



Broker Presentation

April 2006

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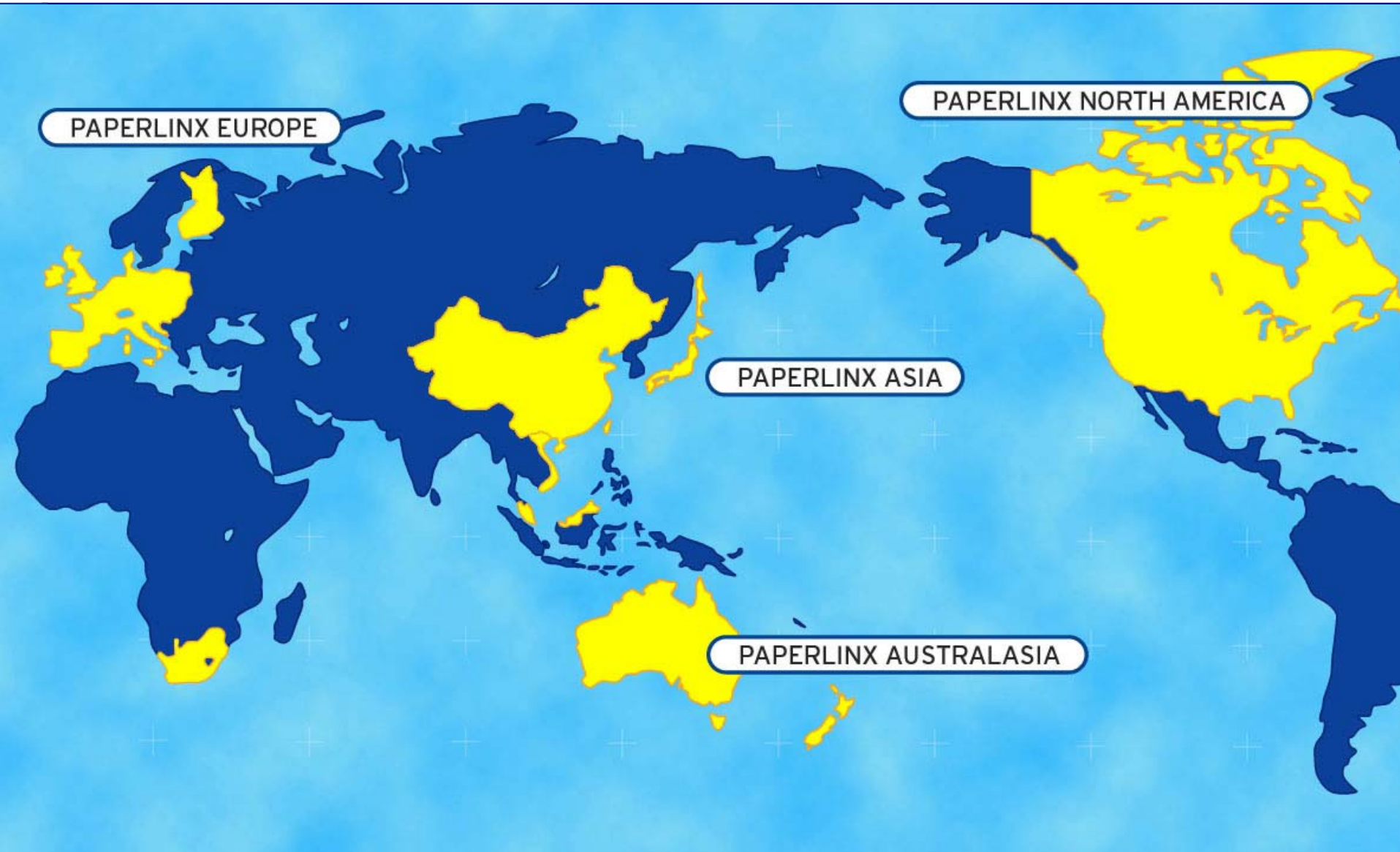
PaperlinX

PaperlinX is the world's leading fine paper merchant, with businesses in Australasia, Asia, North America, South Africa and throughout Europe.

- only global paper merchant
- over 4 million tonnes of fine paper and related products per year

Through its Australian Paper division, it is also the only Australasian producer of high quality communication papers and a major Australian producer of high performance packaging and industrial papers.

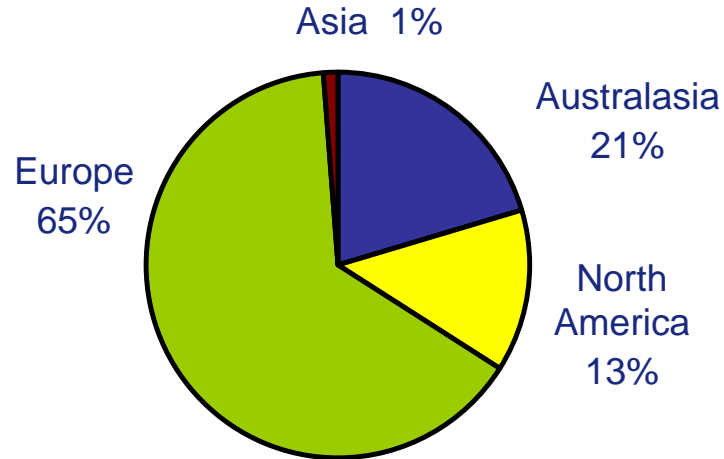
PaperlinX Business Locations



PaperlinX Sales Revenue Split

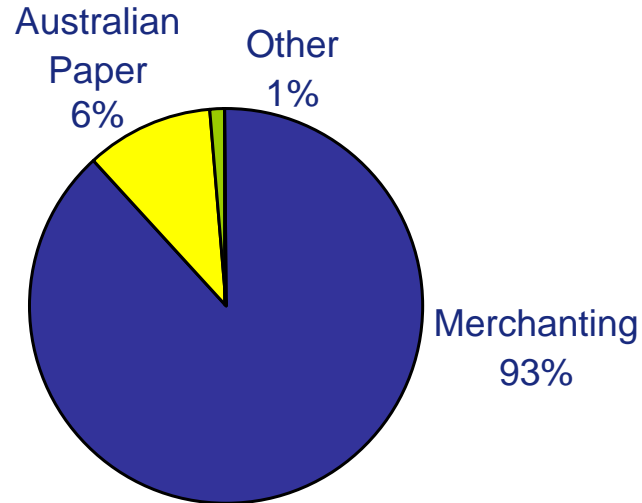
By Region

2004/5



By Business

2004/5



Core Operating Principles

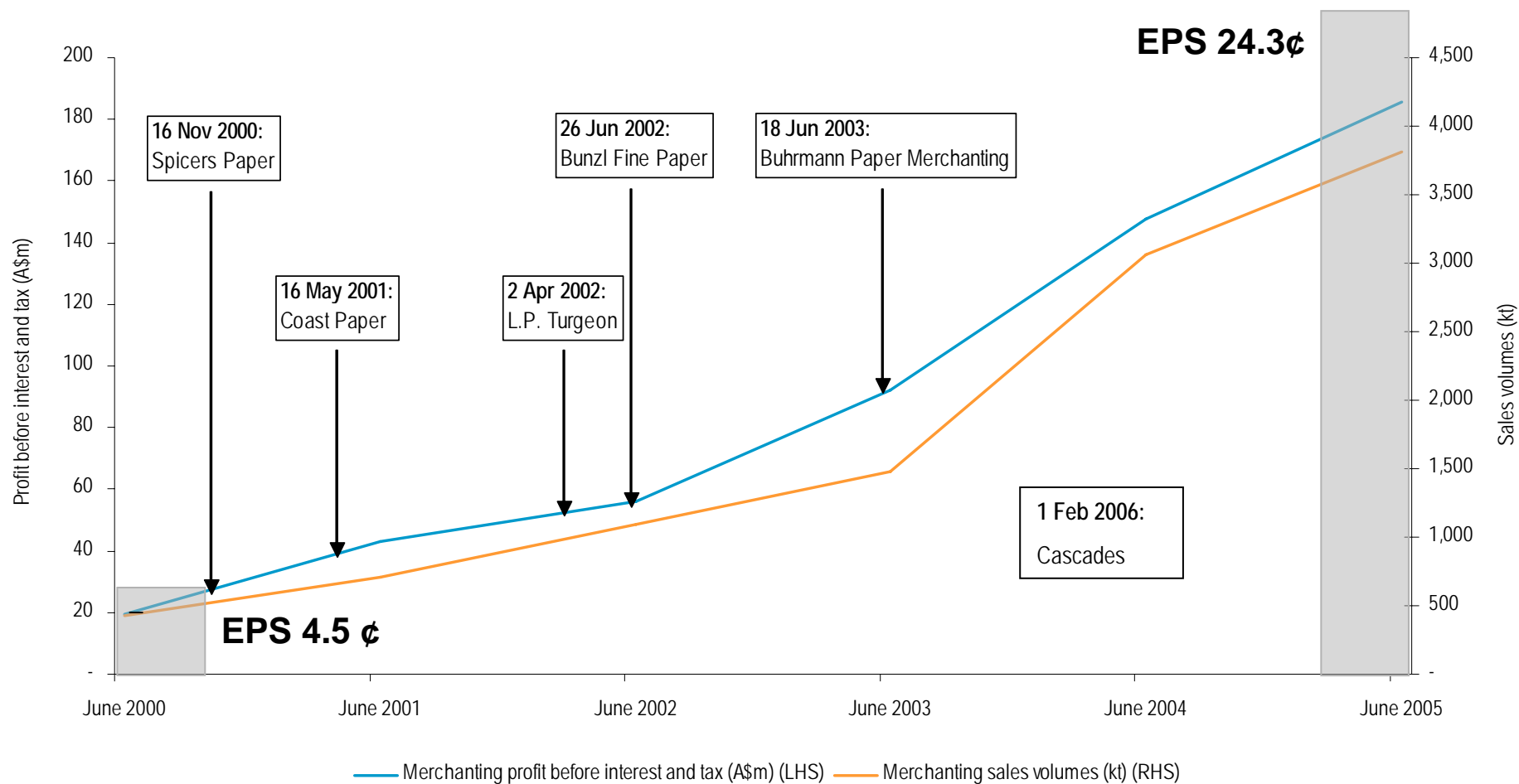
Our Core Operating Principles have provided guidance to improve our competitiveness and position ourselves for improved returns going forward.

- Strengthen then build off existing business platforms
- Productivity to provide funds to improve sustainability and growth
- Simplification
- Actively prioritise activities based on value creation for our customers, suppliers and for PaperlinX
- Fully leverage our global opportunities
- Invest in our people and their skills
- Compliance is mandatory
- Results oriented teamwork/success as a team

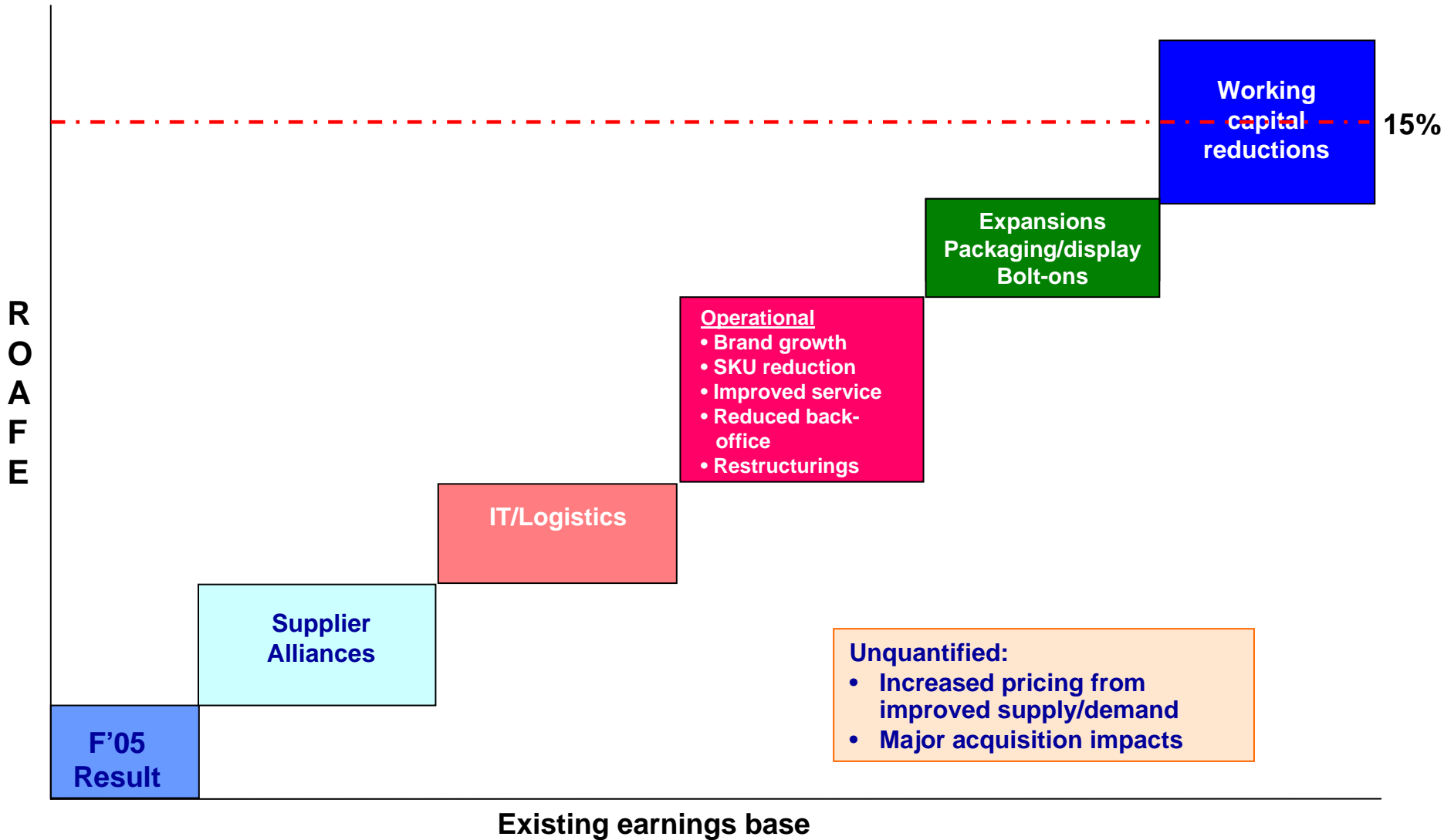
Growing Merchanting Platform

- Local customer relationships in 29 countries
- Over 4 million tonnes
- Leading positions in ANZ, Europe and Canada
- Best Practice sharing
- Global leverage

Merchanting Growth



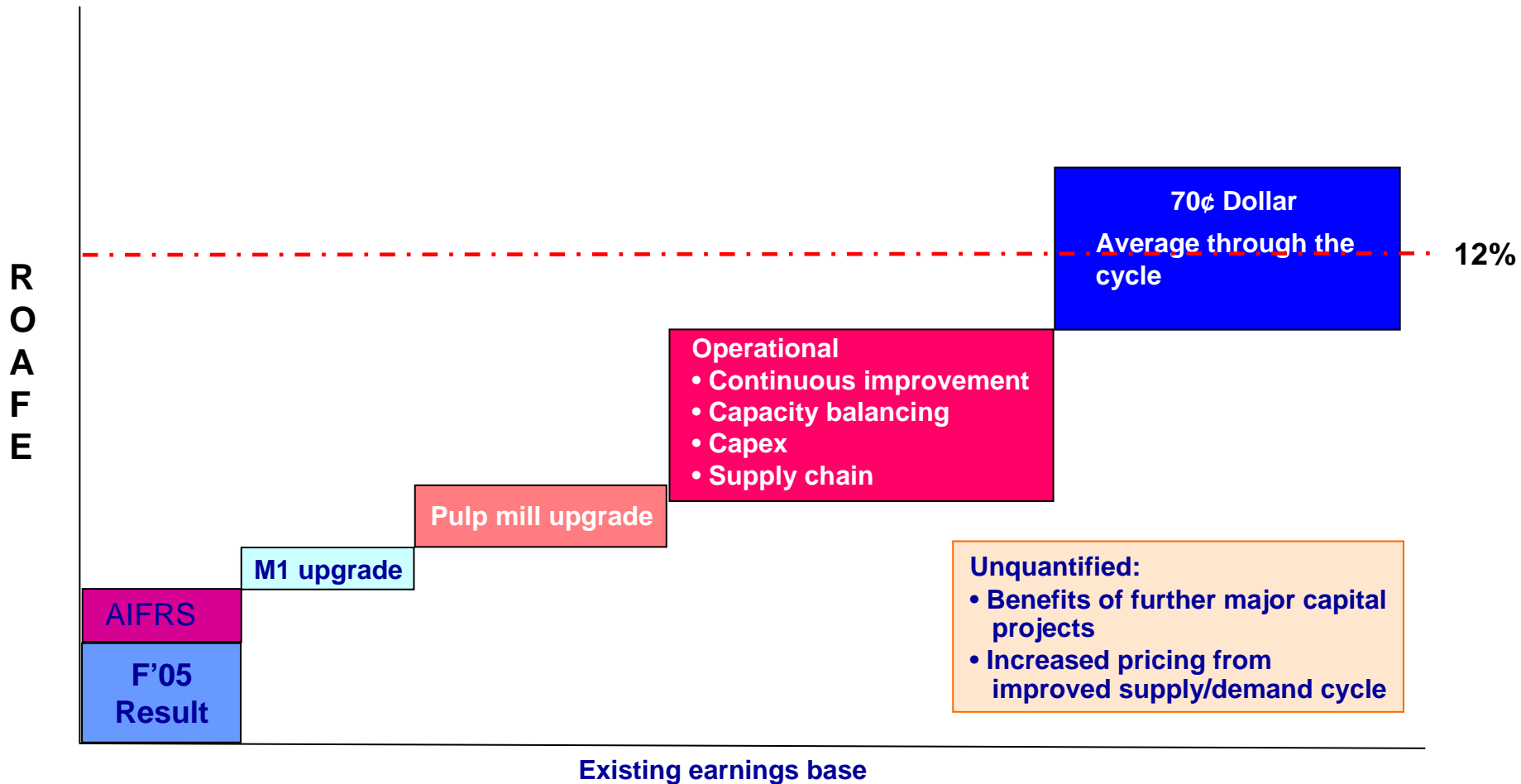
Actions to achieve 15% ROAFE for Merchandising



Australian Paper – Paper Manufacturing

- Focus on Australian market
 - 80% of production
- Only manufacturer of communication paper in Australia
- Leading producer of packaging paper
- Leading copy paper manufacturer
- Reflex – Australia's leading office paper
- Strategic long term advantages
 - Reflex brand
 - Long term customer contracts
 - Local source of fibre
 - Local supply

Actions for Australian Paper to achieve 12% ROAFE through the cycle



Major Business Initiatives

Consistent with our core operating principles, a number of key business initiatives aimed at reshaping our existing business platform are underway that will result in the creation of significant shareholder value

PROJECT	DESCRIPTION	LOCATION	BENEFITS
The Delivery Co launched	Integrate distribution	UK Merchants	Improved customer service, reduced costs, reduced environmental emissions, working capital savings
Netherlands Integration	Integration across 3 businesses	Netherlands Merchants	Enhanced customer service, improved business focus, reduced costs, working capital savings, improved competitiveness
Capacity Balancing	Transfer production from Shoalhaven 1 to Maryvale 3	Shoalhaven/Maryvale	Improved quality and consistency, reduced costs, reduced dependence on exports
Portfolio changes	Exit unsustainable markets	Sweden, Portugal, others	Improves management focus and returns

Additional Strategic Initiatives

There are also a range of initiatives underway that look to build on the strength of our existing business platform, to improve productivity and leverage on our global opportunities

INITIATIVE	STATUS	IMPACT
Common European IT platform	<ul style="list-style-type: none">• platform selected/initial site underway (Ireland)• roll-out over 3-5 years	Facilitate logistics, supply chain and working capital benefits
Strategic Supplier Alliances	<ul style="list-style-type: none">• discussions underway on global basis	Growth, supply chain efficiency, strategic support
Expansion to high margin complementary categories	<ul style="list-style-type: none">• industrial packaging• sign & display• graphics	Margin improvements, leverage existing platforms
Growth of own Brands	<ul style="list-style-type: none">• focus in all regions	Consistent/reliable supply to customers, proprietary benefits

Strategic Projects

There are also a number of capital investments underway to build on the strength of our existing business platforms, improve quality and reduce costs

INITIATIVE	STATUS	IMPACT
Maryvale PM1 rebuild	<ul style="list-style-type: none">• final commercial trials with customers	Improved product quality and performance
Maryvale Pulp mill upgrade	<ul style="list-style-type: none">• Project approved, resourced, and underway• 3 year programme	Maryvale pulp self-sufficiency, lower production costs, improved environmental performance, improved quality
Cascades Resources acquisition in Canada	<ul style="list-style-type: none">• Awaiting regulatory approval	Regional scale advantages Expansion in graphics/digital

Benefits from Strategic Initiatives

Upfront one-off costs for restructuring projects partially funded from profit on non-core asset sales (primarily property), as funds are released to improve competitiveness and productivity. Sustainable incremental operating earnings from currently identified initiatives expected to exceed \$100 million per annum in 2009 with a positive contribution of over \$35 million expected in 2007

Restructuring initiatives (The Delivery Company, Netherlands, Shoalhaven Mill)

	<u>2006</u>	<u>2009</u>
One-off costs	(- - -)	
Profit on asset sales	++	
Ongoing Benefits		+++
Net Benefits	<u>(\$10 - 20m)</u>	<u>\$30m+</u>

Additional Strategic Initiatives (Cascades acquisition, European IT Roll-out, Pulp mill upgrade, Strategic supply alliances, Australian Paper M1 upgrade, other)

Net Benefits		\$70m+
Total Potential Benefits	<u>(\$10 - 20m)</u>	<u>\$100m+</u>

Overview of results for 6 months to Dec 2005

- Reflected a continuation of the adverse trading conditions seen in the second half of fiscal 2005 and were well behind the results for the corresponding period last year
- Returns maintained in the top quartile of global paper companies as a result of strategic diversification, tight expense management and reduced working capital versus prior period
- Key strategic initiatives expected to contribute over \$100 million in incremental operating earnings per annum in 2009 (\$35 million in F'2002)

PaperlinX - Summary

- We are managing our business to match current conditions
 - Strong focus on productivity and working capital management
 - Strategic initiatives will add considerable operating earnings as outlined
- We have positive leverage to any improvements in the external environment, enhanced by our progress on managing internal controllables
- Precursors to external improvements to watch:
 - Capacity reductions in key product areas which can improve the supply/demand balance and, ultimately, paper selling prices
 - Demand improvements
 - Strengthening of US \$
- Successful growth in paper merchanting has provided a solid platform for the Groups future growth

Our Key Brands



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