



Final Results 2002 / 2003

August 2003

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Introduction

- PaperlinX - Delivering strong profit performance relative to peers
- PaperlinX - Delivering growth in line with strategic vision

Economic Background

- Continuing weak global economic activity
- Business confidence remains low
- Corporate sector focus on internal cost reductions
- Discretionary expenditure on promotion and advertising remain subdued
- Currency volatility exacerbates uncertainty
- No pick-up in demand for fine papers, competition remains fierce and prices remain under pressure

Result Summary 2002 / 2003

- ✓ Creditable growth in reported profit
- ✓ Market position enhanced in all regions
- ✓ Benefits of business mix and focus
- ✓ Improved total shareholder return
- ✓ Excellent performances from acquired businesses
- ✓ Smooth integration of acquisitions
- ✓ Well positioned to take advantage of future economic recovery
- ✓ Clear strategic growth plan continues to be implemented

Financial Highlights 2002 / 2003

- ✓ Revenue of \$ 3,618m  22%
- ✓ Profit before tax of \$190m  8%
- ✓ Net profit after tax of \$132m  7%
- ✓ Return on average funds employed of 12.3%
- ✓ Earnings per share of 36.9 cents  3% on higher capital base

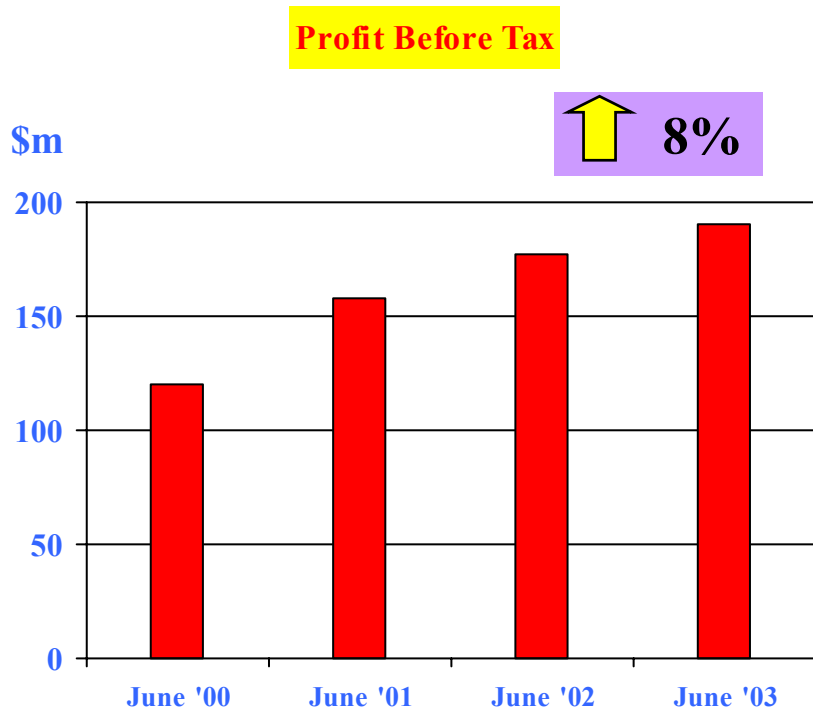
Financial Highlights 2002 / 2003

- ✓ Final dividend of 14 cents per share, 50% franked, bringing the total for the year to 27.5 cents per share
- ✓ Share price down 6%, market capitalisation up 20%, share market liquidity significantly improved, and positive total shareholder return

Operational Highlights 2002 / 2003

- ✓ Successful acquisition and integration of The Paper Company, producing returns in line with initial expectations
- ✓ New transaction and management control system successfully implemented
- ✓ Restructuring of NZ paper merchants
- ✓ Placement of \$175m stock (36 million shares) in July 2002
- ✓ Placement of \$239m stock (54 million shares) in June 2003
- ✓ Share Purchase Plan accepted by 41% of shareholders in August 2003
- ✓ Announced offer for Buhrmann's Paper Merchants Division, Europe's largest paper merchant

Key Results - Operating Earnings



June 00*:	\$120.5 million
June 01:	\$157.5 million
June 02:	\$176.9 million
June 03:	\$190.4 million

**proforma*

Key Variances:

- Weak international economies
- Benefit of acquisitions
- Lower international paper prices impact on profit margins
- Stronger Australian dollar impacts on domestic prices, export receipts and translation of overseas earnings

Key Financial Statistics

		June 2003	June 2002		
Profit Before Interest, Income Tax, Depreciation And Amortisation	\$m	313.2	285.9	↑	10%
Profit Before Interest And Income Tax	\$m	230.9	213.1	↑	8%
Profit Before Income Tax	\$m	190.4	176.9	↑	8%
Profit After Tax, Before Goodwill Amortisation	\$m	147.7	133.4	↑	11%
Profit After Tax	\$m	132.1	123.0	↑	7%
Earnings Per Share, Before Goodwill Amortisation	cps	41.2	41.4	↓	0.5%
Earnings Per Share	cps	36.9	38.2	↓	3%
Return On Average Shareholders Equity	%	9.3	10.0		
Net Interest Cover	X	5.7	5.9		
PBITA / Average Funds Employed	%	13.1	13.2		
PBIT / Average Funds Employed	%	12.3	12.6		

Financial Summary

		<u>June 2003</u>	<u>June 2002</u>
Dividend	cps	27.5	27.0
Dividend Franking	%	50	87
Capital Expenditure (excluding acquisitions)	\$m	64	66
Capital Expenditure (including acquisitions)	\$m	391	90
Net Tangible Assets per Share	\$	3.30	3.11
Shareholders Equity (30 June)	\$m	1,646	1,213
Net Debt	\$m	144	332
Net Debt / Equity	%	8.8	27.3
Net Debt / Net Debt & Equity	%	8.1	21.5
Cash Flow from Operations	\$m	234	339

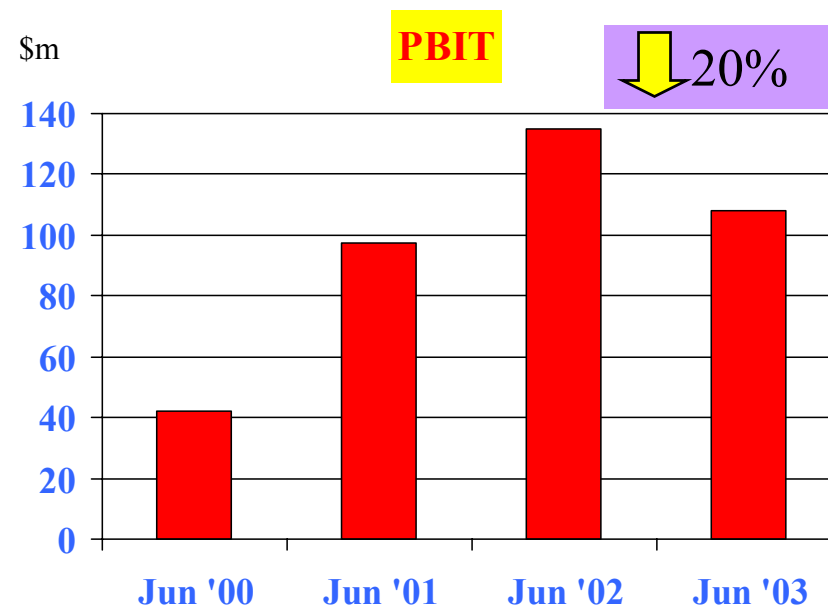
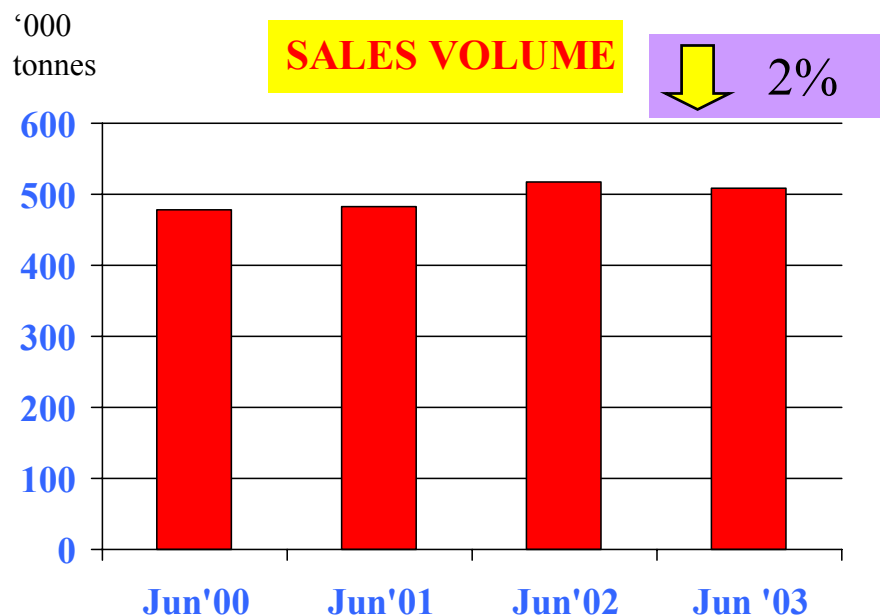
Other / Financial

		12 months <u>Jun 03</u>	12 months <u>Jun 02</u>	Change <u>%</u>
Sales Revenue	\$m	110	259	(58)
Profit Before Interest & Tax	\$m	(23)	(21)	(12)

- Increased contribution from Spicers Stationery and Envelopes
- Earnings from divested business of \$3m in prior year
- Corporate costs similar to last year

Australian Paper - Communication Papers

		12 months <u>Jun 03</u>	12 months <u>Jun 02</u>	Change <u>%</u>
Sales Revenue	\$m	788	828	(5)
Profit Before Interest & Tax	\$m	108	135	(20)
Sales Volume	'000 tonnes	509	518	(2)
- Australia / New Zealand	%	81	80	

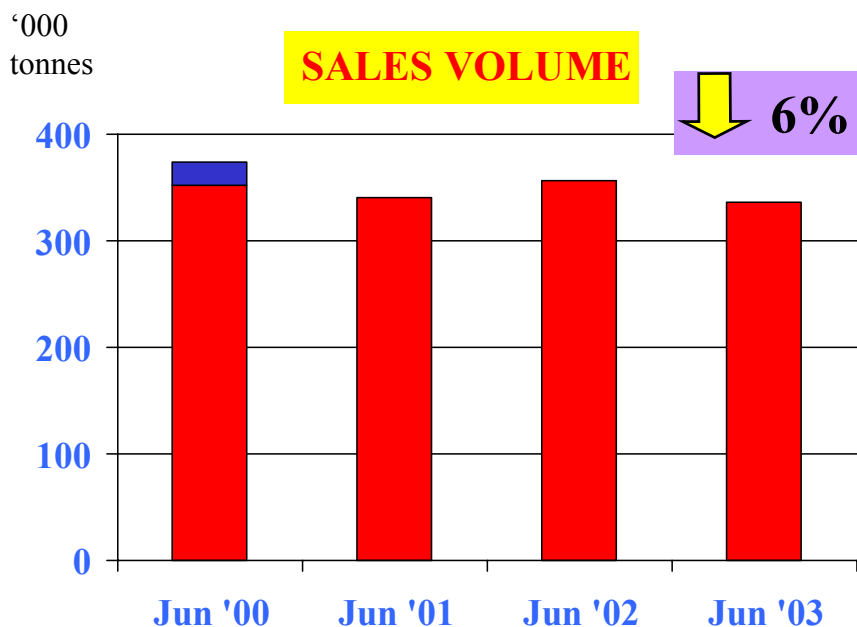


Australian Paper - Communication Papers

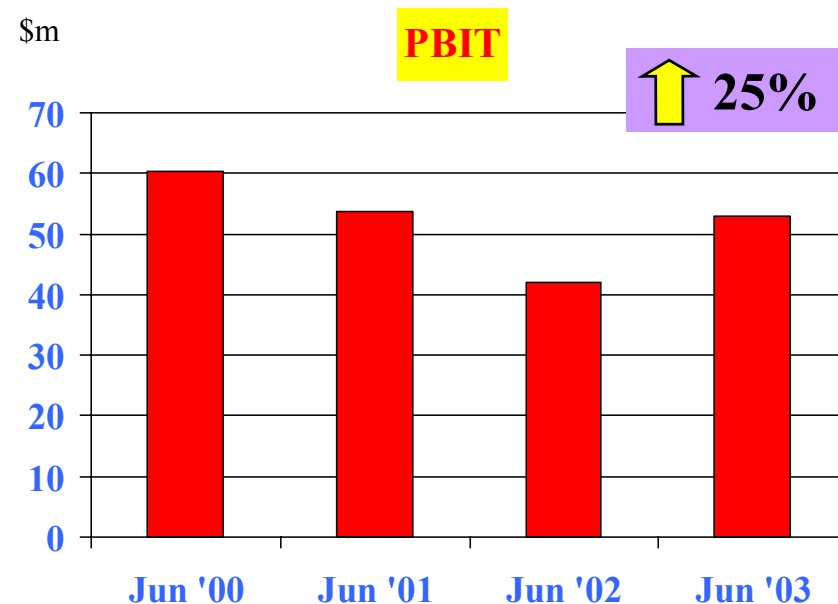
- Challenging market conditions persisted through the year
- Weak demand for all papers
- Export receipts and domestic prices impacted by stronger Australian dollar
- Continuing focus on operational excellence lowered operating costs
- All sites re-certified for ISO14001 environmental accreditation
- REFLEX™ retains position as Australasia's leading copy paper

Australian Paper - Packaging Papers

		12 months <u>Jun 03</u>	12 months <u>Jun 02</u>	Change <u>%</u>
Sales Revenue	\$m	276	285	(3)
Profit Before Interest & Tax	\$m	54	43	25
Sales Volume	'000 tonnes	336	357	(6)
• Australia / New Zealand	%	84	77	



■ One-off sale of inventory

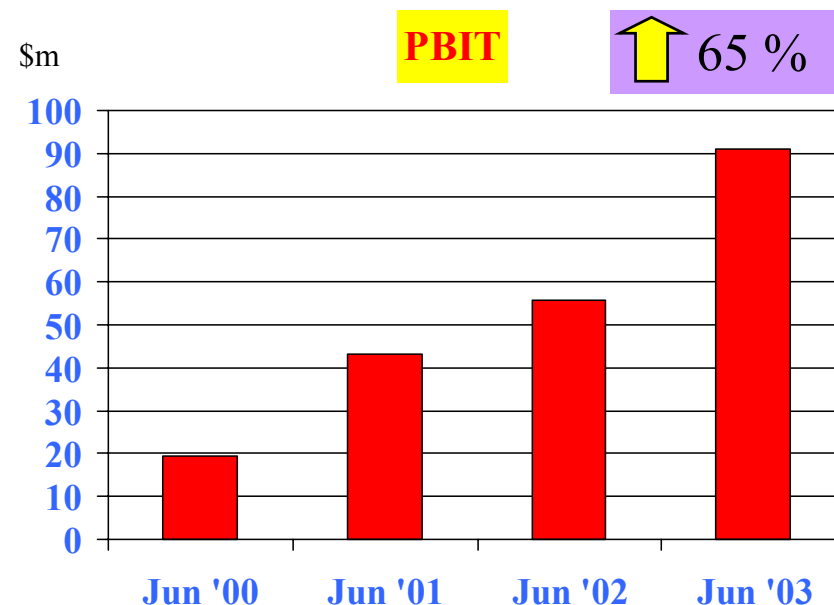
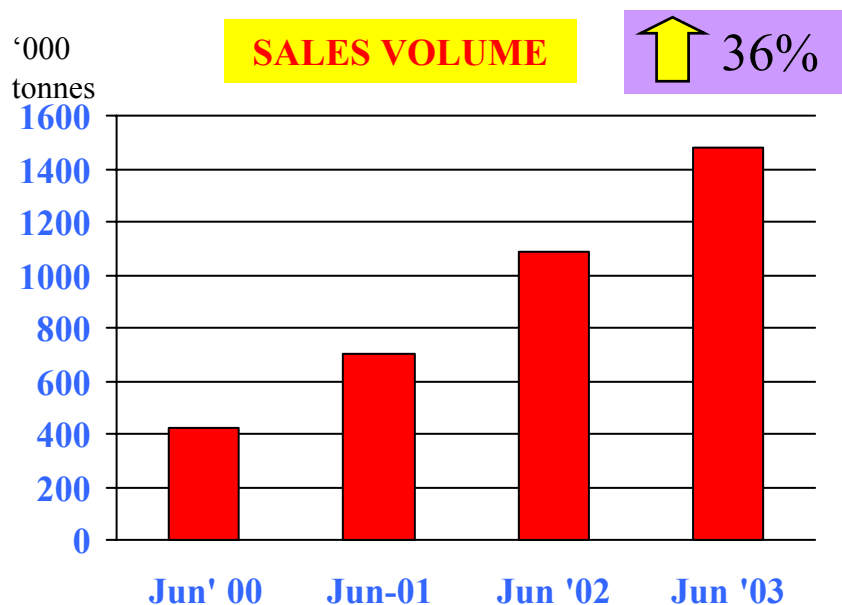


Australian Paper - Packaging Papers

- Better product mix improved margins
- Increased Australian selling prices
- Weak export markets remain due to Asian economic situation
- Drought impact on sack and bag papers
- Semi-extensible unit completed on schedule

Paper Merchenting

		12 months <u>Jun 03</u>	12 months <u>Jun 02</u>	Change <u>%</u>
Sales Revenue	\$m	2,967	2,220	34
Profit Before Interest & Tax	\$m	92	56	65
Sales Volume	'000 tonnes	1,477	1,090	36



Paper Merchants

Australia

- Depressed demand for printing and writing papers
- Intense competition impacted selling prices and profits
- Volumes and gross margins maintained
- Returns improved

New Zealand

- Economic conditions impacted on profits and margins
- Business restructuring to enhance efficiency and position for market consolidation

Paper Merchants

Asia

- Weak economic conditions have continued
- Focus on profitable business enhanced returns

North America

- Weak economic conditions impacted industry wide paper demand
- Increased market share and volume
- Earnings translation impact - local currency earnings maintained
- Enhanced competitive position

Paper Merchanting

UK & Ireland

- Strong performance from The Paper Company (acquired 1 July 2002)
- Returns in line with expectations
- Ireland market has been impacted by global slow down but UK market stronger than continental Europe
- Successful integration into PaperlinX

Australian Paper - Paper Manufacturing Strategy

- Maintain position as Australia's leading paper manufacturer
 - White communication papers (excluding newsprint)
 - High performance brown packaging papers
- Focus on costs and competitiveness
- Pulp upgrade and expansion feasibility study
- Maximise supply to Australia and New Zealand
- Leverage supply chain initiatives
- Export excess production

Paper Merchanting Strategy

- Continue to develop existing businesses
- Continue to grow merchanting in North America and Europe
- Systems enhancements to improve service offering
- Leveraging our strong global supplier relationships

Offer for Buhrmann's Merchanting Division

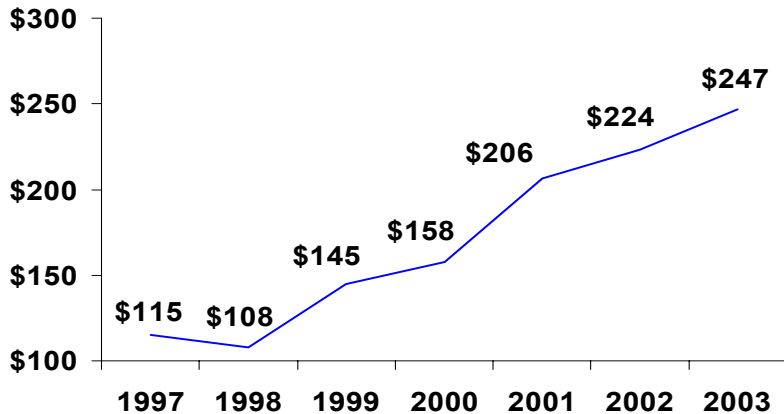
- Conditional agreement announced 18 June 2003
- Institutional placement \$239m, completed June 2003
- Share purchase plan: 41% of shareholders accepted
- Due diligence and legal documentation well advanced
- Approvals required from competition authorities and Buhrmann shareholders
- Completion approx 6-8 weeks after signing Sale and Purchase Agreement

Business Outlook

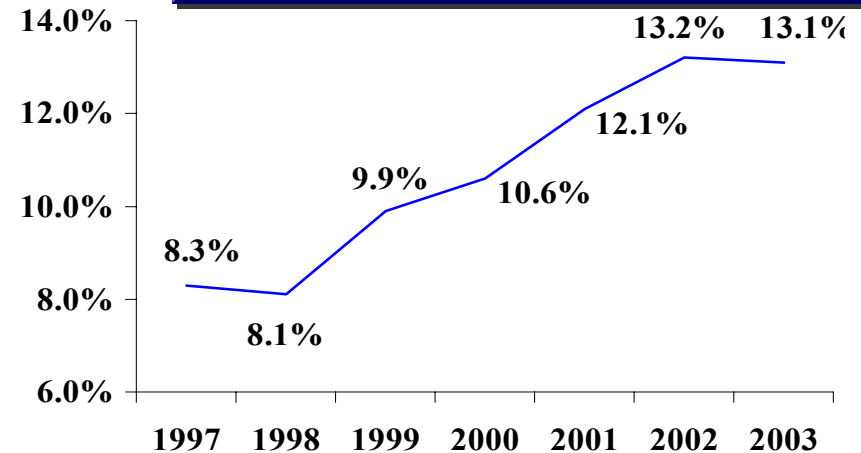
- Uncertain economic outlook
- Pulp prices easing
- Near term upside dependent upon strengthening economies over next 12 months
- Intense focus on operating costs continues
- Continuing to deliver strong performance for shareholders
- Continuing to deliver growth in line with strategic vision

Financial History (incl proforma history)

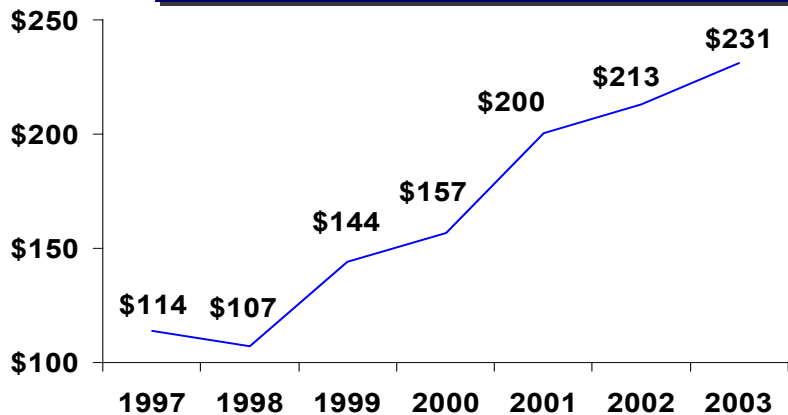
EBITA - \$m



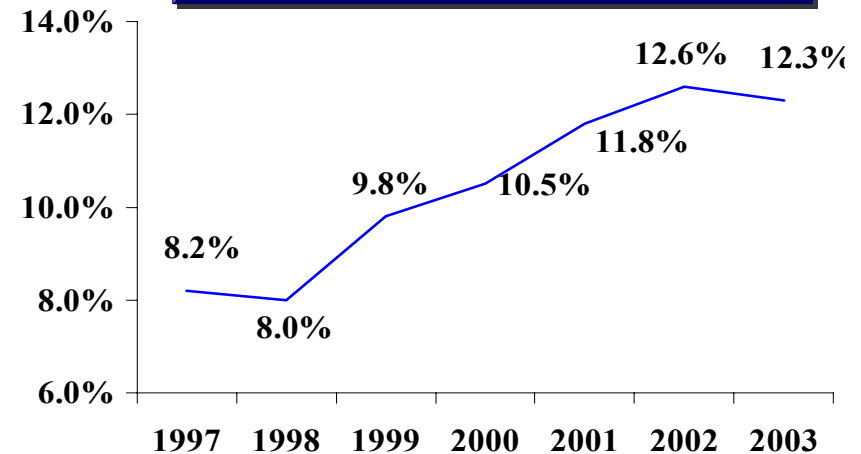
EBITA/Funds employed



EBIT - \$m



EBIT/Funds employed



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