2008 Interim Results

21 February 2008

Disclaimer

Forward looking Statements:

Certain statements in this release relate to the future, including forward looking statements relating to PaperlinX's financial position and strategy. These forward looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual results, performance or achievements of PaperlinX to be materially different from the future results, performance or achievements expressed or implied by such statements. Neither PaperlinX nor any other person gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statements in this document will actually occur and you are cautioned not to place undue reliance on such forward looking statements.

Subject to any continuing obligations under applicable law or any relevant listing rules of the ASX, PaperlinX disclaims any obligation or undertaking to disseminate any updates or revisions to any forward looking statements made in this presentation to reflect any change in expectations in relation thereto or any change in events, conditions or circumstances on which any such statement is based.

Presentation Sequence

- Introduction and Overview
- PaperlinX 2008 Interim Result
- Paper Manufacturing
- Paper Merchanting
- Summary and Outlook
- Questions and Answers

Market Overview

- Demand conditions largely unchanged
  - Weak in the UK and US
  - Good in continental Europe and Asia
- Weak US dollar continues to impact prices with coated paper prices yet to reflect announced increases in Europe
- Input cost increases have continued to impact global paper manufacturers forcing restructuring and consolidation
- Concerns over global economic outlook have increased
- Supply/Demand balance appears to be tightening

Results – Context

- PaperlinX has continued to invest against defined strategic initiatives, impacting interest cost, funds employed and returns in 2008
- We now see the potential to exceed the $100 million pa incremental EBIT target (vs 2005) in fiscal 2009 by up to $25 million pa following the start-up of the pulp mill upgrade
- This represents a step-up in 2009 benefit from current

Results for 2008 Interim – Key Points

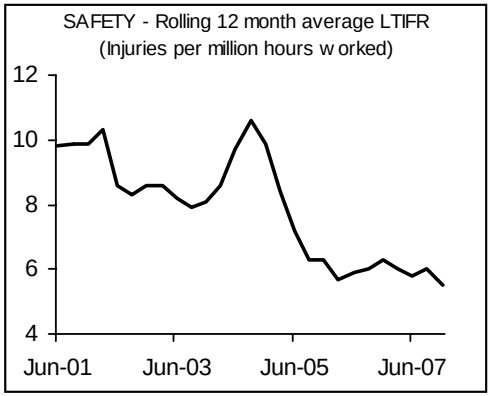
- Underlying Merchant earnings have held up well with returns of 11.4% ROAFE and a 2.8% EBIT margin
- Manufacturing has mitigated continued input cost pressures and the impact of currency on prices, with improved mix, costs and domestic sales to be only $4 million down on pcp underlying earnings
- Our strategic initiatives are on track to exceed the 2009 target of an incremental $100 million pa operating profit (over 2005) by up to an additional $25 million pa
- The pulp mill upgrade is on track to deliver targeted returns, exceed output target, exceed EBIT benefits, though at up to a $60 million higher capital cost
- Canadian and Italian acquisitions exceeding targets
- The refinancing of our short term debt, along with the planned sale of a portfolio of European properties and the issue of Step-up Preference Securities (SPS) in 2007, ensure PaperlinX financial flexibility

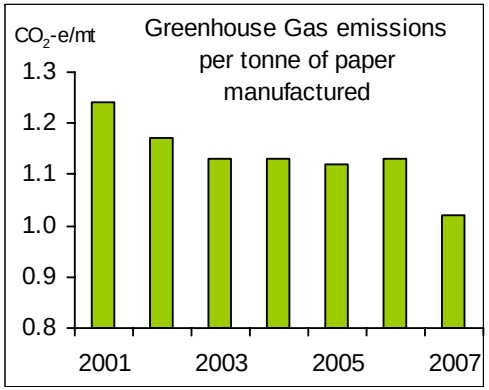
Results for 2008 Interim - Financial

- Revenue of $3.8 billion (down 4% on prior corresponding period (pcp)) and volume of 2.1 million tonnes (down 3%)
- Underlying EBIT of $92.1 million compares with $96.0 million pcp (down 4%)
- Reported EBIT of $85.7 million (down 2%) included net one-off items of $(6.4) million ($(8.9) million pcp)
- Reported after tax profit of $35.3 million (pre SPS distribution), up 8% versus $32.7 million pcp
- Net working capital reduced by $55 million versus December 2006
- Average working capital/sales reduced to 18.0% (from 18.3% pcp)
- Return on average funds employed decreased 0.4pts to 6.2%
- Earnings per share of 5.0 cents
- Dividend per share of 3.0 cents, unfranked

Results for 2008 Interim – Non Financial

- Improved safety record (LTIFR down 14% to 5.4 per million hours worked)
- Improving trend for CO_2 per tonne of paper manufactured





- Maryvale pulp mill upgrade will provide positive environmental outcomes
- Launch and growth of environmental brands (Revive®, Reflex 100®,Envi®)
- Australian Paper recently qualified as a member of The WWF Australia Forest and Trade Network
- Participated in the Carbon Disclosure Project
- Member of the FTSE4Good Index for 3rd consecutive year
- Continued lift in training for our people – Leadership and Strategic selling

Financial Summary

		6 months to Dec 2006	6 months to Dec 2007	% change
Sales Volume	'000 tonnes	2,176	2,119	(3)
Sales Revenue	$m	3,949	3,783	(4)
Underlying EBIT	$m	96.0	92.1	(4)
Reported EBIT	$m	87.1	85.7	(2)
Reported Earnings after Tax	$m	32.7	35.3	8
EBIT/Average funds employed	%	6.6	6.2	(0.4)pts
Earnings per share (after SPS distribution)	cps	7.3	5.0	(2.3)cps
Interim dividend (unfranked)	cps	5.0	3.0	(2.0)cps

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
European portfolio changes	Exit France, Sweden, Portugal, Finland Acquisition in Italy (exceeds expectations)
Warehouse integrations	Toronto, Barcelona, Australia
The Delivery Company	On track, 11 sites operational
Netherlands restructure	On track, DRiem and industrial packaging and office integrated
European IT platform	On track, 3 Units completed, 2 Unit's in progress
Maryvale pulp mill upgrade	On track for targeted returns. Output and EBIT upside potential, though capital cost higher
Maryvale wood yard outsourcing	On track
Growth of own brands	+3% Europe, +9% North America
Strategic sourcing alignment	On going
Global customer solutions	Positive momentum

Benefits from Strategic Initiatives: Total

- Benefits from strategic initiatives continue to track to higher expectations
  - In 1H08 total net annualised benefit over 2005 base is now $65 million
  - Potential to exceed 2009 target of $100 million pa by an additional $25 million pa
- Continued investment and progress in 2008, leading to major net benefits to be realised in 2009 and ongoing

Funding Initiatives

- Around $75 million of sales of property and other surplus assets over past two years has helped fund one-off restructuring costs
- Package of sales of non-core assets
  - European property portfolio
  - Book value of around A$140 million with upside sales potential
  - Expected completion in coming months
  - To fund growth and restructuring activities
- Refinancing of Short Term debt completed in February
- Active balance sheet management
  - Step-up Preference Security issue
  - Domicile of debt

The Delivery Company

Project Description

Integration of UK warehouse and logistic platforms

Operational Status

- 11 sites operational
- 7 sites exited
- Van fleet reduced by 20% in consolidated sites
  - Drops reduced by 15%
  - CO_2 emissions reduced by 25%

Customer Benefits

- Consolidated deliveries
- Deliveries in time window 99%
- Dynamic tracking/on-line proof of delivery

PaperlinX

Netherlands Integration

Project Description

Integration of Businesses (DRiem, Packaging, Office Paper) and Back Office

Operational Status

- DRiem, Packaging and livingOffice integrated
- 3 Sites exited
- Envelope production optimized
- IT project started
- Back Office integration pilot phase

Customer Benefits

- Broader offering in Proost en Brandt Commercial Print and BuhrmannUbbens Packaging
- Performance of envelope production and printing (speed to market and quality of delivery improved)
- Availability of Dutch product range for Belgium

Italian Acquisition

Project Description

Acquisition of Antalis Spa and integration with Polyedra

Operational Status

- Legal merger executed, effective Jan 08
- Back office functions integrated (Finance, Credit Management, IT)
- Integrated organisation of Commercial Print in place
- Combined logistic network specified and under implementation (3 locations already closed)
- SKU's reduced from 12,000 to 8,000
- Joint market share maintained

Customer Benefits

- Higher service level of Polyedra rolled out to combined customer base & secured by higher efficiency
- Better product availability due to combined converting service

PaperlinX

Pulp Mill Upgrade

Returns remain on target – capital costs and benefits increased

Pulp Mill Upgrade: Original Strategic Rationale

- ✓ Focussing resources to strengthen existing businesses
- ✓ Underpinning business capacity to meet “through the cycle” return targets
- ✓ Enhancing existing infrastructure investment
- ✓ Manning flexibility and work place changes
- ✓ Improving competitive position
  - ✓ Lower production costs
  - ✓ Improved product quality
- ✓ Improved environmental performance

All of the original strategic rationales still apply, many with more relevance and value today than when first announced

Pulp Mill Project: Assumptions Update

	At Announcement	Now	Comment
Pulp Price (long run average)	$US520/mt	$US550/mt	+US$30/mt
Pulp Price (spot)		$US750/mt	
US$/A$ (long run)	0.7000	0.7000	+0%
US$/A$ (spot)	0.7468	0.9000	+21%
Production Volume	80,000 mt	>90,000 mt	+10,000 mt
Timing	Fiscal 2009	Jul/Aug commissioning	
Savings	$30-35 million pa	$40-50 million pa	+$5-15 million pa
Capital Costs	$203 million + ancillary	$310 million + ancillary	Labour/materials above initial estimates
Returns	+12% ROAFE*	+12% ROAFE*	On track

* Based on long term averages

Pulp Mill Upgrade: Progress Summary

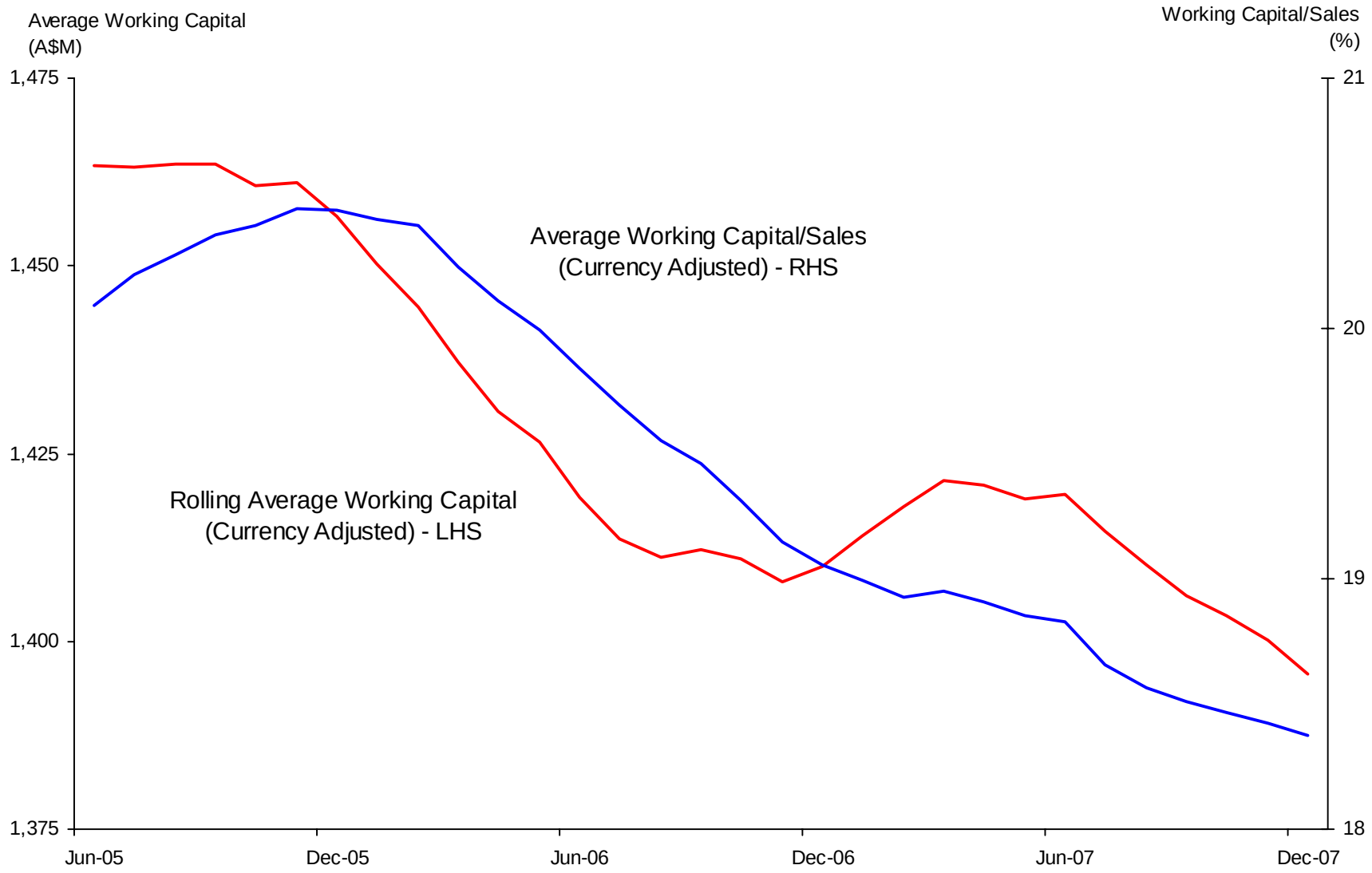
The Pulp Mill Upgrade is as relevant today as when first announced

- **Status**
  - 95% materials purchased, >60% labour completed
  - 2nd shut completed on time – IR issues remain
  - Rebidding of all project components completed
- **Benefits and returns**
  - In line for targeted returns, supported by capacity increase
  - Full year benefit expected in 2009 to exceed original estimates
  - Wood yard start up expected this year to phase-in commissioning
- **Capital Costs**
  - Project capital cost has been under ongoing pressure, now expected to cost around $310 million due to increases in material prices, deliveries and labour costs
- **Risks**
  - Industrial relations
  - Labour costs and availability
  - Weather

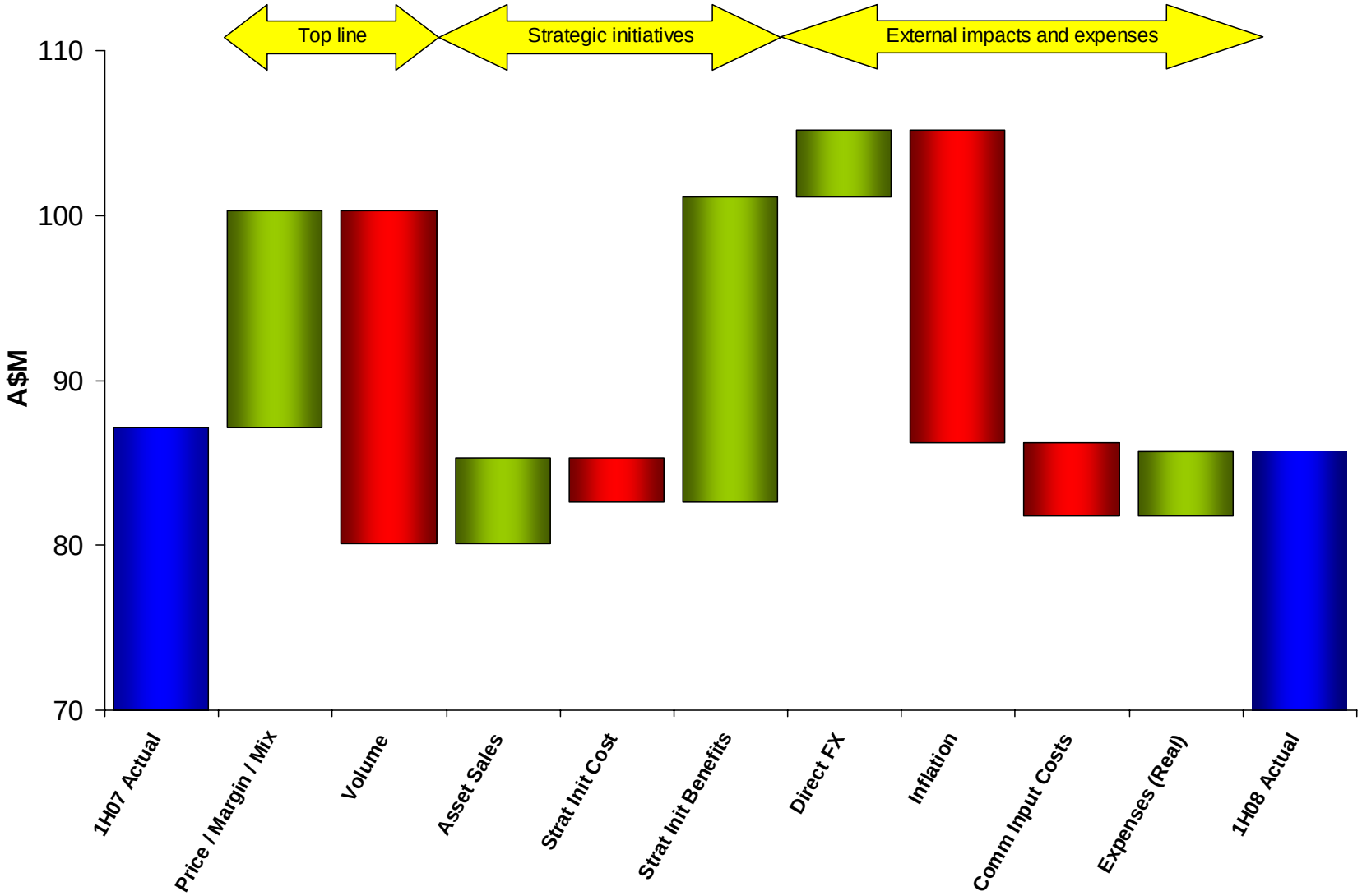
Key Financial Measures

		6 months to Dec 06	6 months to Dec 07
EBIT Sales	%	2.2	2.3
Net Interest cover	X	2.4	2.7
Net interest expense	$m	36.4	31.5
Effective Tax Rate	%	35.5	34.9
EBITDA	$m	138	137
Operating cash flow	$m	(142)	(110)
Capital Expenditure	$m	64	187
Net tangible assets per share	$	2.55	2.67
Net Debt / Net Debt & Equity	%	39.7	32.7

Working Capital Trend

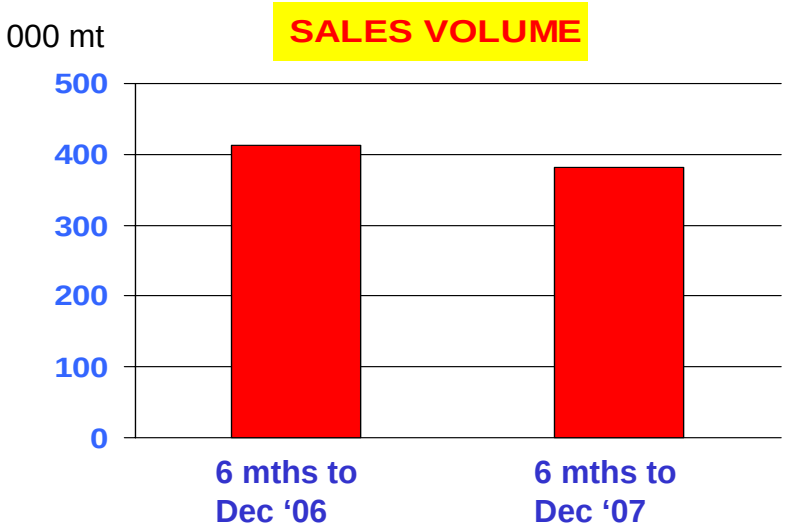


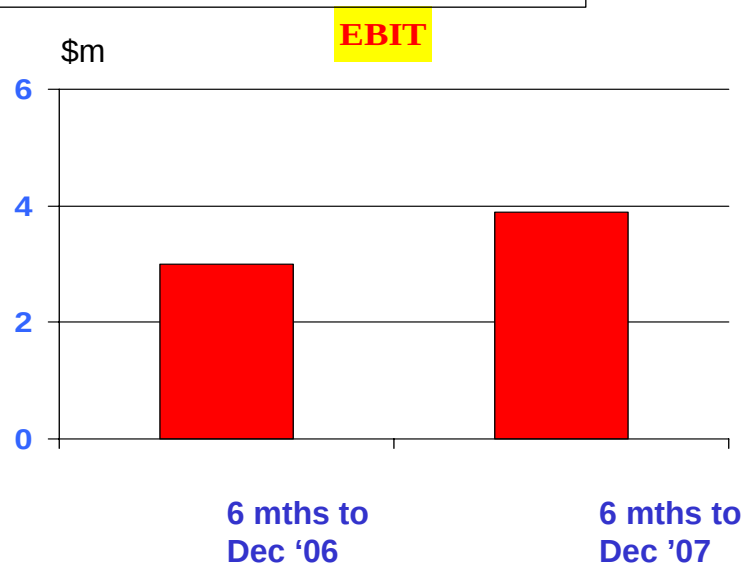
Key Variances to EBIT



Paper Manufacturing

		6 months Dec 06	6 months Dec 07	Change %
Sales Volume	'000 tonnes	413	381	(8)
Australia/NZ Share of Volume	%	80	81	
Sales Revenue	A$m	510	482	(5)
Underlying Earnings before Interest & Tax	A$m	12.6	8.7	(30)
Net One-off Costs	A$m	(9.6)	(4.8)	
Reported Earnings before Interest & Tax	A$m	3.0	3.9	33
Return on Average Funds Employed	%	0.6	0.7	(0.1)pts





Paper Manufacturing

- Overall sales volumes impacted by 2nd pulp mill shut and corresponding reduction in export volumes
- Domestic communication papers volumes up from pcp
- Higher pulp costs continued to impact operating earnings (average price of pulp up 15% on pcp in US$). Pulp prices remain high with further increases announced
- Shift reductions on 3 manufacturing units to take effect in the second half of the year, though restructuring charges were booked in first half
- Reported EBIT contained less one-off charges than pcp resulting in small increase from A$3.0 million to A$3.9 million
- Underlying EBIT of A$8.7 million was less than pcp due to combined impact of stronger A$, higher pulp costs and weaker coated paper prices
- In the face of cost and currency impacts, good progress made on efficiencies and positive mix management containing downward impact on EBIT to only $3.9 million
- High A$ continues to hold down pricing across most segments, though more particularly in coated woodfree and publication papers markets, net direct impact on EBIT from export earnings of A$(8.7) million versus pcp

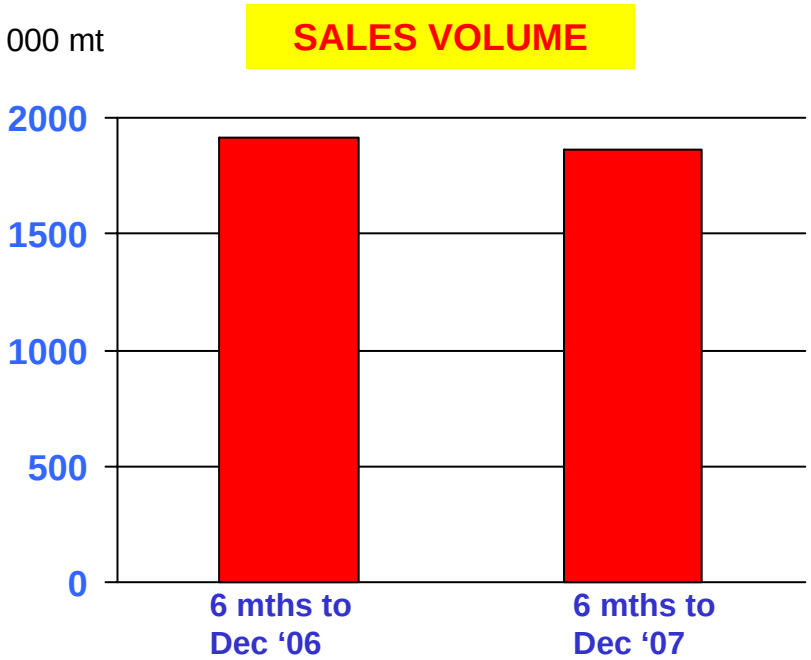
Paper Manufacturing

- GO GREEN WITH ENVI® range of carbon neutral papers launched during the period offering first Australian made carbon neutral paper with Australian Greenhouse Office certification

- Average working capital at similar level to pcp however period end position for working capital to sales was adverse due to timing of plant shuts

Paper Merchanting – Total

		6 months Dec 06	6 months Dec 07	Change %
Sales Volume	'000 tonnes	1,910	1,863	(2)
Sales Revenue	$m	3,618	3,457	(4)
Earnings before Interest & Tax	$m	99.1	96.6	(3)
EBIT/Sales Revenue	%	2.7	2.8	+0.1 pts
Return on Average Funds Employed	%	11.4	11.4	nc



Merchanting - Europe

		6 months Dec 06	6 months Dec 07	Change %
NW Europe	'000 tonnes	382	352	(8)
UK & Ireland	'000 tonnes	601	572	(5)
Central &Southern Europe	'000 tonnes	258	258	0
Total Sales Volume	'000 tonnes	1,241	1,182	(5)
Sales Revenue	€m	1,399	1,396	0
Earnings before Interest & Tax	€m	38.8	38.6	(1)
EBIT/Sales Revenue	%	2.8	2.8	nc

- Sales volumes down 5% on pcp, partially due to the divestment in France and acquisition in Italy
- Key UK and Netherlands markets suffered market driven volume declines, largely confined to lower margin indent and office products sales
- Average price realisation 5% ahead of pcp, supported by continued improvements in mix including acquisition in Italy, ongoing improvements in stock to indent ratio, continued growth in Sign and Display and Industrial Packaging, and branded sales of key coated and environmental papers

Merchanting - Europe

- Underlying EBIT in line with pcp, and the EBIT/sales ratio held at 2.8%
- Rollout of UK integrated logistics solution, The Delivery Company, progressed well with 11 sites now operational (7 sites exited)
- Consolidation of two warehouses in Barcelona onto one site successfully completed
- Integration and results for acquisition in Italy progressing ahead of plan
- Consolidation of Netherlands envelope manufacturing business Velpa and industrial packaging business onto one site successfully completed
- Integration of two business paper activities in Netherlands, now operating as Living Office
- Average working capital and average working capital to sales ratio improved on pcp (18.0% to 17.6%)
- Common European IT system rollout progressing to plan with implementation in Ireland and progressed rollouts in Germany and UK

Merchanting - North America

		6 months Dec 06	6 months Dec 07	Change %
Sales Volume	'000 tonnes	315	320	1
Sales Revenue	US$m	547	561	3
Earnings before Interest & Tax	US$m	20.2	19.0	(6)
EBIT/Sales Revenue	%	3.7	3.4	

- Overall market conditions soft, with US showing reduced market volumes (total US printing and writing paper volumes down 4.7% in calendar 2007)
- Total sales volume growth of 1% was impacted by the sale of businesses in Western Canada
- Underlying volume growth of 5% was ahead of the market, supported by a 9% growth in proprietary brands and various top line growth initiatives
- North American paper selling prices continued to be supported by mill capacity reductions (some 2.1 million short tonnes of woodfree capacity alone in calendar 2007), with realised prices up 1% on pcp, despite ongoing weakness in market demand

Merchanting - North America

- The total operating earnings result reflects the impact of the weak US market on margins.
- Canadian prices were down over 6% as a result of the weak US dollar, but gross profit percentage was up 1% through margin management
- The Toronto warehouse integration (4 locations into 1) was completed successfully in January 2008.
- IT integrations across Canada and within Kelly Paper are now completed, providing additional opportunities for business benefits.
- Operating expenses were impacted by business improvement initiatives underway which will provide growth platforms into the future (graphics, global customer solutions).
- Average working capital to sales at 12.6% was a slight improvement over the prior corresponding period at 12.9%.

Merchanting – Australia, NZ and Asia

		6 months Dec 06	6 months Dec 07	Change %
Sales Volume	'000 tonnes	370	375	1
Sales Revenue	A$m	532	518	(3)
Earnings before Interest & Tax	A$m	6.3	10.7	71
EBIT/Sales Revenue	%	1.2	2.1	+0.9 pts

- Revenue 3% below pcp with lower revenues in Paper Trading. Excluding this, revenues down 0.5%
- Reported EBIT up 71%, underlying EBIT up 40%. Negative currency impacts in pcp not repeated, trading expenses down 10%
- Overall price realisations for the region down around 4% with regional and mix variations. Pricing in Australia and NZ remained under pressure from weak US$
- Customer consolidation remains a feature of both Australian and NZ markets

Merchanting – Australia, NZ and Asia

- Entry into Australian sign and display market - iMedia
- Asian EBIT 23% above pcp with volume growth and tight control of operating expenses. Overall pricing was up on pcp, helping margins
- Paper Trading saw reduced earnings as volumes from Paper Manufacturing were restricted due to shuts related to pulp mill upgrade
- Average working capital reduced 12% due to ongoing good performance on inventory management and warehouse consolidations leading to continued improvement in average working capital to sales ratio

2008 Interim Result Summary

- Net profit of $35.3 million (up 8% pcp) including net $(6.2) million of after tax one-off costs
- Underlying EBIT of $92.1 million (down 4% on pcp) reflects the cost, currency and pricing pressures faced by Manufacturing and market weakness in UK and US affecting Merchanting
- Manufacturing underlying EBIT reflects positive mix and efficiency gains
- Merchanting 11.4% ROAFE, as working capital reductions continue
- Pulp project cost increases, though solid returns remain
- Refinancing of short term debt completed

Business Outlook

- Continued internal momentum on integrations, strategic initiatives, working capital management, value-based selling and safety
- Minimal “market improvement” benefits expected in the second half, and weak demand in the UK and US
- Strategic initiatives are on-track to exceed $100 million net EBIT benefits in 2009 by up to $25 million
- Active capital management to include sale of portfolio of European property portfolio
- Second half improvement in working capital and on-going focus on working capital % sales is targeted
- Growth opportunities to leverage existing global platform are being addressed
- Focus remains on improved competitiveness, economic profit and shareholder returns through the cycle, with positive reflection of our strategic initiatives scheduled in 2009

Questions & Answers

Appendices

Operating Earnings (A$)

	EBIT		Sales Revenue		Total Assets	
	Dec 2007 $M	Dec 2006 $M	Dec 2007 $M	Dec 2006 $M	Dec 2007 $M	Dec 2006 $M
Industry Segments						
Europe	63.9	66.2	2,308	2,388	2,127	2,101
North America	22.0	26.6	651	719	507	480
Australia, NZ and Asia [1]	10.7	6.3	518	531	449	470
Inter-merchant Sales	-	-	(20)	(20)	-	-
Total Paper Merchanting	96.6	99.1	3,457	3,618	3,083	3,051
Paper Manufacturing[1]	3.9	3.0	482	510	1,270	1,053
Corporate [1] [2]	(14.8)	(15.0)			52	25
Operating earnings before interest & income tax	85.7	87.1				
Net Interest	(31.5)	(36.4)				
Income Tax Expense	(18.9)	(18.0)				
Outside Equity Interests	0.0	0.0				
Inter-segment Sales			(156)	(179)		
Unallocated Assets (deferred tax assets)					51	64
Total	35.3	32.7	3,783	3,949	4,456	4,193

Reconciliation of one-off items for 1H 08

	First Half 07/08 EBIT (A$mils)				
	As Reported	Net Property Actions	Business Restructuring	Net One-Offs	Underlying
Paper Merchanting					
ANZA	10.7	0.0	(1.0)	(1.0)	11.7
Europe	63.9	5.3	(5.3)	0.0	63.9
North America	22.0	0.0	(0.6)	(0.6)	22.6
Total Paper Merchanting	96.6	5.3	(6.9)	(1.6)	98.2
Paper Manufacturing	3.9	2.4	(7.2)	(4.8)	8.7
Corporate	(14.8)	0.0	0.0	0.0	(14.8)
Total PaperlinX	85.7	7.7	(14.1)	(6.4)	92.1

This document is not a prospectus. It has been prepared solely for the purpose of information and does not constitute, nor is it intended to constitute, an offer or invitation to any person to buy or sell shares in PaperlinX Ltd. PaperlinX Ltd and its related entities and each of their respective directors, officers and agents (all, 'PaperlinX') have prepared the information contained in this document in good faith and have attempted to ensure that it is accurate at the time of preparation. However, no warranty is made as to the accuracy or reliability of any statements, estimates or opinions or other information contained in this document (any of which may change without notice) and, to the maximum extent permitted by law, PaperlinX disclaims all liability and responsibility for any direct or indirect loss or damage which may be suffered by any recipient through relying on anything contained in or omitted from this document.

PaperlinX strongly advises any reader to make their own enquiries and to seek independent professional advice before making any investment decisions.