



Interim Results 2003 / 2004

February 2004

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Presentation Sequence

- Introduction and Overview
- PaperlinX 2004 Interim Result
- PaperlinX Merchanting
- Australian Paper
- Strategy and Outlook
- Questions and Answers

Managing Director and Chief Executive Officer

Tom Park

Management

Tom Park	Managing Director and Chief Executive Officer
Darryl Abotomey	Chief Financial Officer
David Goldthorp	Chief Operating Officer Australian Paper
Eduard de Voogd	Chief Executive Officer PaperlinX Europe
Peter Waterworth	Chief Operating Officer Paper Merchanting & Trading
David Shirer	Executive General Manager Corporate and Investor Relations
Ross O'Brien	Executive General Manager Human Resources

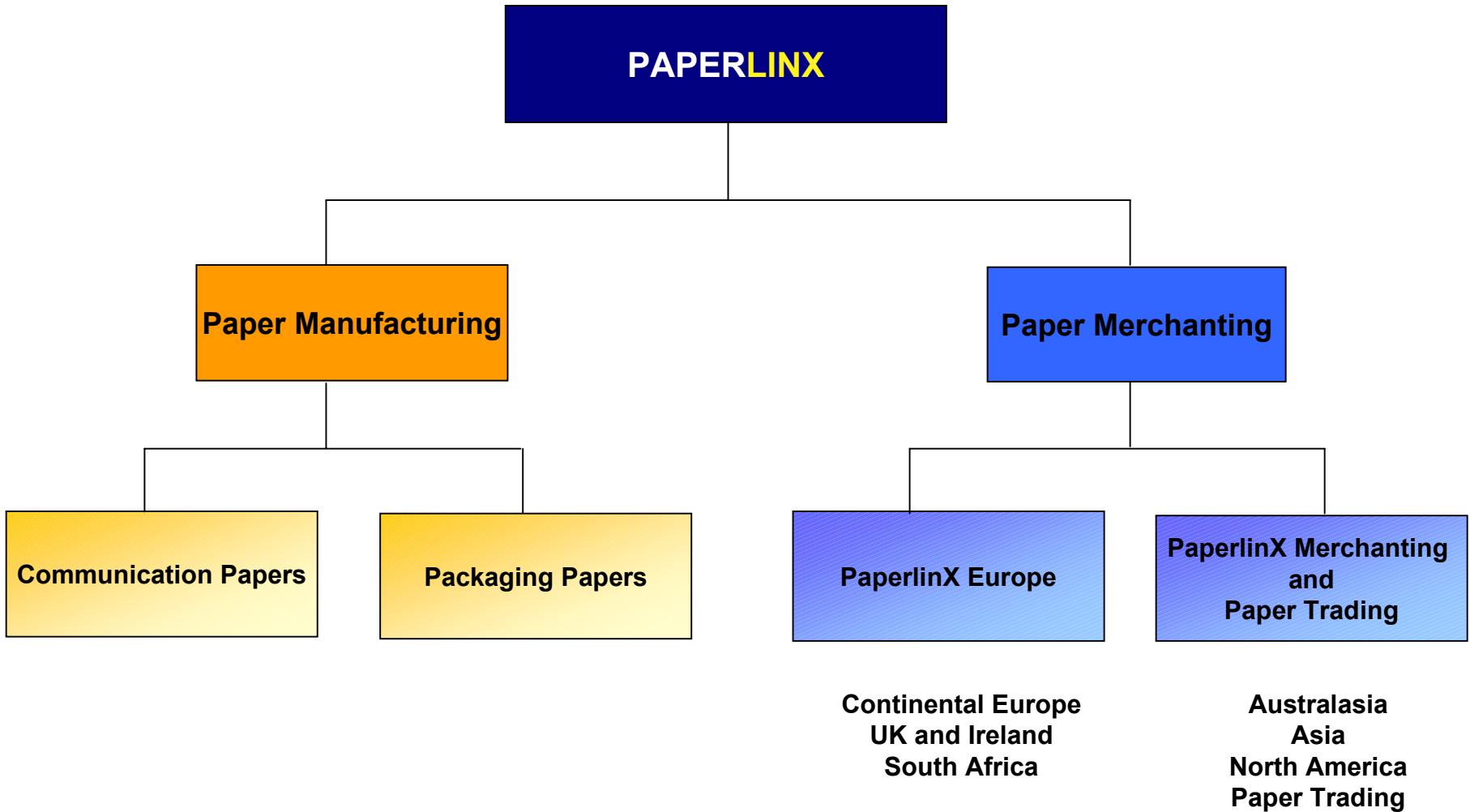
PaperlinX Vision

We aim to be a major international independent paper merchant and distributor and the leading Australian manufacturer of communication papers and high performance packaging papers.

Strategic Position

- Unique market position
- Company now has a well diversified earnings base
- Australian Manufacturing has a solid earnings base, albeit under current pressure
- Scope for increased Paper Merchants returns - both from external environment and internal initiatives

PaperlinX Global Platform



Economic Background

- Significant currency volatility
- Over-supply of fine papers internationally resulting in fierce competition and ongoing price pressure
- Slow start to global economic recovery
- Discretionary expenditure on promotion and advertising remained subdued
- Conditions look to have bottomed during period

Financial Summary

		6 mths to December 2003	6 mths to December 2002	Change
Revenue	\$m	2,382	1,867	+28%
Operating Earnings (EBIT)	\$m	86	123	(30%)
Net Profit after Tax	\$m	53	72	(26%)

Key Financial Measures

		6 mths to December 2003	6 mths to December 2002
Cash Flow from Operations	\$m	104	127
Return (PBIT / Average funds employed)	%	8.0	12.9
Earnings per share	cps	12.2	20.0
Dividend per share	cps	13.5	13.5

Result Summary Interim Result 2004

- x Profit impacted by currency volatility
- x Lower average international paper selling prices
- x Semi-extensible sack kraft paper unit commissioning
- ✓ Steady performances from acquired businesses
- ✓ Major strategic development with completion of European acquisition
- ✓ Strong market position in all key regions
- ✓ Lower imported pulp costs
- ✓ Benefits of business mix and focus

Chief Financial Officer

Darryl Abotomey

Operating Earnings

<u>A\$ millions</u>	<u>Six months to December 2003</u>		<u>Six months to December 2002</u>	
Sales Revenue	2,381.5		1,866.7	
Industry Segments		%		%
Merchanting	52.2	53	47.1	36
Communication Papers	33.9	34	60.0	46
Packaging Papers	12.7	13	22.7	18
	<hr/> 98.8		<hr/> 129.8	
Corporate and Other	(12.5)		(6.7)	
	<hr/>		<hr/>	
Total Earnings before Interest and Tax	86.3		123.1	

Financial Highlights

- ✓ Successful acquisition and initial integration of PaperlinX Europe (Buhrmann's Paper Merchanting Division)
- ✓ Issue of A\$149 m of shares (33.5 million shares) through a Share Purchase Plan in August 2003
- ✓ Upsizing of multi-currency debt facility

Post Period Event

- ✓ Private Placement USD\$ 250m

Key Results - Operating Earnings



6 months to Dec 03: \$ 71.2 million
6 months to Dec 02: \$ 102.4 million

Key Variances:

- Sharply higher Australian dollar
 - Export receipts
 - Australian selling prices
 - translation of overseas earnings
- Semi-extensible sack kraft paper unit commissioning issues
- Inclusion of European acquisition

Key Financial Statistics

		6 mths to December 2003	6 mths to December 2002		
Profit before interest, income tax, depreciation and amortisation	\$m	135.1	164.1	↓	18%
Profit before interest and income tax	\$m	86.3	123.1	↓	30%
Profit after tax, before goodwill amortisation	\$m	61.1	79.5	↓	23%
Profit after tax	\$m	53.0	71.5	↓	26%
Earnings per share, before goodwill amortisation	cps	14.1	22.3	↓	37%
Earnings per share	cps	12.2	20.0	↓	39%
Return on average shareholders equity	%	6.2	10.2		
Net Interest cover	X	5.7	5.9		
PBITA / Average funds employed	%	8.8	13.7		
PBIT / Average funds employed	%	8.0	12.9		

Financial Summary

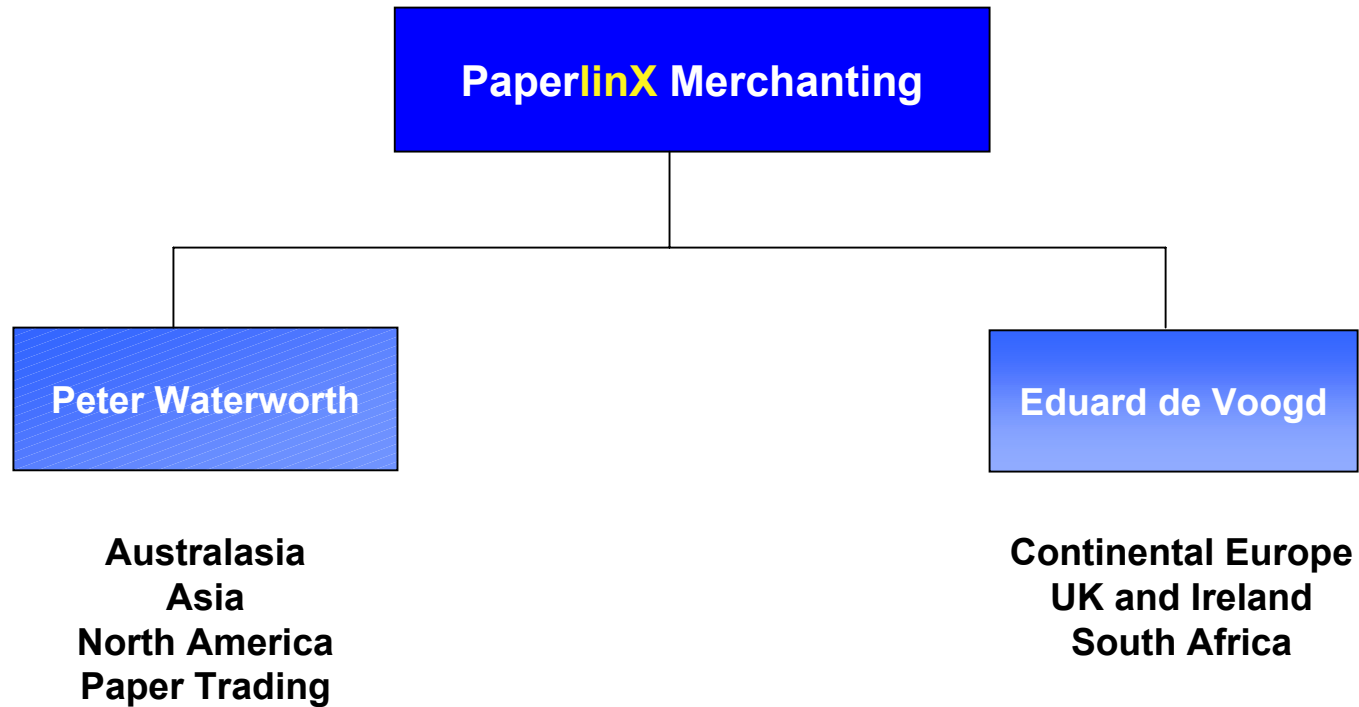
		6 mths to December 2003	6 mths to December 2002
Dividend	cps	13.5	13.5
Dividend franking	%	0	70
Capital Expenditure (excluding acquisitions)	\$m	24	31
Capital Expenditure (including acquisitions)	\$m	1,165	349
Net tangible assets per share	\$	3.11	3.22
Shareholders Equity (31 December)	\$m	1,762	1,475
Net Debt (31 December)	\$m	1,131	418
Net Debt / Equity	%	64.2	28.3
Net Debt / Net Debt & Equity	%	39.1	22.1
Cash Flow from Operations	\$m	104	127
Working Capital	\$m	1,463	790
WC / Sales	%	19.0	21.2

Other/Financial

		6 months <u>Dec 03</u>	6 months <u>Dec 02</u>	Change <u>%</u>
Sales Revenue	\$m	55	57	(3)
Profit before Interest & Tax	\$m	(12.5)	(6.7)	(87)

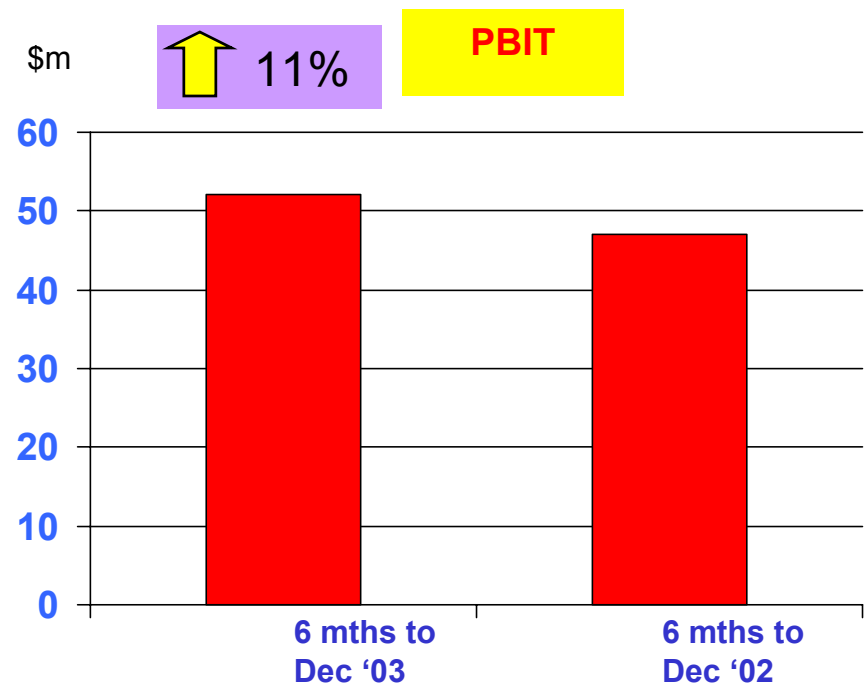
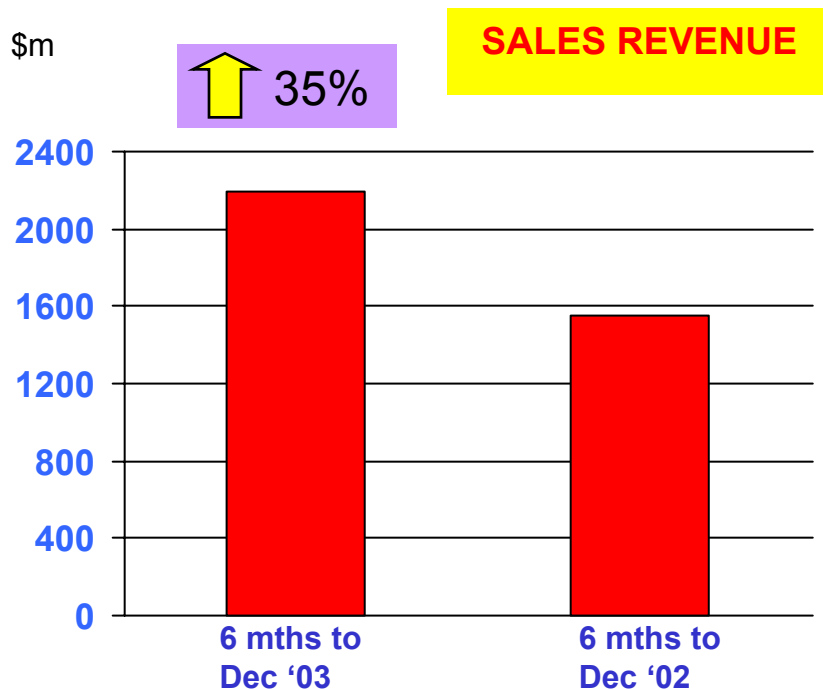
- Reduced contribution from Spicers Stationery and Envelopes
- Corporate costs similar to prior year
- A number of one-off positive items included in prior period
- A number of small negative one-off items in this period

Merchanting



Merchanting

		6 months <u>Dec 03</u>	6 months <u>Dec 02</u>	Change <u>%</u>
Sales Volume	'000 tonnes	1,141	746	53
Sales Revenue	\$m	2,089	1,551	35
Profit before Interest & Tax	\$m	52	47	11
Return on Average Funds Employed	%	9.8	10.7	



Australasia, Asia, North America

Peter Waterworth

Merchandising - Australia

		6 months <u>Dec 03</u>	6 months <u>Dec 02</u>	Change <u>%</u>
Sales Volume	'000 tonnes	244	239	2
Sales Revenue	A\$m	446	467	(5)
Profit before Interest & Tax	A\$m	9.2	13.0	(29)

Note: Includes Pacific Paper Marketing

- Subdued market conditions, improving in recent months
- Lower average pricing
- Increasing imports of paper reflects increasingly attractive Australia market due to currency appreciation
- Volume and market share increases

Merchanting - New Zealand

		6 months <u>Dec 03</u>	6 months <u>Dec 02</u>	Change <u>%</u>
Sales Volume	'000 tonnes	65	63	3
Sales Revenue	NZ\$m	118	134	(12)
Profit before Interest & Tax	NZ\$m	6.4	5.5	16

- Strong market position further enhanced
- Very open market
- Strong returns despite lower average selling prices

Merchanting - Asia

		<u>6 months</u> <u>Dec 03</u>	<u>6 months</u> <u>Dec 02</u>	<u>Change</u> <u>%</u>
Sales Volume	'000 tonnes	36	33	9
Sales Revenue	S\$m	48	46	4
Profit before Interest & Tax	S\$m	0.8	1.3	(38)

- Asian economies remained weak
- Focus on profitable business
- Restructuring to improve productivity
- Prices and margins remain under pressure

Merchandising - North America

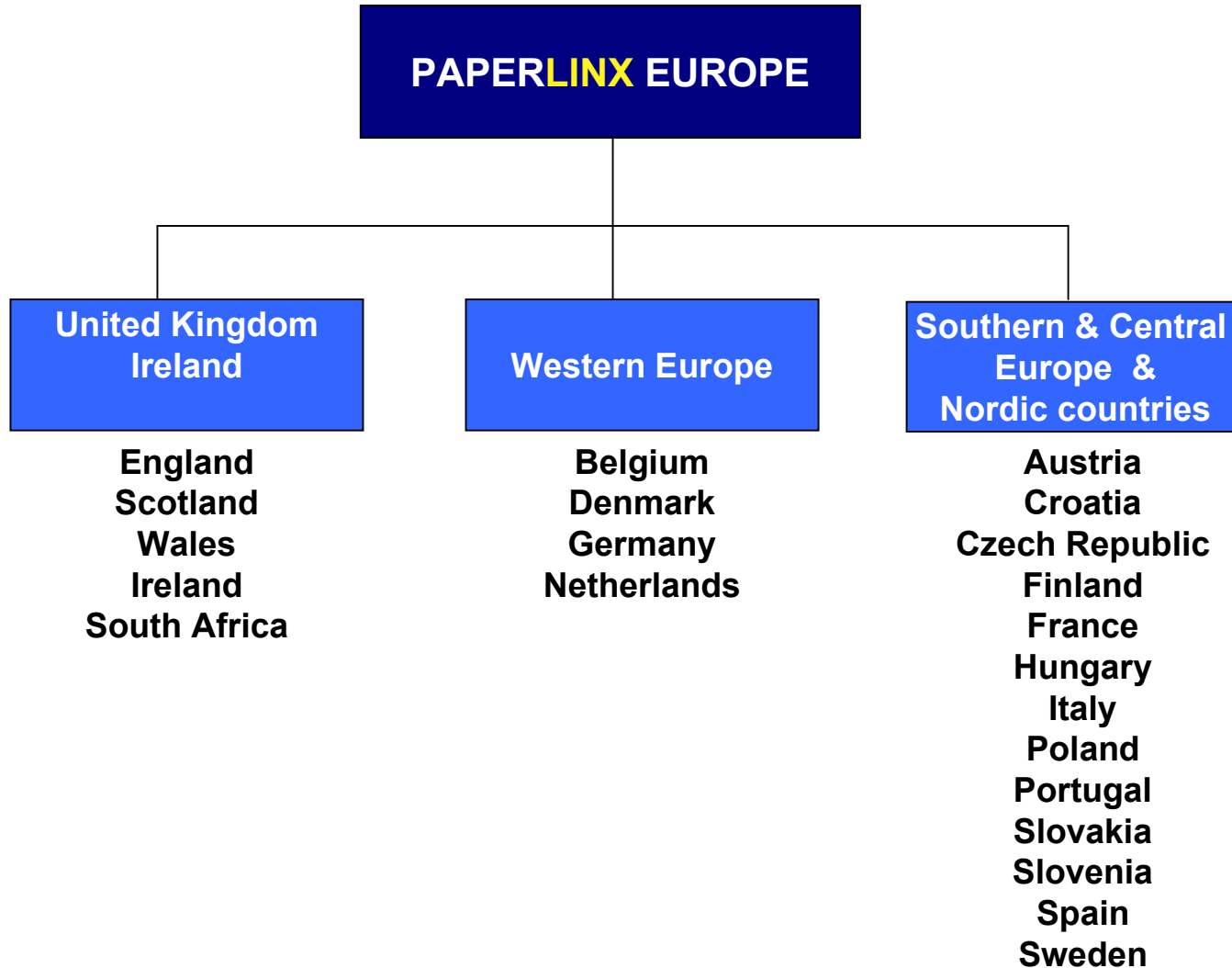
		6 months <u>Dec 03</u>	6 months <u>Dec 02</u>	Change <u>%</u>
Sales Volume	'000 tonnes	236	221	7
Sales Revenue	US\$m	289	257	12
Profit before Interest & Tax	US\$m	4.2	5.7	(26)

- Paper demand remains subdued
- Lower paper selling prices
- Underlying sales volumes slightly lower, but market share increased
- Canadian Competition Authority investigation ended
- Inclusion of Kelly Paper from 1 November 2003

Europe

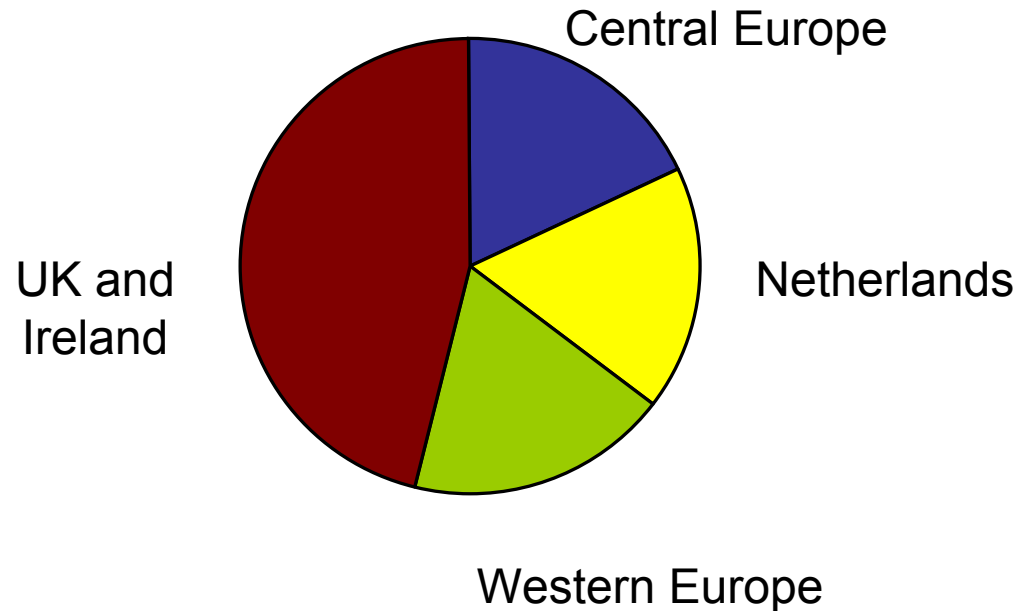
Eduard de Voogd

PaperlinX Europe Structure



PaperlinX Europe - Market sizes (by revenue)

Proforma Revenue for six months



PaperlinX Europe

- 1 AUSTRIA
- 2 BELGIUM
- 3 CROATIA
- 4 CZECH REPUBLIC
- 5 DENMARK
- 6 FINLAND
- 7 FRANCE
- 8 GERMANY
- 9 HUNGARY
- 10 IRELAND
- 11 ITALY
- 12 NETHERLANDS
- 13 POLAND
- 14 PORTUGAL
- 15 SLOVAKIA
- 16 SLOVENIA
- 17 SPAIN
- 18 SWEDEN
- 19 UNITED KINGDOM



PaperlinX Europe

		<u>*6 months Dec 03</u>	<u>6 months Dec 02</u>	<u>Change %</u>
Sales Volume	'000 tonnes	560	191	193
Sales Revenue	€m	636	255	150
Profit before Interest & Tax	€m	18.0	9.9	82

*Note: includes The Paper Company for six months and PaperlinX Europe for 2 months

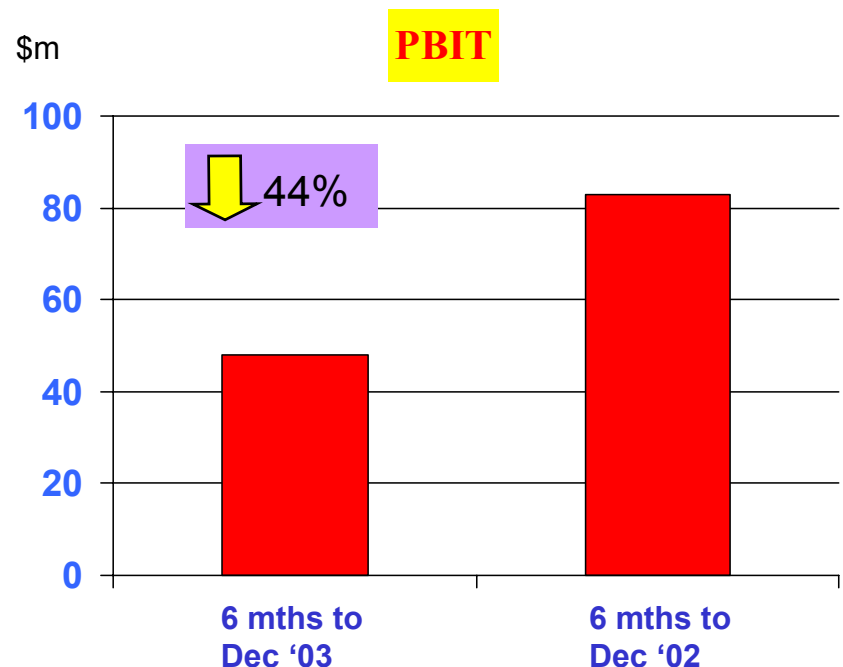
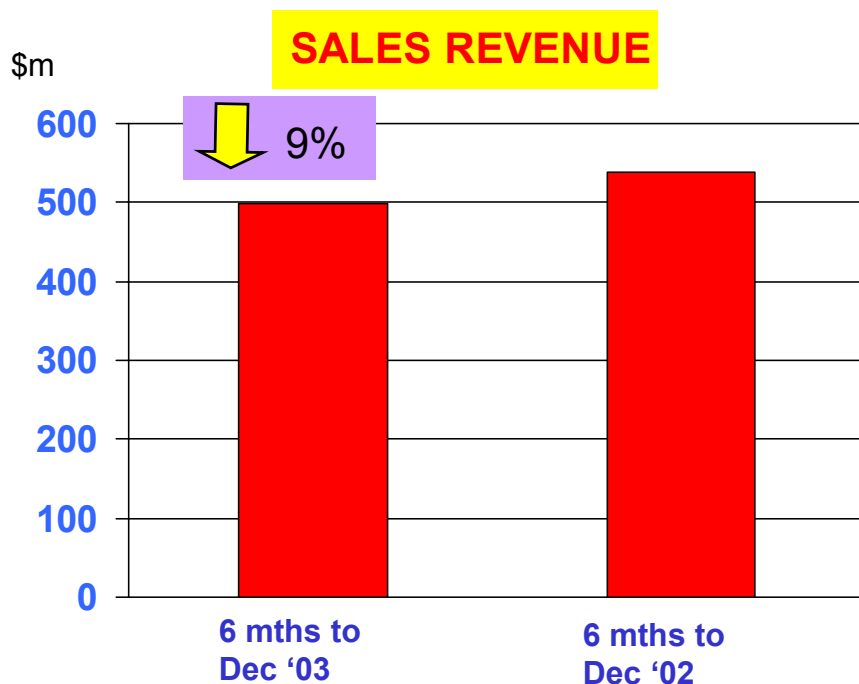
- Continued strong performance by The Paper Company
- Acquisition of BPMD completed 1 November 2003
- Integration progressing well
- Performing in line with expectations
- Benefits flowing from restructuring (Germany, UK)
- Strengthening demand in recent months

Chief Operating Officer Australian Paper

David Goldthorp

Australian Paper - Consolidated Result

		6 months <u>Dec 03</u>	6 months <u>Dec 02</u>	Change %
Sales Volume	'000 tonnes	404	418	(4)
Sales Revenue	A\$m	492	540	(9)
Profit before Interest & Tax	A\$m	46.6	82.7	(44)
Return on Average Funds Employed	%	8.2	15.6	



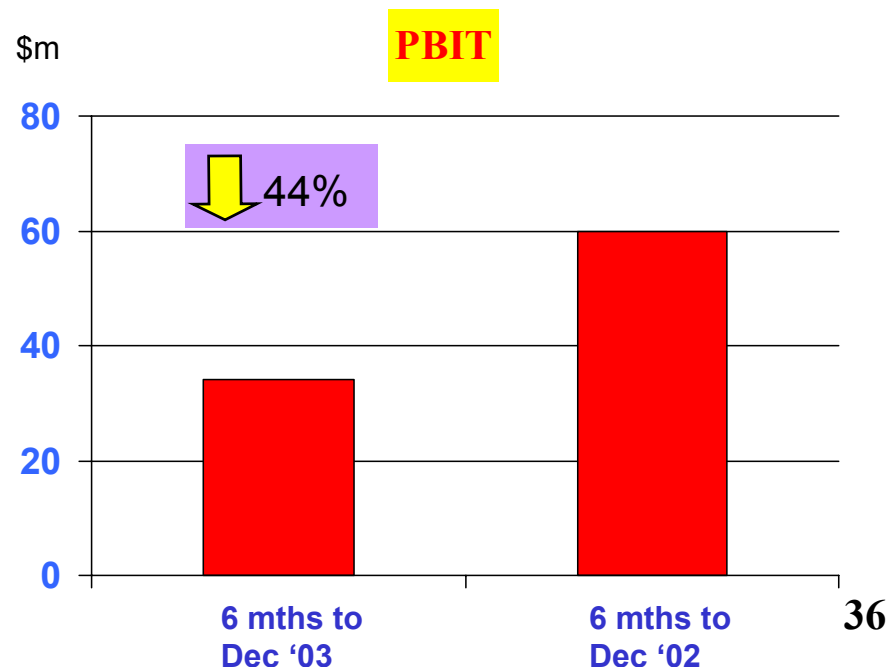
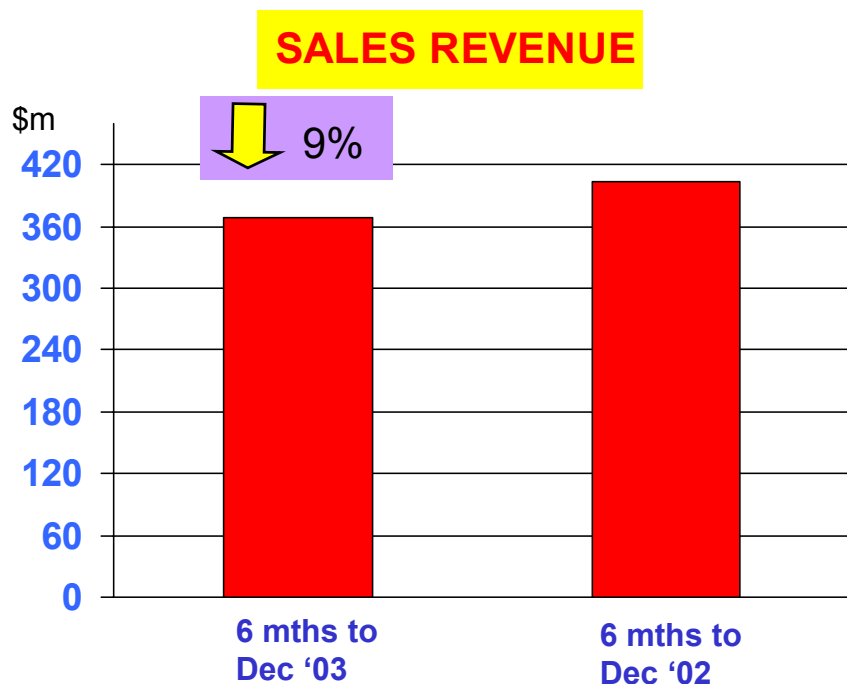
Communication Papers

Australian Paper - Communication Papers

- Sharply stronger Australian dollar
 - lower average Australian paper selling prices
 - reduced export receipts
 - benefit from lower imported pulp costs
- Stable Australian demand
- Increased supply to Australia of lower cost imported paper
- Reduced sales volumes and margins
- Further cost reduction and productivity initiatives

Australian Paper - Communication Papers

		6 months <u>Dec 03</u>	6 months <u>Dec 02</u>	Change %
Sales Volume	'000 tonnes	247	253	(2)
- Australia / New Zealand	%	85	88	
Sales Revenue	A\$m	367	404	(9)
Profit before Interest & Tax	A\$m	33.9	60.0	(44)



Communication Papers - Current Initiatives

- Focus on brand positioning
 - Reflex
 - New brands
- Productivity improvements
- Cost reduction initiatives
- Enhanced customer focus and service offer

Packaging Papers

Australian Paper - Packaging Papers

Linerboard

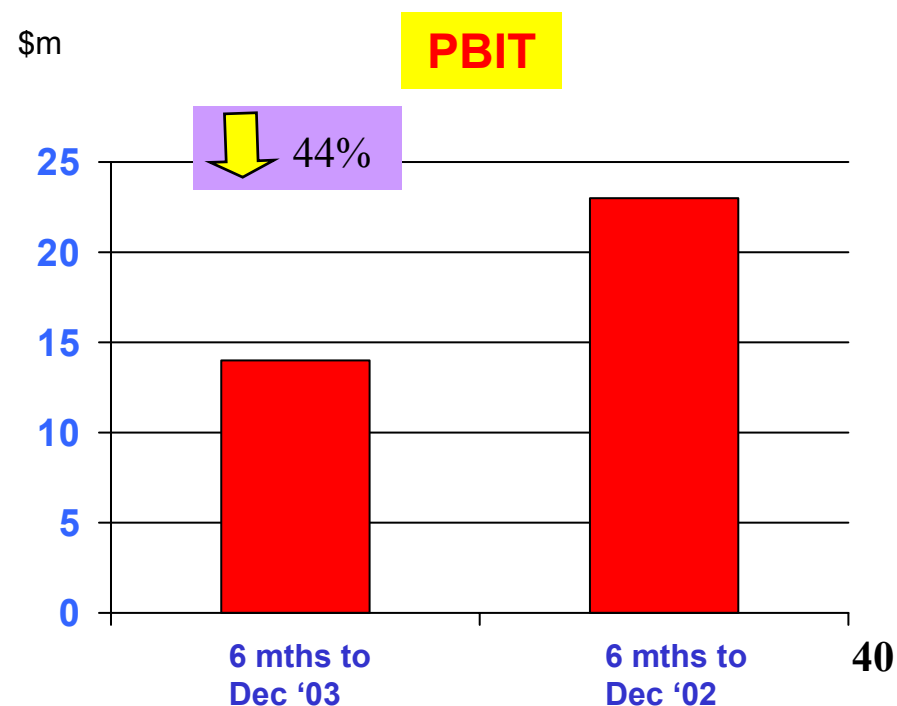
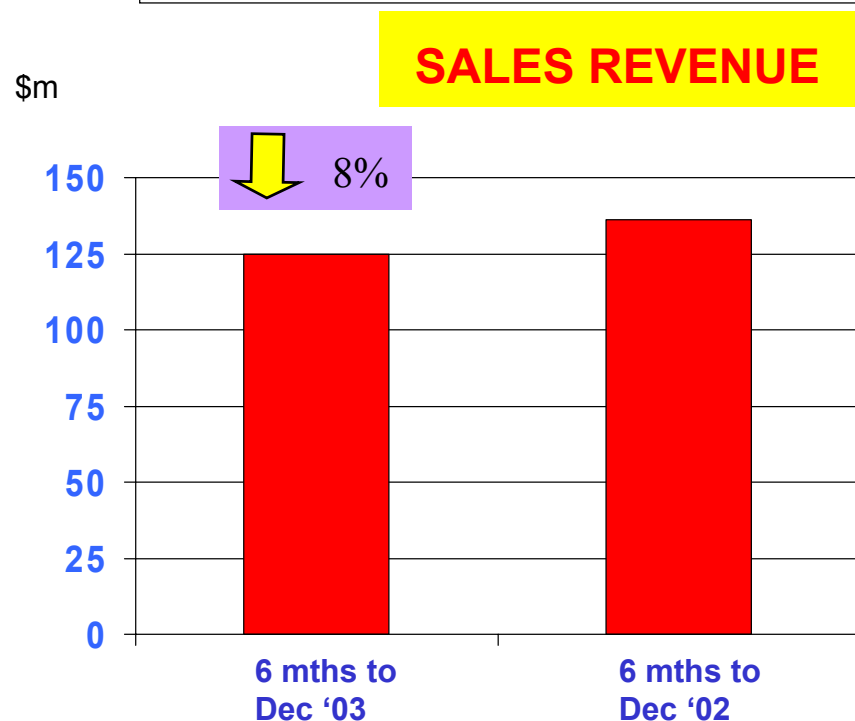
- Strong Australian linerboard demand
- Lower export receipts
- Solid overall performance

Sack & Bag

- Import competition in Sack papers and Bag papers at lower \$A prices
- Commissioning of semi-extensible sack kraft paper unit
- Lower export receipts

Australian Paper - Packaging Papers

		6 months <u>Dec 03</u>	6 months <u>Dec 02</u>	Change <u>%</u>
Sales Volume	'000 tonnes	157	165	(5)
- Australia / New Zealand	%	88	86	
Sales Revenue	A\$m	125	136	(8)
Profit before Interest & Tax	A\$m	12.7	22.7	(44)



Packaging Papers – Current Initiatives

- Steps underway to rectify production problems on semi-extensible unit
- Focus on customer partnerships
- Productivity improvements
- Restructuring of cost structures

Managing Director and Chief Executive Officer

Tom Park

PaperlinX Strategy

- Earnings balance between manufacturing and merchandising
- Productivity within businesses
- Integration benefits across geographies and group
- Seek further customer and supplier opportunities
- Secure leadership positions going forward

Australian Paper

- Support position as Australia's leading paper manufacturer
 - White communication papers (excluding newsprint)
 - High performance brown packaging papers
- Program to correct Extensible Sack Kraft Paper production issues
- Focus on productivity improvement, cost reductions and competitiveness
- Continue to review opportunities to reduce exposure to imported pulp costs
- Leverage supply chain initiatives

Paper Merchanting

- Progress integration of new businesses and achieve maximum synergies
- Leveraging our strong global supplier relationships
- Continue to develop existing customer base
- Systems enhancements to improve service offering
- Manage funds employed to lift returns

Business Outlook

- Business platform built consistent with PaperlinX strategy
- Improving economic conditions / demand for paper
- Paper selling price rises uncertain
- Intense focus on Australian Paper productivity improvements on operating costs and competitiveness continues
- Integration benefits from PaperlinX Europe
- Near term Australian upside dependent upon receding \$A rates

Outlook

- Key issue is currency; no short term relief
- Pressure on Communication Papers greater in second half - higher average currency
- Semi-extensible sack kraft paper commissioning issues being resolved
- Value of strategic position built in Merchanting will begin to show returns
- Platform in place to lift return on average funds, EPS and shareholder returns over time

Questions & Answers

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