



Australian Paper
a member of the Willport Paper Group

Oct 2015

Australian Paper Major exporter from regional Victoria





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NPI & Australian Paper Overview

Australian Paper (AP)

- Owned by Nippon Paper Industries (NPI) – the 6th largest paper manufacturer in the world
- NPI acquired AP in 2009 AUD \$600 million – NPI's largest investment outside of Japan
- AP owns and operates the Maryvale Paper Mill located near Morwell and Traralgon in Gippsland
- It is the only remaining Australian manufacturer of copy paper, sack and bag papers
- > 600,000 tonnes per annum of paper, 95% of raw materials from Victoria
- >1200 direct jobs, >4,000 indirect FTE jobs, underpinning 21,000 Victorian forest product jobs
- \$754 million in GDP contribution. >\$430 million per annum in Government revenues
- >\$3 billion replacement value of Maryvale Mill, >\$1 billion capital investment in the last decade
- Largest base load renewable energy generator and largest industrial user of gas in Victoria
- Large container exporter through the Port of Melbourne - > 27,000 TEU per annum



Fibre supply



Pulp Mills

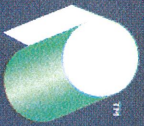
\$500m project in 2009



Renewable Energy plant



5 x Paper machines



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Maryvale Mill – Gippsland Victoria



>1,200 direct jobs, >4,000 indirect FTE jobs
AP is dependant on the Port of Melbourne



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Waste paper plant construction is now complete

- \$90 million waste paper recycling facility started in May 2015
- Creating 250 flow-on jobs
- Will divert up to 80,000 tonnes pa of wastepaper from Australia's landfill



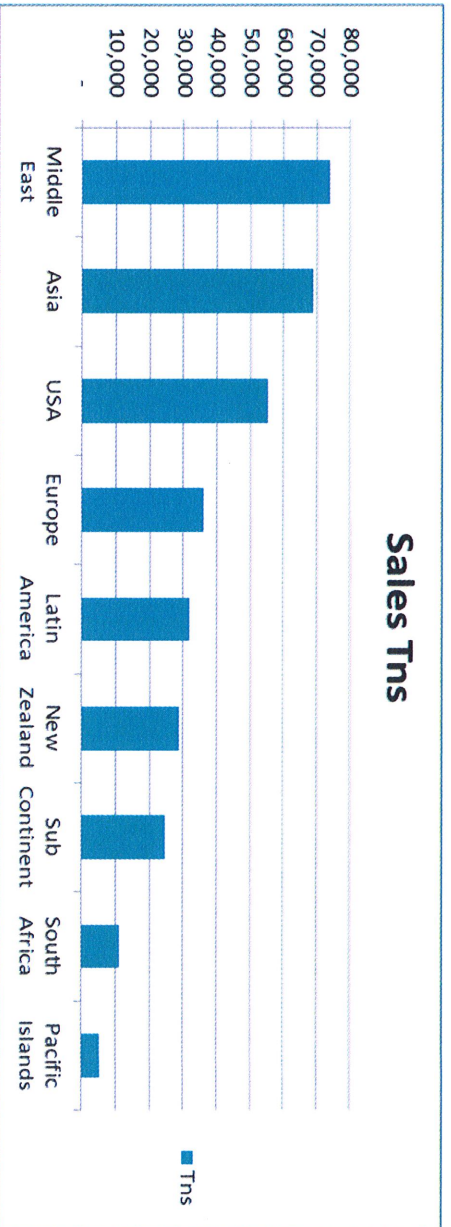
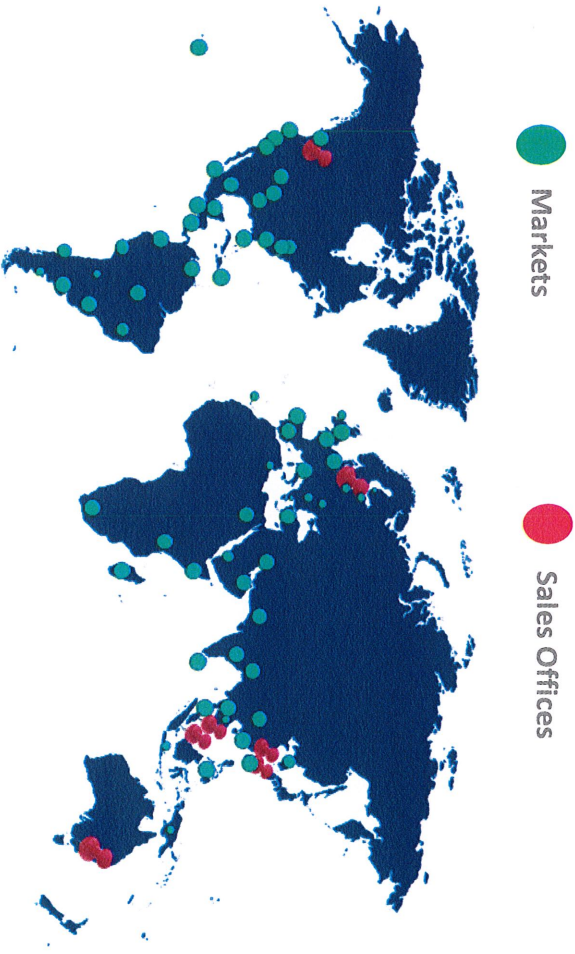


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Export Markets

Export Sales

- > 300,000 tonnes exported annually
- Approximately 50% of total sales volume
- 7 Sale Offices using 37 shipping lines to 68 countries
- Highly cost competitive global markets with low margins
- Efficient paper machine capacity exceeds domestic market consumption – AP will always be highly dependant on export trade



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Financials

Media release

Embargoed for release on 26 February 2015

Australian Paper announces turnaround plan

Australian Paper today announced that a turnaround of its business is required following a fourth year of consecutive losses. The turnaround plan includes a holistic review of all areas of the business and a restructure of the corporate operations.

"This situation has been driven by tough operating conditions and a flood of imported paper from Asia. We want to see paper production continue in Australia, however, we have now reached a point where without significant improvement to our cost structures, the ongoing competitiveness, and therefore, viability of our operations will be severely tested," Peter Williams, Australian Paper's Chief Operating Officer, said today.

- 4 years of consecutive losses since the NPI acquisition in 2009
- AP viability requires significant cost reductions – by all stakeholders
- AP is not able to pass any cost increases onto customers
- Any cost increases will add to the challenge for AP to be a viable long term regional employer



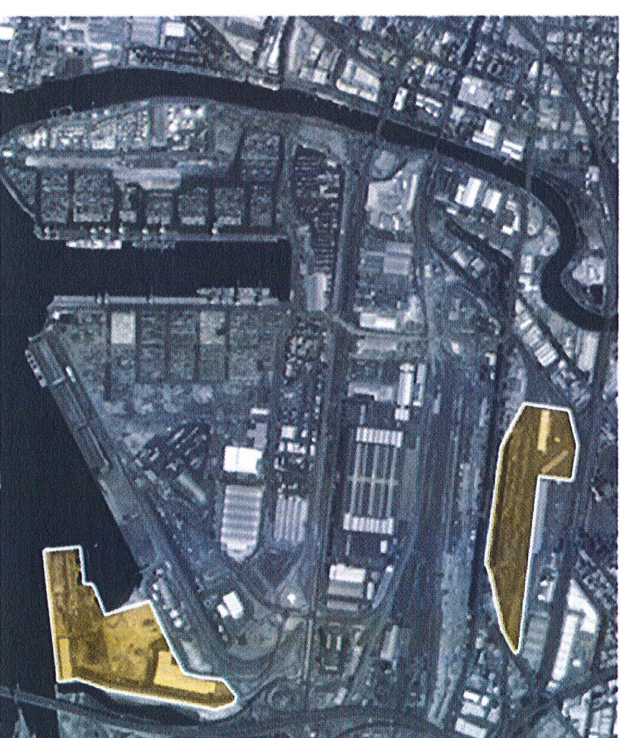


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Port of Melbourne

Port Access

- AP runs a 100 TEU train 6 days a week to Melbourne
- 2 stores near the port 25,000 m²
- The land based costs to get to the ship are often higher than the sea freight cost to many export destinations
- AP has no other port option
- Port of Melbourne export charges already appear to be higher than Sydney by 36%
- Cost to get to the PoM need to reduce
- Costs to use the PoM need to reduce





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Proposed Port of Melbourne Lease

AP is supportive of the PoM lease provided that;

- a) there is an actual reduction in freight costs to export products manufactured in Gippsland
- b) there is a mechanism to ensure it remains competitive

To be a benefit for AP, the PoM lease needs to....

1. Lower the cost to get export containers from Gippsland to the Port
 - a) Future port operator to implement port access efficiency improvements. Including facilities to enable a port rail shuttle.
 - b) Funds raised via the PoM lease to be invested in freight infrastructure to access the port
 - The entire Traralgon to PoM transport corridor needs to be efficient, not just parts of it
 - Both road and Rail - to ensure competitive pressure on prices
2. Lower the port charges for export freight
 - The PoM charges need to encourage the survival and development of Victorian Manufacturing
 - AP needs the costs to reduce by > \$25 per TEU exported / > \$50 per FEU
 - Export charges should be lower than import charges (NSW model)

