

13 August 2002

Statement to Australian Stock Exchange and News Media
For the year ended 30 June 2002

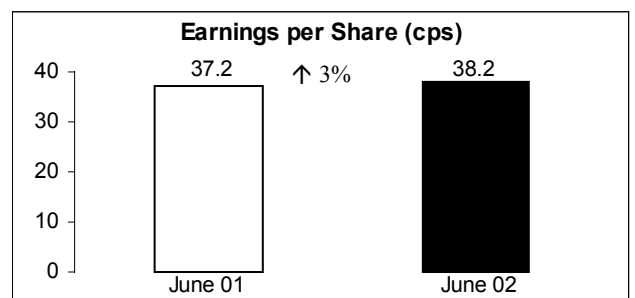
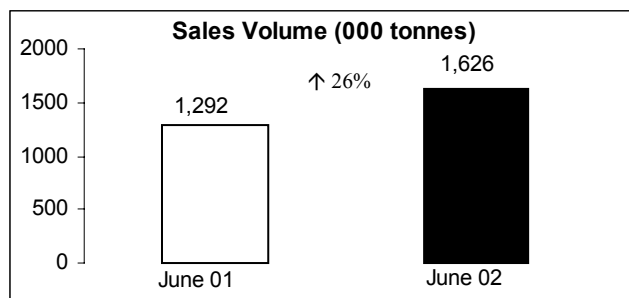
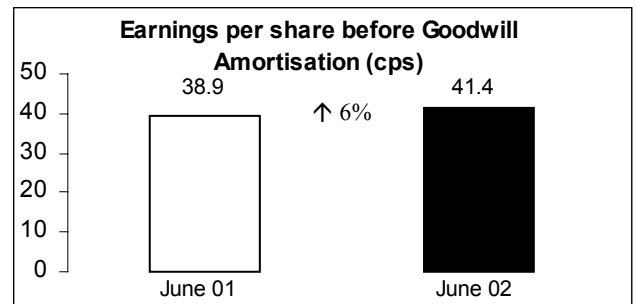
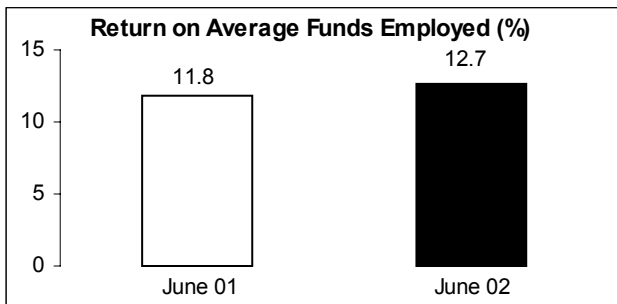
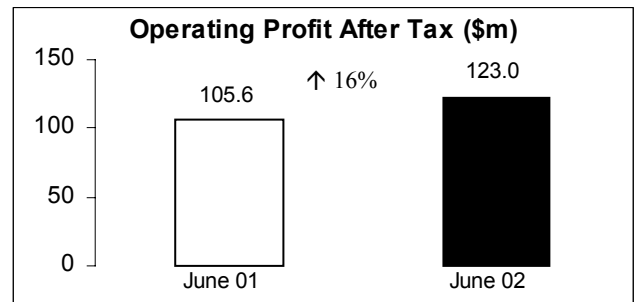
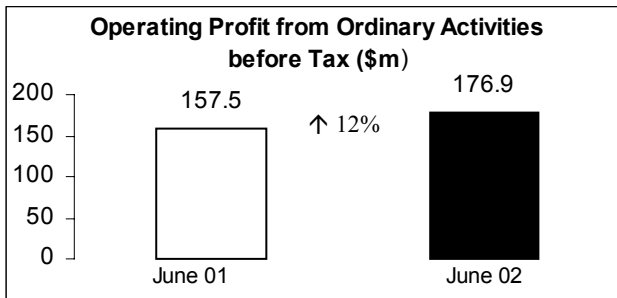
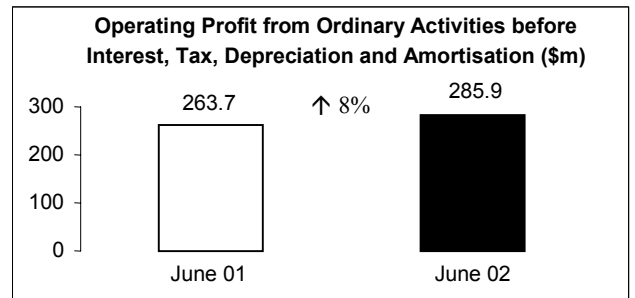
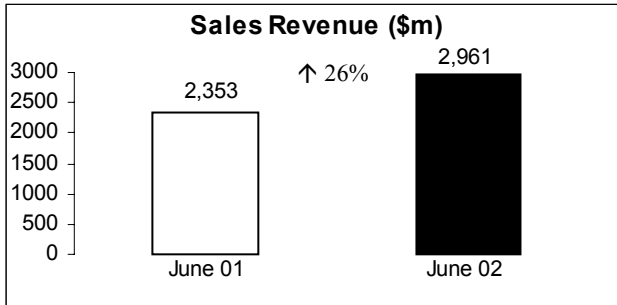
SUMMARY OF THE YEAR

In its second full year as a publicly listed company, PaperlinX has delivered a record result despite a difficult trading environment, while setting the base for future growth. The results reflect the impact of a number of acquisitions and divestments.

- ✓ Sales revenue of \$2,961 million, up 26% over the prior year;
- ✓ Net profit after tax of \$123.0 million, up 16% over the prior year;
- ✓ Earnings per share of 38.2 cents, up 2.7% on a higher capital base;
- ✓ Final dividend maintained at 14 cents per share on higher capital base, 75% franked, making a total dividend for the year of 27 cents.
- ✓ Return on average funds employed of 12.7%, up from 11.8% last year;
- ✓ Integration in North America of Spicers Paper and Coast Paper;
- ✓ Restructuring of Australian paper merchants and Spicers stationery and envelope businesses;
- ✓ The sale of Australian Paper Plantations, Amtrade, Edwards Dunlop and Commonwealth Paper; and
- ✓ The acquisition of L.P. Turgeon (a Montreal, Canada, paper merchant).

Since the end of the financial year, PaperlinX has announced:

- ✓ The acquisition of Bunzl Fine Paper (a leading UK and Ireland paper merchant) for \$377 million.



REVIEW OF THE YEAR

	PaperlinX Limited & Controlled Entities			
		12 months to Jun 2002	12 months to Jun 2001	% Increase
Sales Revenue	\$m	2,960.6	2,352.8	26
Profit from Ordinary Activities before interest, income tax, amortisation and depreciation	\$m	285.9	263.7	8
Profit from Ordinary Activities before interest & income tax	\$m	213.1	200.4	6
Profit from Ordinary Activities before income tax	\$m	176.9	157.5	12
Profit from Ordinary Activities after income tax	\$m	123.0	105.6	16
Key Ratios				
Profit from Ordinary Activities before interest and income tax to average funds employed	%	12.7	11.8	-
Return on average shareholders equity	%	10.2	9.7	-
Net interest cover (times)	x	5.9	4.7	-
Earnings per share	cps	38.2	37.2	3

PaperlinX has produced a record result in the year to June 2002 with profit after income tax of \$123.0 million, an increase of 16% over the prior year.

Despite the impact of divestments and a difficult trading environment, profit before interest, income tax, depreciation and amortisation increased 8% to \$285.9 million. Profit before income tax rose 12% to \$176.9 million.

PaperlinX's 2001/02 results reflect the acquisition of Turgeon Paper in April 2002 and the impact of the divestment during the period of Australian Paper Plantations, Amtrade, Edwards Dunlop and Commonwealth Paper. The divestments contributed in 2000/01 sales of \$395 million and operating profit before interest and income tax of \$23 million.

The overall result reflects a strong performance from Australian Paper's Communication Papers business through record paper production and sales volumes, generally stable selling prices and the lower cost of imported pulp. Australian Paper's Packaging Papers business was impacted by lower domestic demand and lower selling prices in export markets. Earnings in the Merchanting and Paper Trading business were higher than in the prior year reflecting the benefit of acquisitions. However weak global economic conditions impacted adversely on promotions and advertising which, in turn, reduced demand for printed materials. The highly competitive trading environment resulted in lower selling prices, which impacted negatively on margins.

As at 30 June 2002 PaperlinX had a strong balance sheet, sound key financial ratios and a strong operating cashflow. This remains the case following the acquisition of Bunzl Fine Paper and the subsequent equity raising which occurred in July, 2002.

DIVIDEND

Directors have declared a final dividend of 14 cents per share, 75% franked at the tax rate of 30 cents in the dollar. The dividend will be mailed on 19 September 2002 to shareholders on record as of 27 August 2002 as being entitled to the dividend.

OPERATIONS

The following table shows, for PaperlinX Limited and controlled entities, Operating Profit from Ordinary Activities before income tax, sales revenue, and assets by industry and geographic segments for the year to 30 June 2002 and 30 June 2001.

	<u>Operating Profit before Income Tax</u>		<u>Sales Revenue</u>		<u>Total Assets</u>	
	Jun 2002	Jun 2001	Jun 2002	Jun 2001	Jun 2002	Jun 2001
	\$m	\$m	\$m	\$m	\$m	\$m
<u>Industry Segments</u>						
Merchanting & Paper Trading ^{(1) (3) (4)}	57.9	43.0	2,220.2	1,398.9	918.4	928.6
Communication Papers ⁽¹⁾	134.8	97.2	828.3	794.0	854.5	893.6
Packaging Papers ⁽¹⁾	43.2	53.5	285.4	275.4	283.7	309.2
Investments and Other ^{(1) (2) (4)}	(22.8)	6.7	259.4	468.7	194.6	533.1
Operating profit from Ordinary Activities before interest & income tax	213.1	200.4				
Net Interest	(36.2)	(42.9)				
Inter-segment Sales			(632.7)	(584.2)		
Unallocated Assets ⁽⁴⁾ (deferred tax assets)					37.5	44.7
Total:	176.9	157.5	2,960.6	2,352.8	2,288.7	2,709.2
<u>Geographic Segments</u> ^{(2) (3) (4) (5)}						
Australia ⁽¹⁾	180.0	180.6	1,680.0	1,682.8	1,683.3	2,092.8
New Zealand ⁽¹⁾	10.2	6.5	221.5	151.4	96.1	95.4
North America ⁽¹⁾	19.7	10.1	931.0	425.7	404.9	382.3
Europe ⁽¹⁾	0.0	0.3	15.8	31.8	2.9	7.9
Asia ⁽¹⁾	3.2	2.9	112.3	61.1	64.0	86.1
Operating profit from Ordinary Activities before interest & income tax	213.1	200.4				
Net Interest	(36.2)	(42.9)				
Unallocated Assets (deferred tax assets)					37.5	44.7
Total:	176.9	157.5	2,960.6	2,352.8	2,288.7	2,709.2

⁽¹⁾ profit before interest and income tax;

⁽²⁾ includes Australian Paper Plantations for the period 1/7/01 to 31/8/01
Amtrade Australia and New Zealand for the period 1/7/01 to 15/10/01
Edwards Dunlop and Commonwealth Paper for the period 1/7/01 to 13/09/01

⁽³⁾ includes L.P. Turgeon for the period 1/4/02 to 30/6/02;
Spicers Paper consolidated from 01/01/01 and Coast Paper Canada from 01/05/01.

⁽⁴⁾ 2000/01 details have been reallocated as follows:

- Stationery, Edwards Dunlop and Commonwealth Paper – moved from Merchanting to Other – Sales \$189.9m, PBIT \$3.9mm Total Assets \$237.5m
- PPM/Corporate costs – reallocated between Other and Merchanting – sales \$146.6m, PBIT \$3.1m, Total Assets \$73.8m
- Tax assets from merchanting and other to unallocated \$44.7m

⁽⁵⁾ The geographic segments reflect PaperlinX's management structure – sales, profits and assets are shown in the country where the business is based.

MERCHANTING & PAPER TRADING

		12 mnths Jun 02	12 mnths Jun 01	Increase %
Sales Revenue	\$m	2,220	1,399	59%
Operating Profit before Interest & Tax	\$m	57.9	43.0	35%
Sales Volume	'000 tonnes	1,090	705	55%

PaperlinX's paper merchants operate in Australia, New Zealand, Singapore, Hong Kong, Malaysia, USA and Canada, and, since 1 July 2002, in the United Kingdom and Ireland. The paper trading business sells paper in over 40 countries.

Merchanting sales increased 59% to \$2.2 billion with operating profit before interest and tax increasing 35% to \$58 million. Sales volume increased 55% to 1,090,000 tonnes. The sales increase reflects the inclusion, for a full year Spicers Paper and Coast Paper, and from 1 April 2002, L.P. Turgeon.

- Our Australian merchants completed a substantial restructuring and rationalisation in the first half which allowed this business to improve its competitive position through substantial cost reductions and synergy benefits. Following the changes, the business in Australia is well positioned to respond quickly as demand in printing and advertising activity improves. The achievement of the annualised level of synergy benefits projected in the Bidders Statement for Spicers Paper assisted in achieving a reasonable level of profitability.
- In New Zealand our merchants completed their restructure and continued to perform well and remain soundly positioned to meet market needs.
- In North America our overall sales volumes increased as we gained market share, assisted by the new greenfield operation in Kansas City and the acquisition of LP Turgeon and good results from the newer locations in Minnesota, Denver and Hawaii. The major impact in North America has been lower print demand and reduced selling prices, which has occurred generally throughout the paper merchanting industry. PaperlinX's North American merchants' profitability reflects disciplined cost management, including staff and expense reductions.
- In Asia, our merchanting businesses reduced costs and increased productivity enabling them to achieve improved returns.
- Pacific Paper Marketing, our paper trading business had an excellent year benefitting from substantially increased supplies of paper.

Although poor global market conditions for printing and writing papers have impacted profit the overall merchanting and trading results have been pleasing.

AUSTRALIAN PAPER - COMMUNICATION PAPERS

		12 mnths <u>Jun 02</u>	12 mnths <u>Jun 01</u>	Increase <u>%</u>
Sales Revenue	\$m	828	794	4%
Operating Profit before Interest & Tax	\$m	134.8	97.2	39%
Sales Volume	'000 tonnes	518	482	7%
- Australia/New Zealand	%	80	91	

Australian Paper's Communication Papers business had an excellent year with sales revenue increasing 4% to \$828 million and operating profit before interest and tax up 39% to \$135 million.

Communication Papers manufactured by Australian Paper are used in general printing, publishing, office and home.

This business achieved gains from low cost Australian-manufactured pulp combined with the reduced cost of imported pulp as world pulp prices fell, while paper selling prices were generally able to be maintained. Increases in international pulp prices occurred towards the end of the period, but did not impact this result. Record paper production volume was achieved, with sales volume up 7%, driven by strong performances from Maryvale 5, the company's newest paper machine, and the upgraded paper machines in Tasmania.

Due to the lower level of demand in Australia and New Zealand, combined with the higher production volumes, export sales were 20% of sales volume, representing the highest ever level of export sales. The lower Australian dollar was also a positive influence on export profitability.

AUSTRALIAN PAPER - PACKAGING PAPERS

		12 mnths <u>Jun 02</u>	12 mnths <u>Jun 01</u>	Increase/ <u>(Decrease) %</u>
Sales Revenue	\$m	285	275	4%
Operating Profit before Interest & Tax	\$m	43.2	53.5	(20%)
Sales Volume	'000 tonnes	357	341	5%
- Australia/New Zealand	%	77	83	

Australian Paper's Packaging Papers business had a better second half in what was a difficult year. While sales revenue for the year was up 4% to \$285 million on volume, 5% higher than the previous period, operating profit before interest and tax reduced to \$43 million due to lower Australian / New Zealand sales and significantly lower export selling prices, as well as some non-recurring costs.

Demand in Australia for packaging papers strengthened in the second half. Product mix remained less favourable than in the prior year, although the mix improved toward the end of the year.

Excess production was exported, predominantly into Asia, where selling prices were down significantly compared to the prior year due to an abundance of available product and the impact on Asian demand of reduced exports from the region to the USA.

In the period, 23% of sales volumes were outside Australia/New Zealand, compared to 17% in the prior year.

Maryvale 2 machine, which makes bag and sack papers, performed exceptionally well despite a major mechanical failure in June 2001. This machine is now back producing its full product range with excellent customer acceptance.

INVESTMENTS & OTHER

		12 mnths <u>Jun 02</u>	12 mnths <u>Jun 01</u>	Increase / <u>Decrease</u>
Sales Revenue	\$m	260	469	(45)%
Operating Profit before Interest & Tax	\$m	(22.8)	6.7	-

During the period the following businesses which are included under "Investments/Other" were divested:

- Australian Paper Plantations, effective 31/08/01;
- The business of Edwards Dunlop and Commonwealth Paper, effective 13/09/01.
- Amtrade Australia and New Zealand, effective 15/10/01 and Amtrade UK from 31/12/01.

Total funds released from these divestments were approximately \$255 million. While the divestments were dilutionary to earnings in the 2001/02 year, contributing sales of \$395 million and operating profit before interest and income tax of \$23 million in 2000/01, these businesses were non-core or were required to be divested. PaperlinX's objective is to reinvest the funds in the higher returning, core business of paper merchanting.

The other businesses included in this segment are Stationery, Envelopes and Corporate Overheads.

PaperlinX's Australian Stationery business trades as Spicers Stationery, manufacturing and supplying a wide range of stationery products including envelopes to stationery stores, government, schools and businesses. The stationery business faced strong competition from imported products and domestic manufacturers. In March 2002 PaperlinX announced it was restructuring the envelope manufacturing business by closing its Queensland facility and rationalising production. This will result in a lower cost structure and improved profitability.

FINANCIAL POSITION

As a result of the proceeds from divestments, a constant focus on working capital and a strong cash flow, PaperlinX's balance sheet finished the year in a strong position. All financial ratios were within prudent levels and indicate the financial strength of the company. To move towards an optimal mix of debt funding, PaperlinX issued in February 2002 CAD\$21 million of ten year unsecured bonds, CAD\$49 million of 15 year unsecured bonds and USD\$56 million of 15 year unsecured bonds in North America, at competitive fixed interest rates. These funds were used to repay existing borrowings in the USA and Canada.

To assist in funding the \$377 million acquisition of Bunzl Fine Paper, PaperlinX has issued \$175 million of equity in July and August 2002 (36.5 million shares). The remaining funds for the acquisition have come from existing bank debt facilities.

The balance sheet ratios remain strong following the acquisition of Bunzl Fine Paper and the subsequent equity raising which occurred in July. A summarised PaperlinX group statement of Financial Position is as follows:

		<u>June 2002</u>	<u>June 2001</u>
Current Assets	\$m	1,001.9	1,206.5
Non current assets	\$m	1,286.8	1,502.7
Total Assets	\$m	<u>2,288.7</u>	<u>2,709.2</u>
Current Liabilities	\$m	501.9	808.1
Non Current Liabilities	\$m	573.7	723.4
Total Liabilities	\$m	<u>1,075.6</u>	<u>1,531.5</u>
Shareholders Equity	\$m	<u>1,213.1</u>	<u>1,177.7</u>
<u>Key Balance Sheet Ratios</u>			
Net Debt	\$m	331.5	690.7
Net debt to net debt and shareholders equity	%	21.5	37.0
Net debt to shareholders equity	%	27.3	58.6
Net tangible assets per share	\$	3.11	2.99

STATEMENT OF FINANCIAL PERFORMANCE

	PAPERLINX LIMITED AND CONTROLLED ENTITIES	
	<u>12 months ended 30 June</u>	
	2002	2001
	\$m	\$m
SALES REVENUE	2,960.6	2,352.8
Operating Profit from Ordinary Activities before depreciation, amortisation, interest, significant items and income tax	285.9	263.7
Depreciation and amortisation	(72.8)	(63.3)
Net Interest Expense	(36.2)	(42.9)
Operating profit from Ordinary Activities before significant items and income tax	176.9	157.5
Income tax expense on Operating profit	(53.9)	(51.9)
OPERATING PROFIT/(LOSS) AFTER SIGNIFICANT ITEMS	123.0	105.6

OUTLOOK

With the initiatives undertaken in restructuring the merchandising business following the acquisitions of Spicers Paper, Coast Paper and L.P. Turgeon, and the focus on cost reductions and cash management, PaperlinX is well positioned to capitalise on a turnaround in economic conditions. As indicated at the interim results announcement, earnings for the next year will continue to be influenced by international economic conditions, especially those in North America.

The company has strong positions in its markets and remains focussed on its simple, clear strategy of sustaining strong and profitable regional Australasian paper manufacturing and merchandising businesses, while continuing to grow the international paper merchandising business in North America and Europe. A major step in this direction has been the acquisition on 1 July 2002 of Bunzl Fine Paper which operates in the UK and Ireland.

Following the equity raising associated with the acquisition of Bunzl Fine Paper, PaperlinX has retained the financial capacity to take advantage of growth opportunities which are consistent with its overall strategic direction.

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