



## 2010 Full Year Results

19 August 2010

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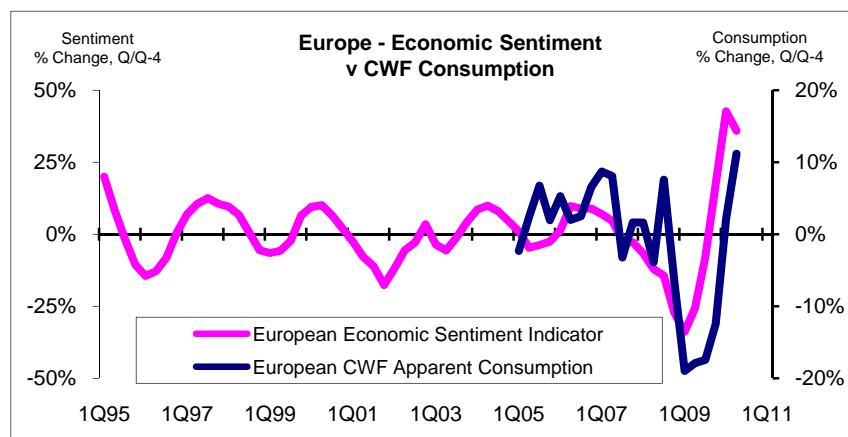
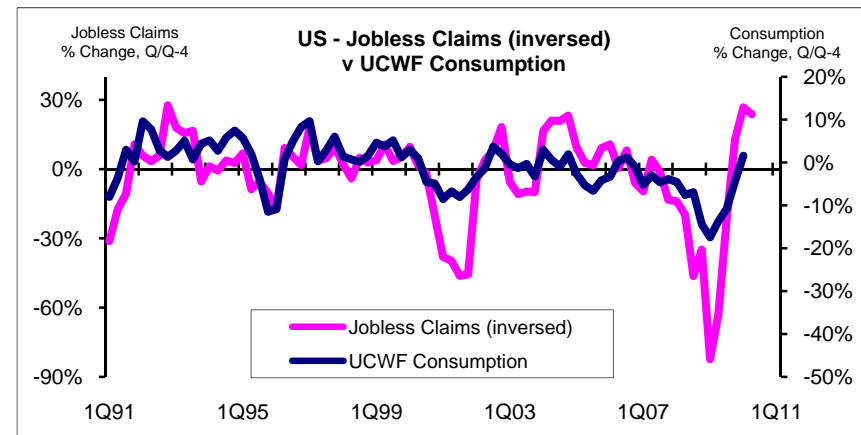
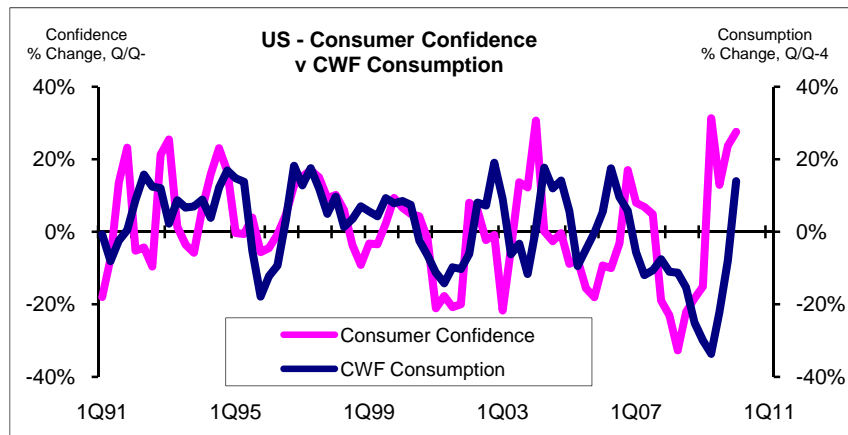
# Presentation Sequence

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- Key Influences
- 2010 Final Result and Strategic Update
- Financial Discussion
- Business Review
- Summary and Outlook
- Questions and Answers

# Key Influences on 2010 Final Result - External

- Weak global markets continued to impact overall volumes and margins
  - Europe playing catch up, with UK continuing to lag
  - Leading indicators have improved however are very volatile



## Key Influences on 2010 Final Result - Internal

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- Substantial debt reduction
- Completed refinancing of bank syndicate and USPP noteholder debt
- Exit from paper manufacturing complete
- Active cost reduction programme
- Continuing to pursue diversified merchandising initiatives
- One-off and significant items:
  - Exit from Tasmanian operations
  - Restructuring in merchandising.

# Result for 2010 Financial Year

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- Revenue of \$5.2 billion (down 27% on prior year) and volume of 2.9 million tonnes (down 20% on the prior year)
- Merchanting revenue of \$5.1 billion (down 20%) and merchanting volume of 2.8 million tonnes (down 7%)
- Merchanting trading EBIT of \$43.5 million (down 39%)
- Total Group trading EBIT is a loss of \$(23.5) (pre net other financing costs and significant items)
- Reported after tax loss of \$(225.3) million (pre SPS distribution), including after tax significant items mostly relating to Tasmania of \$(170.3) million
- Merchant average working capital reduced by \$257 million including currency benefits with average working capital to sales ratio down to 16.9% from 17.7%
- Year end gross debt reduced to \$301 million (down 51% from \$611 million at 30 June 2009 and down 80% from \$1.5 billion on 31 December 2008).  
Net debt reduced to \$164 million.

# Strategic Progression Update

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- Business restructure:
  - Exited manufacturing:
    - Tasmanian paper machine closures completed in June 2010
    - Closure costs less than previous advice
    - Program underway for sale of plant and equipment:
      - Ongoing site operating expense until sale
    - Reduced currency exposure following exits
- Debt reduction:
  - Reduced gross debt by \$1.2 billion (from December 2008):
    - Sale of Australian Paper and other assets
    - Cash freed up around the Group from improved cash management
    - Introduction of new, more flexible asset based borrowing facilities freed up cash
    - Reduction in working capital
    - Favourable currency movements.

# Strategic Progression Update (Cont'd)

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- Debt refinancing finalised:
  - Historic lenders (syndicate banks and USPP noteholders repaid in full)
  - Regional asset based lending provides more appropriate structure for merchanting operations:
    - Greater flexibility to manage cash during monthly cycle
    - Interest cost to reduce to approximately \$20 million range on an annualised basis at current interest rates
    - Improved currency alignment of borrowing – natural hedge
    - Average tenure of around three years
  - Facilities established in Continental Europe, UK, New Zealand, Australia, Canada and USA
  - Repayment of bank syndicate and USPP noteholder debt is positive:
    - Remove \$28 million of advisor and waiver charges over past 12 months
    - Substantial release of time to focus on business
    - Reduce absolute funding costs.

## Strategic Progression Update (Cont'd)

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- Diversified merchandising activities contribute 19% of gross profit:
  - These businesses were depressed in Europe by GFC
  - Healthy fundamental dynamics
  - Converting business growing in North America
  - Leverage to an improving economy.

# Dividend and Distributions

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- June 2010 distribution on PaperlinX Step-up Preference Securities (SPS) was paid:
  - Decision yet to be made with respect to the missed December 2009 distribution
- No full year ordinary dividend:
  - Negative earnings per share
  - Dividend block in place until 2 consecutive SPS distributions paid.

# Financial Summary

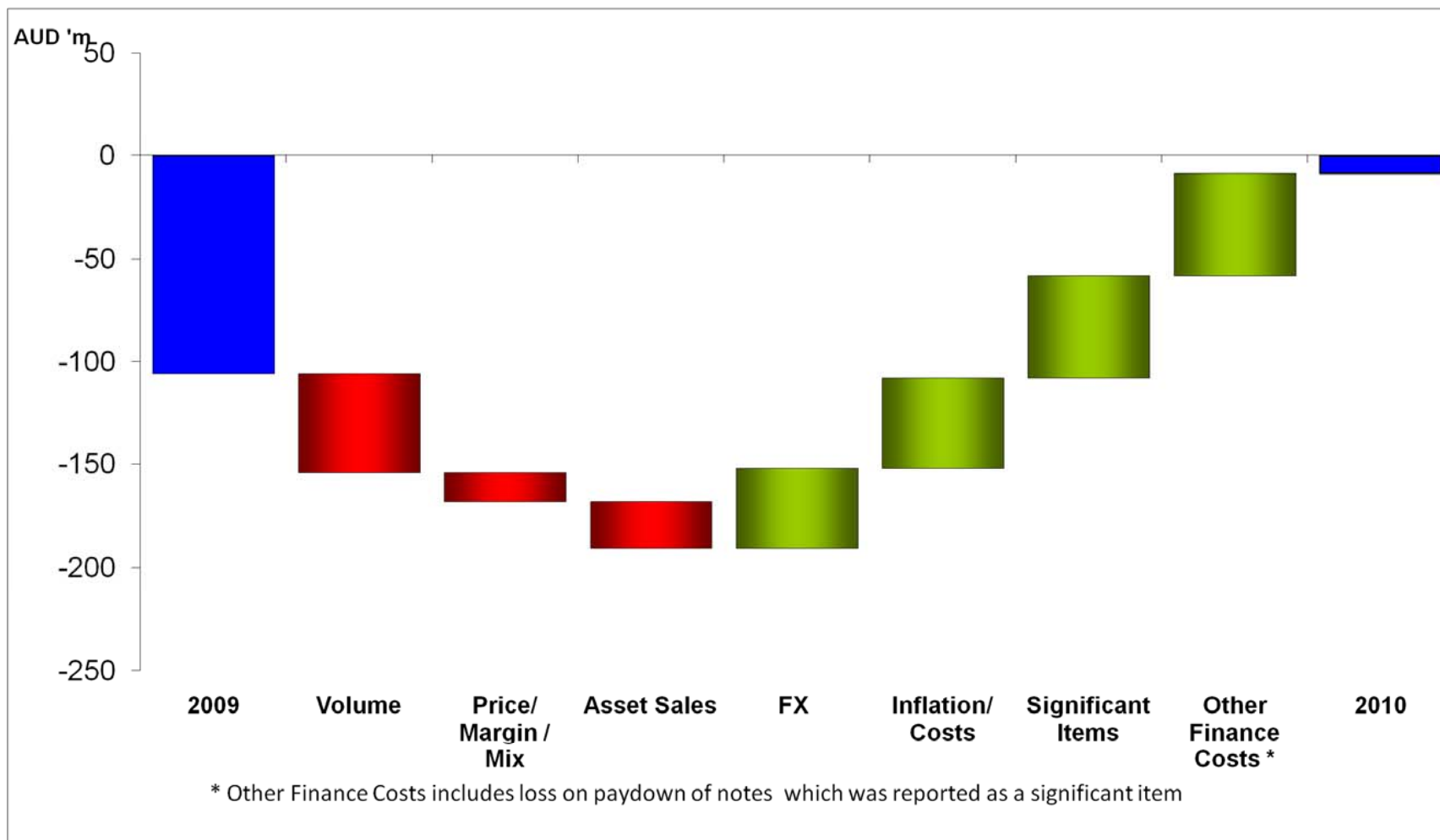
|  |             | 12 months to<br>June 2010 | 12 months to<br>June 2009 | % change |
|--|-------------|---------------------------|---------------------------|----------|
| Sales volume   | '000 tonnes | <b>2,911</b>              | 3,638                     | (20)     |
| Sales revenue  | \$m         | <b>5,225</b>              | 7,107                     | (26)     |
| EBITDA (pre significant items)                       | \$m         | <b>(9.9)</b>              | 93.6                      |          |
| Operating cash flow                                  | \$m         | <b>23.0</b>               | (6.0)                     |          |
| Continuing EBIT (pre significant items)              | \$m         | <b>(8.5)</b>              | (11.4)                    |          |
| Reported EBIT (pre significant items)                | \$m         | <b>(35.6)</b>             | 16.4                      |          |
| Reported EBIT (post significant items)               |             | <b>(174.9)</b>            | (718.2)                   |          |
| Reported earnings after tax (pre significant items)  | \$m         | <b>(55.0)</b>             | (70.3)                    |          |
| Reported earnings after tax (post significant items) | \$m         | <b>(225.3)</b>            | (798.2)                   |          |

# Key Ratios

|                                 |    | 12 months to<br>June 2010 | 12 months to<br>June 2009 |     |
|---------------------------------|----|---------------------------|---------------------------|-----|
| <b>Group ratios</b>             |    |                           |                           |     |
| Average working capital / sales | %  | <b>18.0</b>               | 19.4                      |     |
| Net tangible assets per share   | \$ | <b>0.40</b>               | 0.88                      |     |
| Net debt / net debt & equity    | %  | <b>15.1</b>               | 14.6                      |     |
| <b>Merchant ratios</b>          |    |                           |                           |     |
| Average working capital / sales | %  | <b>16.9</b>               | 17.7                      |     |
| EBIT / average funds employed   | %  | <b>1.9</b>                | 5.0                       | (1) |
| Trading EBIT / sales revenue    | %  | <b>0.9</b>                | 1.1                       | (1) |

(1) Borrowing costs restated to unallocated

# Key Variances Continuing Operations EBIT – 2010 v 2009



# Significant Items

|  | A\$M           |
|--|----------------|
| <b>Significant items relating to Tasmania operations:</b>        |                |
| Redundancies   | (63.6)         |
| Remediation  | (15.6)         |
| Onerous Contracts  | (15.6)         |
| Other costs  | (7.3)          |
| Other impairments  | <u>(20.7)</u>  |
| Total pre-tax significant items                                  | (122.8)        |
| Tax write-off  | <u>(31.0)</u>  |
| Total post-tax significant items relating to Tasmania operations | (153.8)        |
| Additional loss on sale of AP                                    | <u>(16.5)</u>  |
| <b>Total</b>   | <b>(170.3)</b> |

# Unallocated

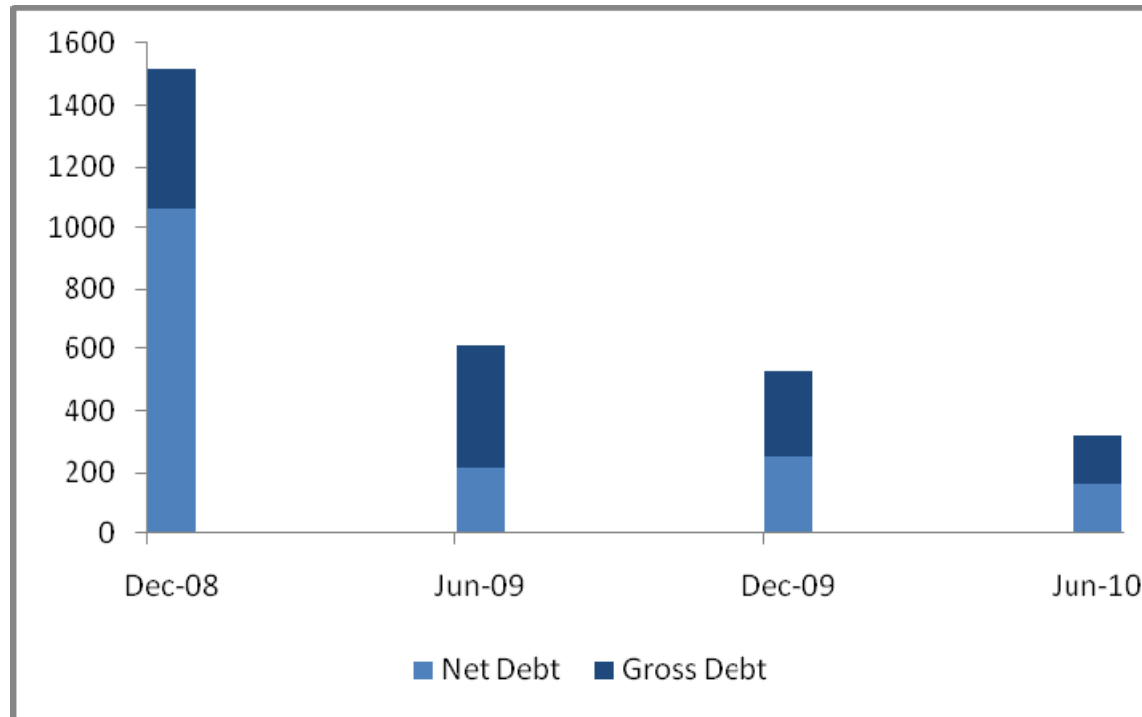
|                                       |      | 12 months to<br>June 2010 | 12 months to<br>June 2009 |
|---------------------------------------|------|---------------------------|---------------------------|
| Corporate and Other                   | A\$m | (20.9)                    | (32.6)                    |
| Significant items                     |      | -                         | (3.7)                     |
| Net other financing charges (excl FX) | A\$m | (19.8)                    | (71.6)                    |
| FX gains and losses                   | A\$m | 7.8                       | (30.3)                    |
| Earnings before interest & tax        | A\$m | (33.0)                    | (138.2)                   |

- Corporate and Other includes a one-off gain on the sale of an asset of \$4.6 million in 2010 as reported in the first half.
- The net gain on the currency option seen in the first half reversed in the second half to give a nil impact for the year.
- There were no significant items relating to corporate in the 2010 year.
- Net other financing charges were significantly lower due to reduced advisor and other related lender costs.
- The second half saw a one-off gain on a financial instrument relating to the refinancing programme. Foreign exchange losses seen in the prior year have not repeated, with improved processes well embedded.

# Cash Flow – 2010 v 2009

|                                  | 12 months to<br>June 2010 | 12 months to<br>June 2009 | % Var. |
|----------------------------------|---------------------------|---------------------------|--------|
| EBITDA - Continuing              | 17                        | (64)                      | 126    |
| EBITDA - Discontinued            | (166)                     | (584)                     | 71     |
| EBITDA - Group                   | (149)                     | (648)                     | 77     |
| Profit from asset sales          | 9                         | 35                        | (75)   |
| Provisions                       | 126                       | 33                        | 283    |
| Interest payments                | (34)                      | (95)                      | 65     |
| Tax Payments                     | (0)                       | (13)                      | 98     |
| Other (LY incl asset impairment) | (12)                      | 651                       | (102)  |
| Operating cash flow (excl WC)    | (60)                      | (38)                      | (76)   |
| Working capital movement         | 83                        | 31                        | 176    |
| Operating cash flow              | 23                        | (6)                       | 839    |
| Capital expenditure              |                           |                           |        |
| - Pulp mill                      | -                         | (119)                     | 100    |
| - Other                          | (19)                      | (65)                      | 71     |
| Proceeds - asset / invest. sales | 77                        | 724                       | (90)   |
| Borrowing costs paid             | (19)                      | (29)                      | 34     |
| Dividends / distributions SPS    | (10)                      | (25)                      | 62     |
| Tas Paper closure costs          | (54)                      | -                         |        |
| Currency option/ CF hedges       | 58                        | (0)                       |        |
| Share issue                      | 0                         | 177                       | (100)  |
| Net cash flow                    | 56                        | 657                       | (92)   |

# Debt Reduction



- Gross debt levels reduced via sale of assets, decreased working capital, more efficient structuring of debt facilities improved transactional banking structures, and currency
- Regional asset based facility agreements provide greater flexibility and more suited to merchanting activities
- Annualised borrowing costs around \$A20 million at current interest rates.

# Borrowing Facilities

| Facilities (Receivables / Inventory) | Facility Size<br>(A\$ Equiv.) | Estimated<br>Drawdown (1)<br>(\$A Equiv) | Total Drawn at<br>30 June 2010 (2)<br>(A\$ Equiv.) |
|--------------------------------------|-------------------------------|--|--|
| Australia                            | 85m                           | 51-68                                    | 35m  |
| New Zealand                          | 29m                           | 17-23                                    | 12m  |
| Asia                                 | 6m                            | 4-6                                      | 1m   |
| Canada                               | 86m                           | 52-69                                    | 15m  |
| United States of America             | 78m                           | 47-62                                    | 19m  |
| Europe                               | 237m                          | 142-190                                  | 213m   |
| United Kingdom                       | 91m                           | 55-73                                    | 8m   |
| Other facilities                     | -                             | -  | 7m   |
| <b>Total</b>                         | <b>A\$613m<sup>1</sup></b>    | <b>A\$368-491</b>                        | <b>A\$301m</b>                                     |

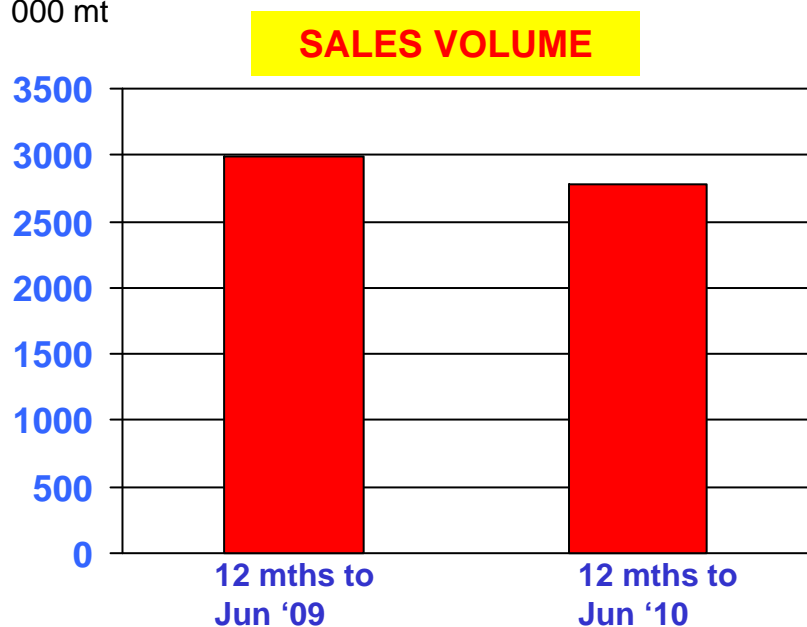
1. Based on current business levels, these facilities are on average being drawn between 60 – 80% and are subject to availability of receivables and inventory.
2. Seasonal low point in debt

# Merchanting – Total

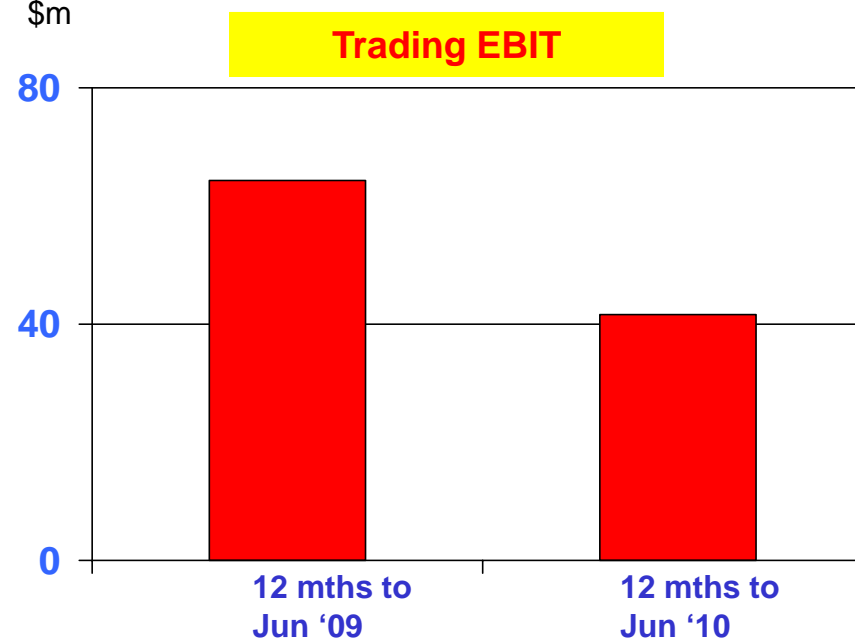
|   |             | 12 months to<br>June 2010 | 12 months to<br>June 2009 |     | % change  |
|---|-------------|---------------------------|---------------------------|-----|-----------|
| Sales volume  | '000 tonnes | <b>2,775</b>              | 2,989                     |     | (7.2)     |
| Sales revenue   | A\$m        | <b>5,071</b>              | 6,296                     |     | (19.5)    |
| Trading earnings before interest and tax                        | A\$m        | <b>43.5</b>               | 70.1                      | (1) | (38.9)    |
| Reported earnings before interest and tax and significant items | A\$m        | <b>24.5</b>               | 85.9                      | (1) | (71.5)    |
| Trading EBIT / sales revenue                                    | %           | <b>0.9</b>                | 1.1                       | (1) | (0.3) pts |
| Return on average funds employed                                | %           | <b>1.9</b>                | 5.0                       |     | (3.1) pts |

(1) Other finance costs in unallocated - restatement for 2009

000 mt



\$m



# Merchanting Volume Movement

| Volume in metric tonnes         |   | % change on PCP |             |                   |
|---------------------------------|---|-----------------|-------------|-------------------|
|                                 |   | 1H              | 2H          | 2010              |
| NW Europe                       | % | (12.9)          | (6.6)       | <b>(10.0)</b>     |
| UK & Ireland                    | % | (9.2)           | (4.6)       | <b>(7.0)</b>      |
| Central & Southern Europe       | % | <u>(11.5)</u>   | <u>13.5</u> | <u><b>0.4</b></u> |
| Total Europe                    | % | (10.8)          | (1.0)       | <b>(6.2)</b>      |
| North America                   | % | (16.5)          | (1.9)       | <b>(10.0)</b>     |
| Australia, New Zealand and Asia | % | (13.2)          | (3.0)       | <b>(8.7)</b>      |

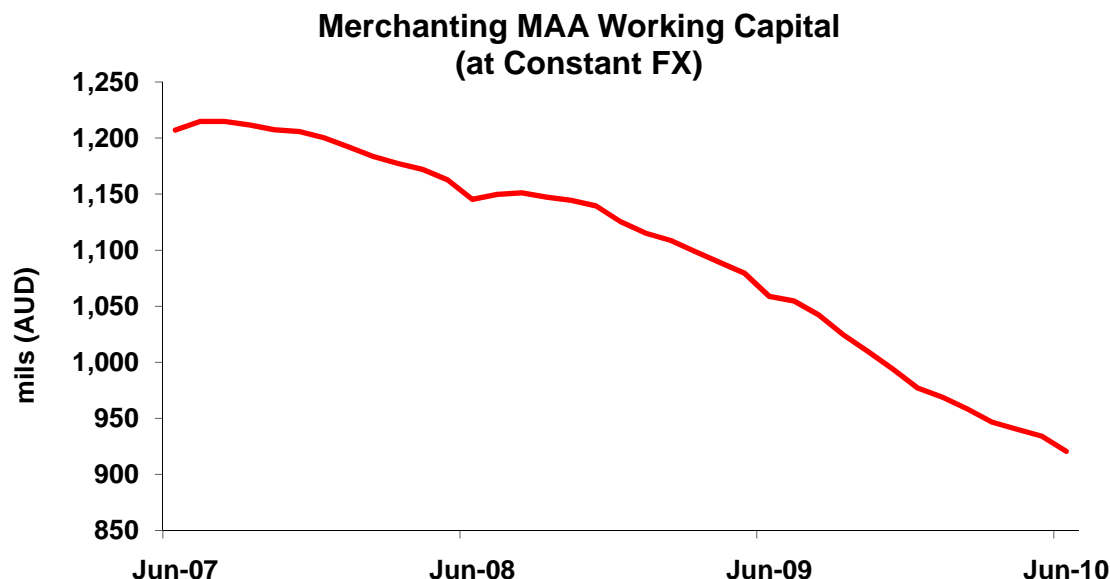
- Paper consumption in all regions remains depressed following global economy weakness
- Markets appear to have stabilised in recent months
- Non-paper gross profit of 20% constant with prior year.

# Merchanting Cost Movement

|               |      | % change    |             |
|---------------|------|-------------|-------------|
|               |      | FY10 v FY09 | FY10 v FY08 |
| ANZA          | A\$  | (8.9)       | (10.5)      |
| Europe        | €    | (4.5)       | (13.3)      |
| North America | US\$ | (5.2)       | (17.2)      |

- Expenses were down substantially, with reductions in all regions
- Headcount down 1,004 versus prior (645 merchant only)
- Structurally lower expense base going into 2011
- Ongoing focus for the group
- Increased leverage.

# Working Capital Initiatives - Merchancing



- Average working capital was favourable in all regions, down \$A257 in total including currency benefits
- Average working capital to sales was down to 16.9% from 17.7% in prior year.

# Merchanting - Europe

|  |             | 12 months to<br>June 2010 | 12 months to<br>June 2009 | % change      |
|--|-------------|---------------------------|---------------------------|---------------|
| NW Europe  | `000 tonnes | <b>554</b>                | 616                       | (10.0)        |
| UK & Ireland   | `000 tonnes | <b>920</b>                | 990                       | (7.0)         |
| Central & Southern Europe                                  | `000 tonnes | <b>476</b>                | 474                       | 0.4           |
| Total sales volume   | `000 tonnes | <b>1,950</b>              | 2,080                     | (6.2)         |
| Sales revenue  | €m          | <b>2,148</b>              | 2,337                     | (8.1)         |
| Trading earnings before interest & tax                     | €m          | <b>6.1</b>                | 21.6                      | (1) (71.8)    |
| Reported earnings before interest, tax & significant items | €m          | <b>(5.6)</b>              | 30.9                      | (1) (118.0)   |
| Trading EBIT / sales revenue                               | %           | <b>0.3</b>                | 0.9                       | (1) (0.6) pts |

(1) Other finance costs in unallocated - restatement for 2009

- Market driven volume reductions in UK and northern Europe
- Expenses down 13% since 2008
- Trading EBIT impacted by lower volume and one-off costs
- Reported EBIT additionally impacted by one-off restructuring charges
- June 30 average working capital to sales down 1 percentage point on prior.

# Merchanting - North America

|   |             | 12 months to<br>June 2010 | 12 months to<br>June 2009 |     | % change |
|---|-------------|---------------------------|---------------------------|-----|----------|
| Sales volume                            | '000 tonnes | <b>487</b>                | 541                       |     | (10.0)   |
| Sales revenue                           | US\$m       | <b>889</b>                | 962                       |     | (7.7)    |
| Trading earnings before interest & tax  | US\$m       | <b>12.2</b>               | 7.2                       | (1) | 69.4     |
| Reported earnings before interest & tax | US\$m       | <b>12.2</b>               | 7.2                       | (1) | 69.4     |
| Trading EBIT / sales revenue            | %           | <b>1.4</b>                | 0.7                       | (1) | 0.6 pts  |

(1) Other finance costs in unallocated - restatement for 2009

- Volume decline resulting from weak markets
- Due to some price increases in second half, average price per tonne exceeded prior year
- Trading expenses down 5% (down 17% since 2008)
- Average working capital to sales improved by 1.3 percentage point or over 16% versus prior from a range of structural improvements.

# Merchanting – Australia, NZ and Asia

|  |             | 12 months to<br>June 2010 | 12 months to<br>June 2009 |     | % change |
|--|-------------|---------------------------|---------------------------|-----|----------|
| Sales volume   | '000 tonnes | <b>342</b>                | 375                       |     | (8.7)    |
| Sales revenue  | A\$m        | <b>573</b>                | 655                       |     | (12.5)   |
| Trading earnings before interest & tax                     | A\$m        | <b>19.5</b>               | 20.6                      | (1) | (5.3)    |
| Reported earnings before interest, tax & significant items | A\$m        | <b>19.4</b>               | 18.6                      | (1) | 4.3      |
| Trading EBIT / sales revenue                               | %           | <b>3.4</b>                | 3.1                       | (1) | 0.3 pts  |

(1) Other finance costs in unallocated - restatement for 2009

- Lower volumes of 9% and falling prices resulted in revenue 12.5% off prior year
- Significant organisational change as began year
- Trading expenses down 9% (down 11% since 2008)
- Average and year end working capital were below prior, however average working capital to sales was higher due to an increase in debtor days.

# Discontinued Operations

|  |             | 12 months to<br>June 2010 | 12 months to<br>June 2009 |     | % change |
|--|-------------|---------------------------|---------------------------|-----|----------|
| Sales volume   | '000 tonnes | <b>196</b>                | 769                       |     | (76)     |
| Sales revenue  | A\$m        | <b>226</b>                | 977                       |     | (77)     |
| Trading earnings before interest & tax                     | A\$m        | <b>(31.6)</b>             | 30.4                      | (1) |          |
| Reported earnings before Interest, tax & significant items | A\$m        | <b>(27.1)</b>             | 28.5                      | (1) |          |

(1) Other finance costs in unallocated - restatement for 2009

- Ceased manufacture in June 2010
- Total significant items of includes \$(154) million after tax relating to the closure of discontinued Tasmanian operations
- Sale process continuing for Burnie and Wesley Vale assets (land, plant and equipment)
- Excellent safety performance.

# 2010 Final Result Summary

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- Significant pay-down in gross debt to \$301 million
- Refinancing complete
- Exit from paper manufacturing complete
- Significant improvements in working capital and expense management
- Merchant trading EBIT of \$43.5 million reflects the impact of the unprecedented fall in demand in the key European and North American markets
- Net profit after tax of \$(225.3) million included after tax significant items of \$(170.3) million.

# Challenges

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## Targets

- Margin management 20%+ gross profit %
- Grow diversified 20% → 30% of total gross profit
- Expense and WC recalibration Improve % revenue
- Cash capture WC plus cash management
- ROAFE target 15%+ in regions, 12.5%+ group

# Business Outlook

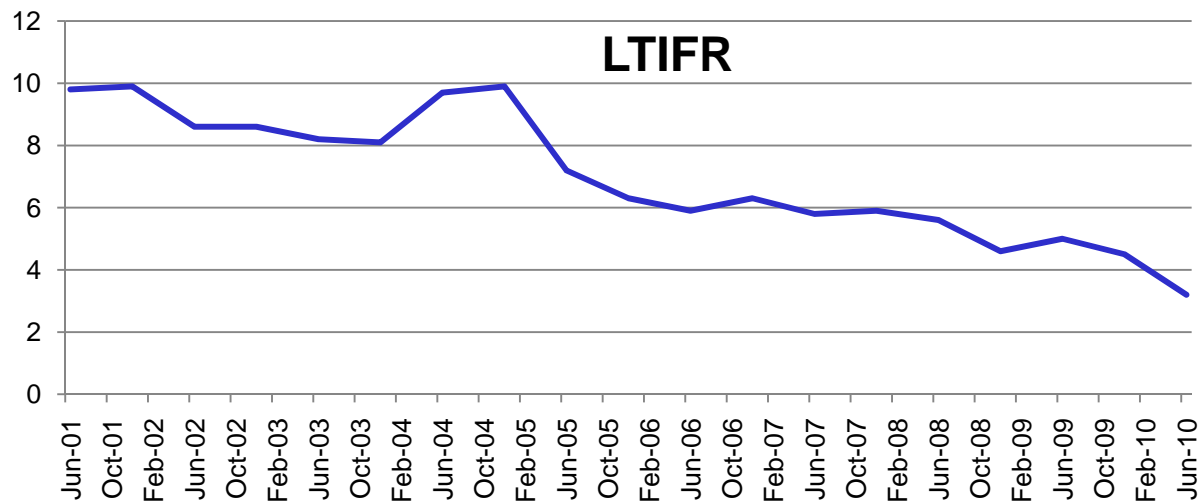
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- Reduced distractions allow greater business focus
- Market volumes stabilised
- Pricing variable by region but healthy near term
- Expenses improving as business clarifies
- Diversified businesses aligned to economic activity
- Predictable and clean start to year
- Upside leverage to any volume recovery

# Appendices

# Results for 2010 – Non Financial

- Improved safety record (LTIFR down 36% on prior year and down 67% in 10 years) to best performance to-date



- 100% of OpCos achieved multiple chain-of-custody certification
- Updated Sustainable Development Charter
- Continued participation in the Carbon Disclosure Project
- Developed a Global Supply Chain Policy.

# Operating Earnings (A\$)

|   | Earnings                         |                                  | Sales Revenue                    |                                  |
|---|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
|   | 12 months to<br>June 2010<br>\$m | 12 months to<br>June 2009<br>\$m | 12 months to<br>June 2010<br>\$m | 12 months to<br>June 2009<br>\$m |
| Merchanting   |                                  |                                  |                                  |                                  |
| Europe <sup>(1)</sup>   | (9.0)                            | 57.8                             | 3,475.1                          | 4,375.3                          |
| North America   | 14.1                             | 9.5                              | 1,027.9                          | 1,275.6                          |
| Australia, NZ and Asia  | 19.4                             | 18.6                             | 573.4                            | 655.3                            |
| Eliminations  |                                  |                                  | (5.0)                            | (10.0)                           |
| Total Merchanting   | 24.5                             | 85.9                             | 5,071.4                          | 6,296.2                          |
| Unallocated (ex Merchant eliminations)  | (20.9)                           | (32.6)                           | (0.8)                            | (0.8)                            |
| <b>Total Continuing Operations</b>  | <b>3.6</b>                       | <b>53.3</b>                      | <b>5,070.6</b>                   | <b>6,295.4</b>                   |
| Discontinued operations   | (27.1)                           | 28.5                             | 225.9                            | 977.1                            |
| Operating earnings before net finance costs, income tax and significant items | <b>(23.5)</b>                    | <b>81.8</b>                      |                                  |                                  |
| Total significant items (pre tax)   | (139.3)                          | (697.4)                          |                                  |                                  |
| Operating earnings before net other finance costs and income tax              | (162.8)                          | (615.6)                          |                                  |                                  |
| Net other finance costs   | (12.1)                           | (102.6)                          |                                  |                                  |
| Loss before interest and tax (EBIT)   | <b>(174.9)</b>                   | <b>(718.2)</b>                   |                                  |                                  |
| Net interest  | (27.5)                           | (81.8)                           |                                  |                                  |
| Loss before tax   | (202.4)                          | (800.0)                          |                                  |                                  |
| Tax related to continuing operations  | 8.1                              | (3.9)                            |                                  |                                  |
| Tax related to discontinued operations  | -                                | (1.0)                            |                                  |                                  |
| Tax significant item  | (31.0)                           | 6.7                              |                                  |                                  |
| Tax expense   | (22.9)                           | 1.8                              |                                  |                                  |
| Group eliminations  |                                  |                                  | (72.0)                           | (165.9)                          |
| <b>Group (post significant items)</b>   | <b>(225.3)</b>                   | <b>(798.2)</b>                   | <b>5,224.5</b>                   | <b>7,106.6</b>                   |
| Group (pre significant items)   | <b>(55.0)</b>                    | <b>(70.3)</b>                    |                                  |                                  |

(1) Includes \$13.3 million restructuring costs

(2) Significant item of \$37.2 relating to financing costs associated with the repayment of noteholder debt included in net other financing costs

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