



# Annual General Meeting



# Annual General Meeting

**Chairman – David Meiklejohn**

# Order of Business

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Introduction

Financial Statements and Directors' Report

Chairman's Address

Managing Director's Address

Re-election of Director

Remuneration report

Refreshments

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# Agenda

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- Introduction
- 2010 results
- Exit from paper manufacturing
- Board and management
- Outlook

# Year in Review

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- Result impacted by adverse market conditions
- Cost reduction and cash management remain focus
- Lower gross debt and reduced gearing

# Exit from Manufacturing

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- Reduced earnings risk on strengthening AUD
- Safe work environment maintained
- Exit from manufacturing now complete

# Business Transformation

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- Exit from paper manufacturing
- Solely a distributor
- Future growth of diversified products and solutions

# Board and Management

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Resume Director succession programme

# Outlook

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- Q1 results at expected levels and meaningfully above prior
- Favourable pricing and expense management offset volume shortfall
- Turnaround in critical European businesses
- Demand not expected to significantly improve in short term
- Good leverage for market improvement



# Annual General Meeting

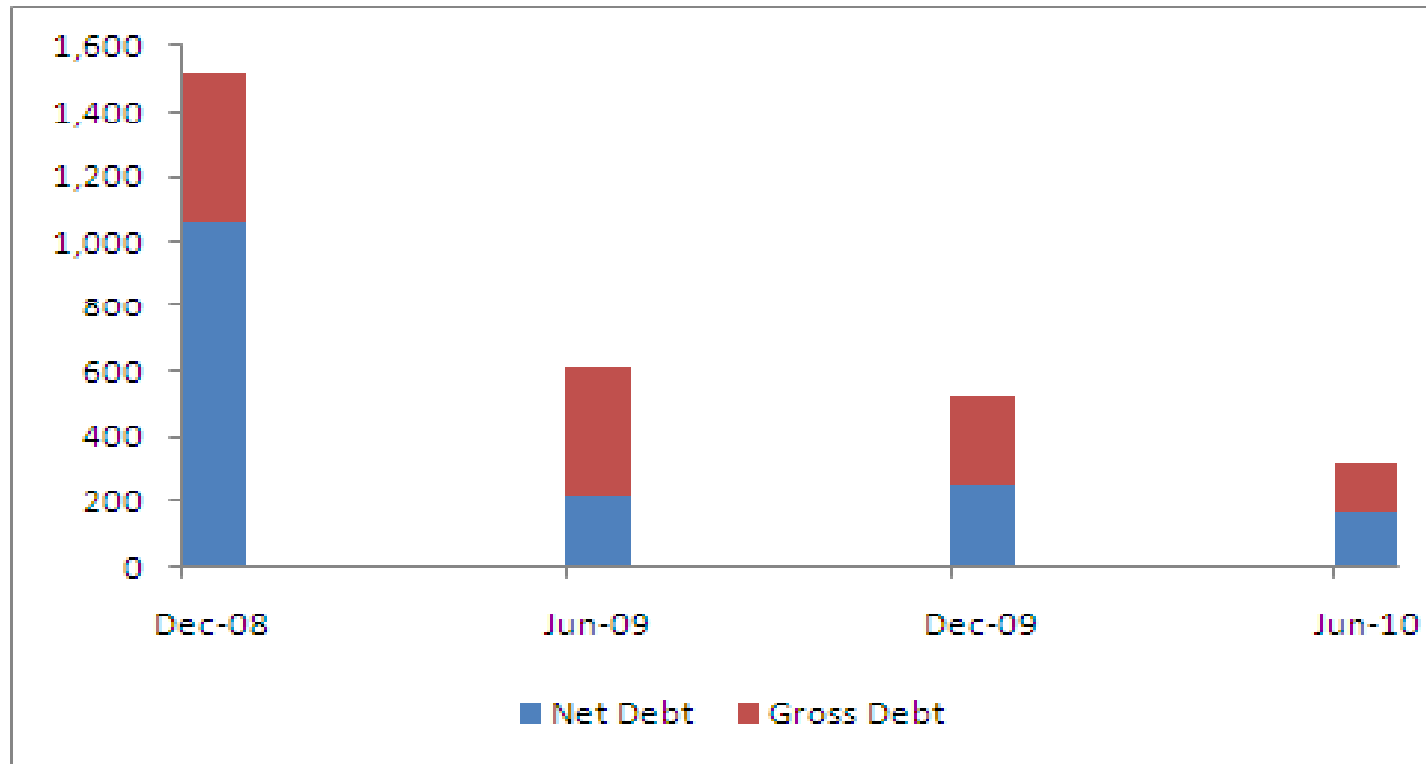
CEO & Managing Director – Tom Park

# Review of 2010

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- Depressed market conditions continue
- Strong Australian dollar
- Merchant volume, revenue and EBIT down versus prior year
- Merchant expenses reduced \$196m but did not offset volume shortfall
- Average working capital to sales down from 17.7% to 16.9%
- Results heavily impacted by closure of Tasmanian operations
- Transformation of our business to leverage future market upswings

# Strategic Priorities – Lower Debt



Reduced gross debt by \$1.2 billion from December 2008

# Strategic Priorities – Exited Manufacturing

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- Australian Paper sold in May 2009
- Tasmanian operations closed in July 2010
  - Closure costs less than previous advice
  - Program underway for sale of plant and equipment
  - Ongoing site operating expense until assets sales complete
  - Reduced currency exposure following exit

# Strategic Priorities – Finalised Debt Refinancing

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- Repayment of historic lenders:
  - Estimated \$100m impost on shareholders in 2 years
  - Removes \$13m of advisor and waiver charges (vs PY)
  - Substantial release of time to focus on business
- Regional asset based facilities established in Continental Europe, UK, New Zealand, Australia, Canada and USA.
- Asset based lending provides more appropriate structure for Merchanting operations:
  - Greater flexibility
  - Lower interest cost
  - Better currency alignment

# Market Conditions

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Revenue		% change	
		FY10 v FY09	FY10 v FY08
ANZA	A\$	(12.5)	(14.5)
Europe	€	(8.1)	(21.7)
North America	US\$	(7.7)	(21.9)

- Volumes down 20% over the past 2 years
- Focus on recalibrating expenses and working capital levels

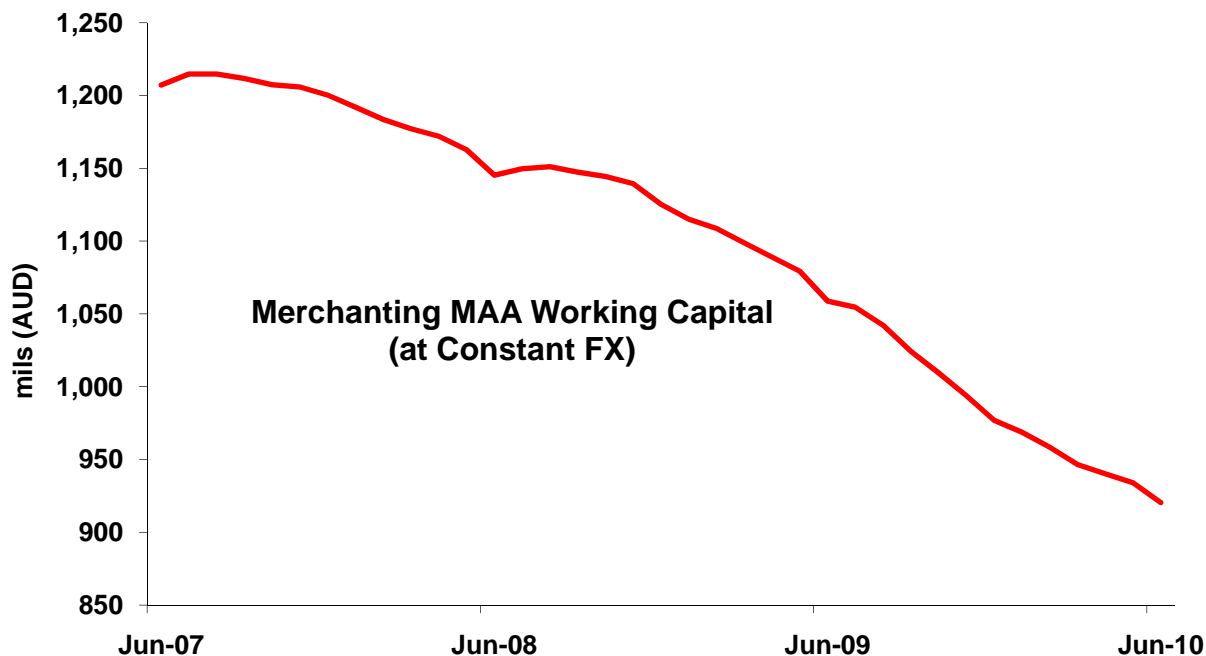
# Recalibration – Lower Merchant Costs

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		% 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 down substantially in all regions
- Structurally lower expense base going into 2011
- Ongoing focus on reducing costs

# Recalibration – Lower Working Capital



- Working capital better reflects reduced business size
- 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.

# Recalibration – Lower Overhead Costs

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- Streamline and reduce overhead costs
- Locate jobs where makes business sense
- 50% (\$10 million) reduction in Head Office labour costs
- Continental Europe reduced from 2 regions to 1
- Further opportunities for back office consolidations

# Profit Improvement

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- Historic lender charges and costs to exit manufacturing are behind us
- Market volumes stabilised
- Diversified businesses aligned to economic activity
- Lower cost base
- Upside leverage to any volume recovery

# Challenges

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	<u>Targets</u>
• 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

# Performance To-date

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- On-track through September
- Meaningful lift in Q1 profits
- Important European turnarounds commenced
- Demand stabilised
- Pricing favourable in NA and Europe
- Cost and working capital focus

# Summary

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- Challenging external environment
- Safety performance best ever
- Significant internal restructuring
  - Strategic priorities
  - Recalibration
- Better positioned for improved financial performance and shareholder return

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# Ordinary Business

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Re-election of Director, James Hall



# Ordinary Business

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## Remuneration Report

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