Existing borrowings (as at 31 Dec 2009)				
Banks	A\$252	Australia	A\$80m	A\$80m	Complete
		NZ	NZ\$35m	A\$30m	Complete
		Canada	C\$50m	A\$55m	Complete
Notes	<u>A\$162</u>	US	US\$40m	A\$45m	Complete
Historic lender group	A\$414	Additional receivables facilities	TBA	A\$280m est	Under negotiation
		Additional inventory facilities	TBA	A\$50m	Complete
Other facilities	<u>A\$112</u>	Other facilities (Incl. Overdrafts)	Various	A\$220m	
Total Gross Debt	A\$526 <sup>1</sup>	<b>Total</b>		<b>A\$760m<sup>2</sup></b>	

1. Drawn debt levels beyond December 2009 has been reduced by further scheduled repayments to existing lenders

2. These facilities on average are likely to be drawn between 70 – 80% and are subject to availability of receivables and inventory 21

# Presentation Sequence

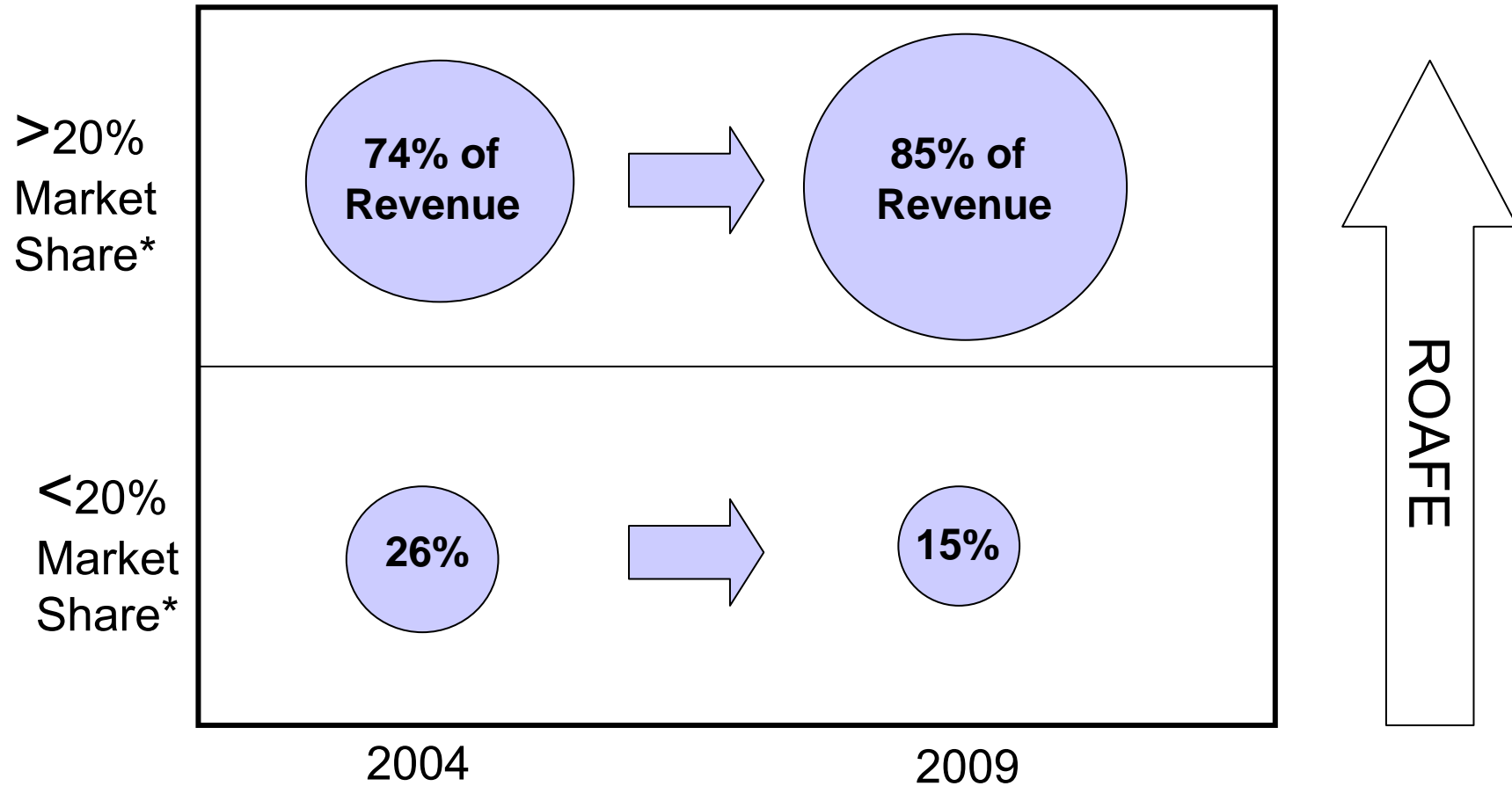
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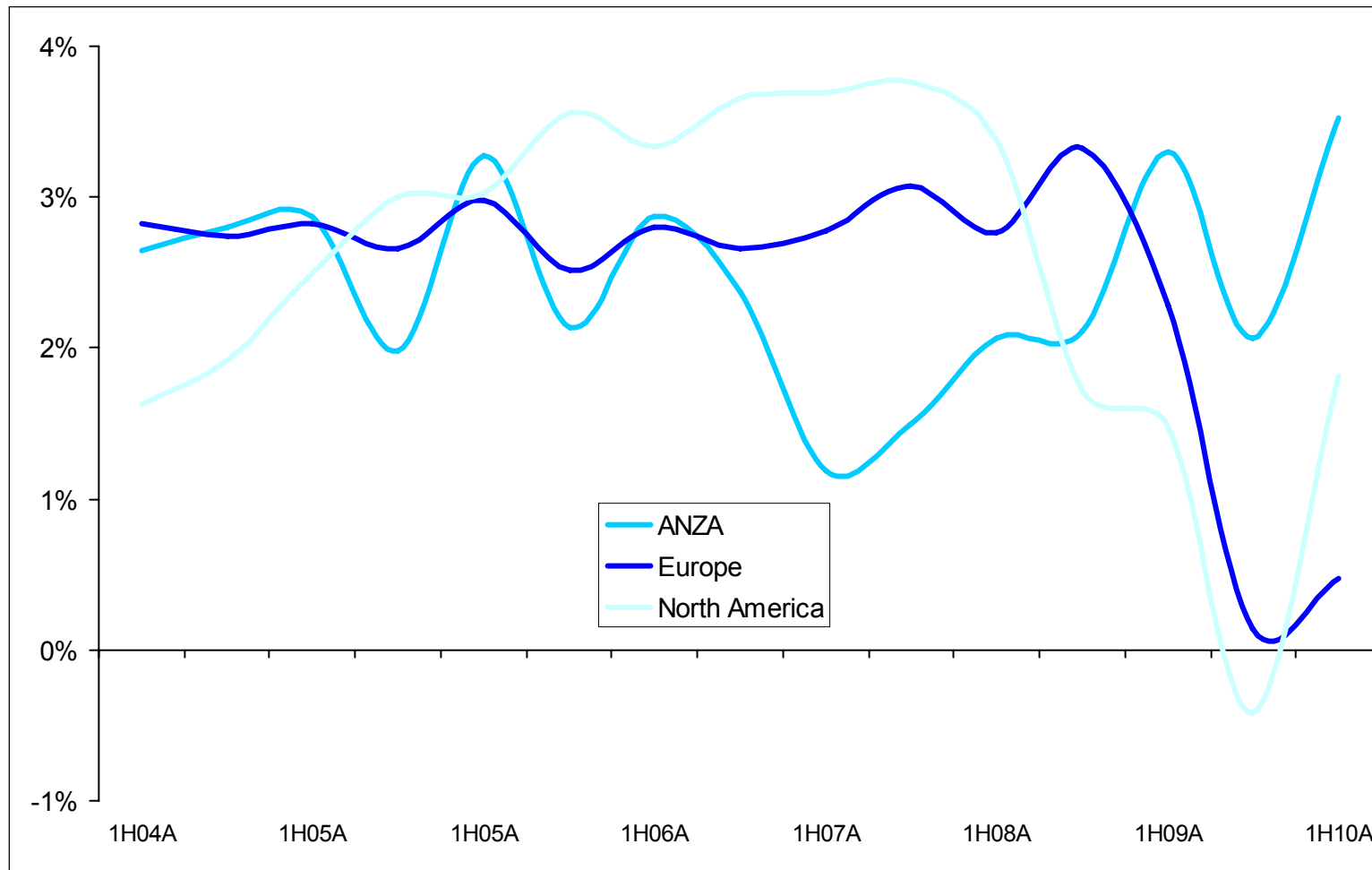
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# In-Market Scale



\* Merchant market

# Reported EBIT Margin by Region by Half



# Volumes - Merchanting

Volume in metric tonnes	6 months <u>Dec 09</u>	6 months <u>Jun 09</u>	6 months <u>Dec 08</u>	% Change <u>1H10/1H09</u>	% Change <u>1H10/2H09</u>
NW Europe	290	283	333	(12.9)	2.5
UK & Ireland	475	467	523	(9.2)	1.7
Central & Southern Europe	<u>221</u>	<u>224</u>	<u>250</u>	(11.6)	(1.3)
Total Europe	986	974	1,106	(10.8)	1.2
North America	249	243	298	(16.4)	2.4
Australia, NZ and Asia	181	167	208	(13.0)	8.3

- Paper consumption in all regions remains depressed following global economy weakness
- The first half of fiscal 2010 shows some stability in volumes over the second half of fiscal 2009 although there is some seasonality
- Overall volumes are yet to show any significant recovery

# Strategy and Focus

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# 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)

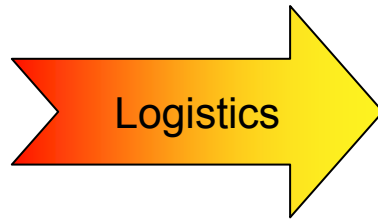
## Divested

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

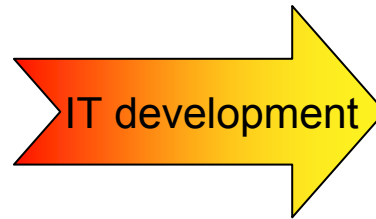
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# Back Office Synergies



Australia/NZ model  
UK Delivery Company  
Warehouse integrations  
SKU rationalisations



Warehouse management  
CSR systems  
Route tracking  
Sales & operational planning



Costs  
Efficiency  
Enhanced service

# Costs - Merchanting

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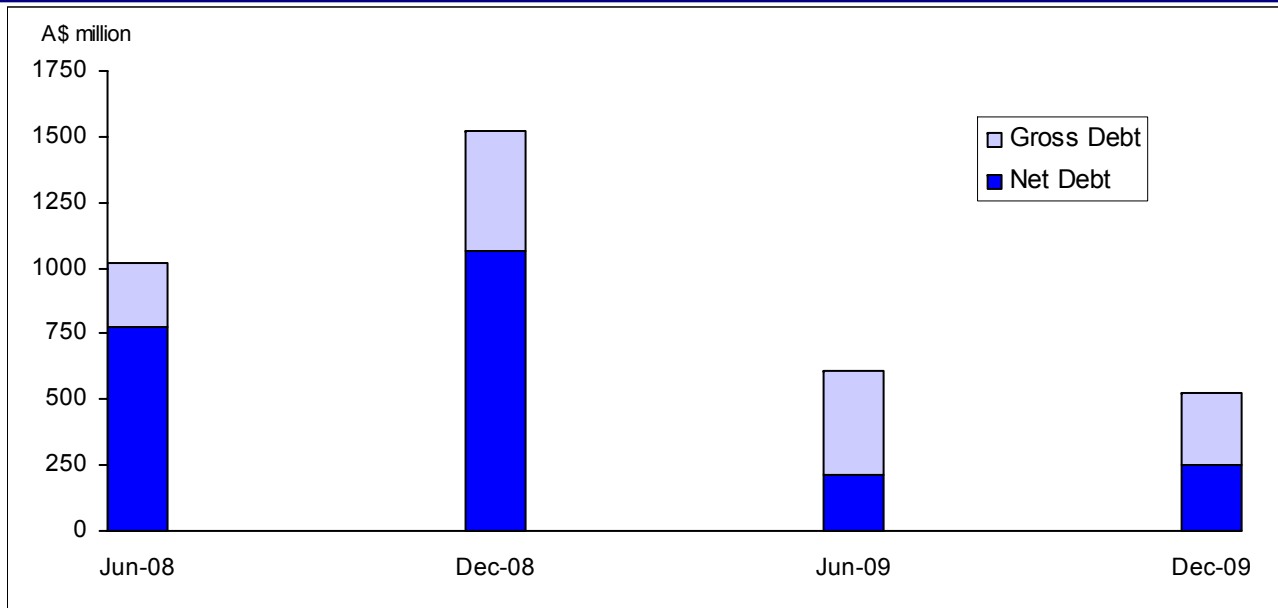
		% Change	
		1H10 v 1H09	1H10 v 2H09
ANZA	A\$	(11.9)%	(4.9)%
Europe	€	(11.8)%	(6.4)%
North America	US\$	(15.4)%	(3.4)%

- Expenses well down in all regions
- Headcount for Continuing Operations down 310 (4.5%) versus June 2009 (excluding paper manufacturing)
- Reductions continuing into 2010
- Ongoing focus

# Strategy and Focus

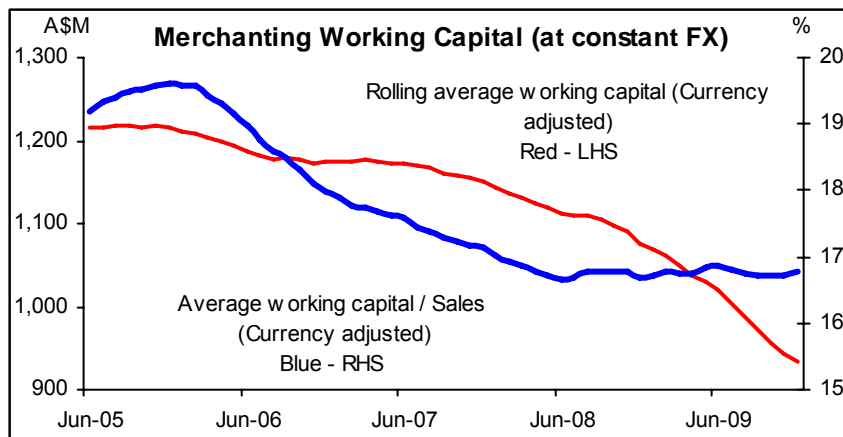
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# Debt Reduction



- Opportunities available to reduce gross debt levels via more efficient structuring of debt facilities / improved transactional banking structures
- Significant progress made on establishing new facilities
- Gross debt of \$526 million at December 2009, down from \$1,518 million pcp. Currently around \$400 million
- Cash balance inflated by \$56 million proceeds from CCS retained as cash to cover costs of Tasmanian exit
- Future annualised net interest expense expected to be around \$20 - 25 million
- Depreciation and amortisation and capital expenditure expected to match at around \$30 million pa

# Working Capital - Merchenting



Merchenting December period end net working capital reductions have continued in Europe (-10%) and North America (-21%) versus prior corresponding period

	% Change
North America (USD)	(20.5)%
Europe (Euro)	(10.2)%
ANZA (AUD)	(0.8)%

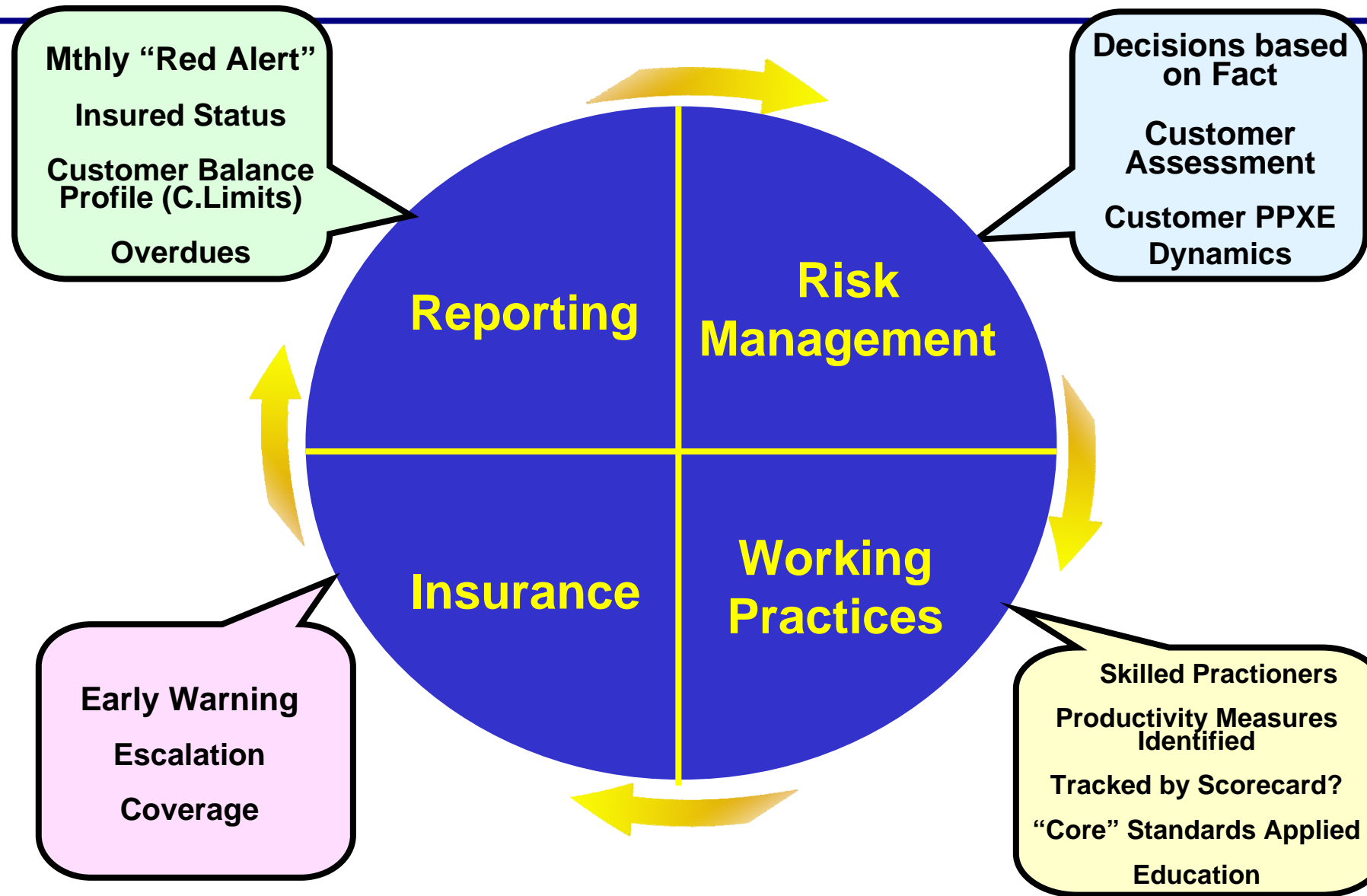
	Days		
	Dec 2008	Dec 2009	Change
Inventory	79.1	62.0	(21.6)%
Debtors	63.9	63.6	(0.5)%
Creditors	51.4	51.4	(0.0)%
WC/Sales	17.8	16.3	(150)bps

- Inventory days have continued to benefit from roll out of core process to major operating companies, structurally reducing inventory days
- Debtor days held
- Creditor days remains under pressure from tight supplier credit
- Working capital reductions matching weaker markets

# Strategy and Focus

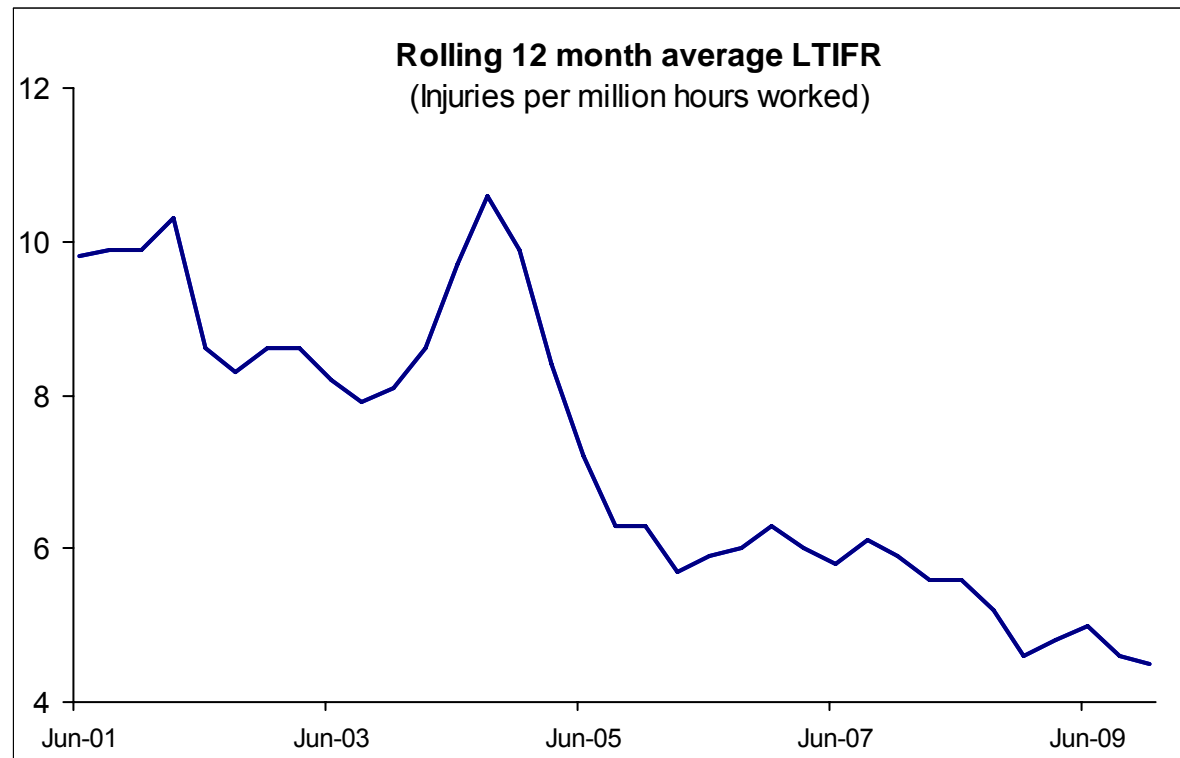
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# PPXE Credit Wheel



# Safety

- Improved safety record (LTIFR down 10% in the last six months and down 55% in the last 8 years to 4.5 per million hours worked)
- The December quarter safety results were the best in the company's history
- Global HealthLinX programme to support employee wellbeing

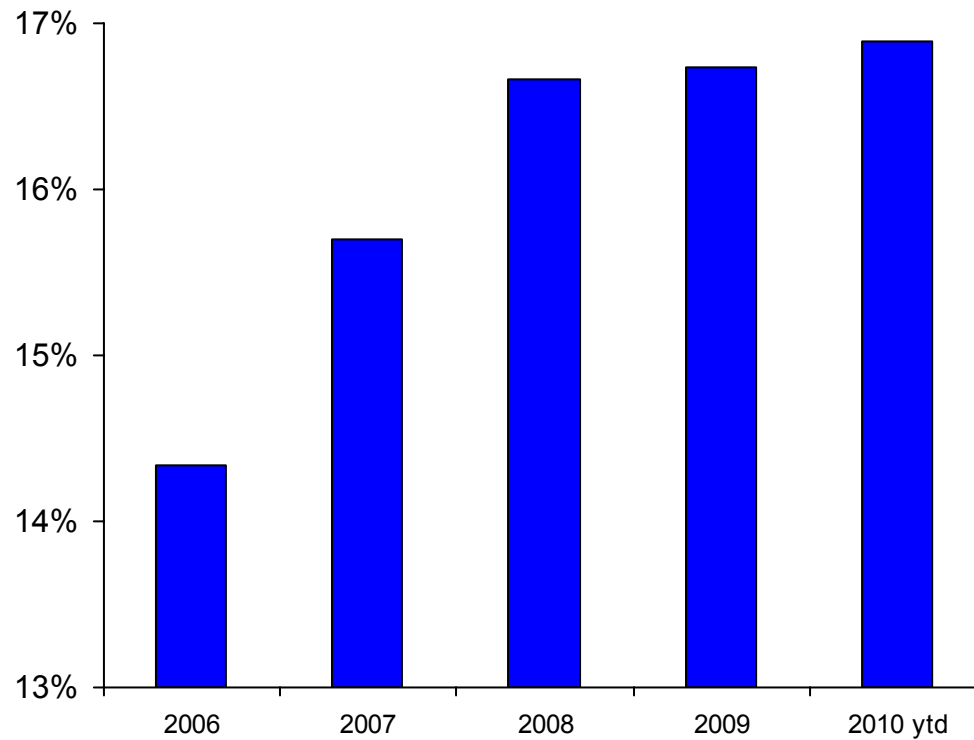


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# Value Adding Activities

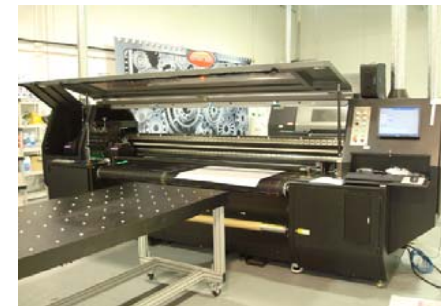
Share of Merchant Gross Margin from Sign & Display, Industrial Packaging and Graphics Solutions



➤ Sign & Display



➤ Graphic Solutions



➤ Industrial Packaging



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# Summary

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- PaperlinX has substantially de-risked
  - Exiting from manufacturing
  - Reduced debt by over \$1 billion
  - Refinancing close to completion
- PaperlinX becomes a pure play global merchant
  - Fragile recovery in North America and ANZA
  - European recovery yet to be seen
  - Focus on cost efficient service proposition in core business
  - Recovery expected in non-paper if confidence improves
- Operational and growth model in place:
  - Margin recovery in core paper business
  - Non-paper growth off existing platform
    - Packaging, Sign and Display, Graphics Solutions and Converting
    - Next Generation models

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