

Rules 4.3 A

Appendix 4D

Half Yearly Report

Introduced 1/1/2003

Name of entity

PAPERLINX LIMITED

ABN	Half yearly (tick)	Preliminary final (tick)	Half year/financial year ended ('current period')
70 005 146 350	✓		31 December 2006

Results for announcement to the market

Extracts from this report for announcement to the market (see note 1).

A\$M

Revenue (item 1.1)	up	9.8%	to	3,925.8
Profit before net interest and tax (item 1.47)	up	10.0%	to	87.1
Net profit (loss) for the period attributable to holders of the parent (item 1.13)	down	7.4%	to	32.7
Dividends (distributions)		Amount per security		Franked amount per security
Final dividend (Preliminary final report only - item 15.4)		N/A		N/A
Interim dividend declared at the date of this report (Half yearly report only - item 15.6)		5.0¢		Nil
This dividend has not been provided for in the accounts as at 31 December 2006.				
Previous corresponding period (Preliminary final report - item 15.5; half yearly report - item 15.7)		5.5¢		Nil
+Record date for determining entitlements to the dividend, (in the case of a trust, distribution) (see item 15.2)		16 March 2007		
Brief explanation of any of the figures reported above (see Note 1) and short details of any bonus or cash issue or other item(s) of importance not previously released to the market:				
Refer attached news release.				

If this is a half yearly report it is to be read in conjunction with the most recent annual financial report.

+ See chapter 19 for defined terms.

Condensed consolidated statement of financial performance

		Current period – A\$M	Previous corresponding period - A\$M
1.1	Revenue (<i>items 1.17 – 1.19</i>)	3,925.8	3,576.2
1.2	Other Income (<i>items 1.20 – 1.25</i>)	6.5	9.6
1.3	Expenses (<i>items 1.26 – 1.31</i>)	(3,842.0)	(3,506.8)
1.4	Profit (loss) before net financing costs	90.3	79.0
1.5	Financial income (<i>items 1.32 – 1.34</i>)	3.2	4.0
1.6	Financial expenses (<i>items 1.35 – 1.39</i>)	(43.3)	(36.7)
1.7	Net finance costs	(40.1)	(32.7)
1.8	Profit (loss) before tax	50.2	46.3
1.9	Tax expense	(17.8)	(11.0)
1.10	Profit (loss) after tax but before profit and loss of discontinuing operations	32.4	35.3
1.11	Profit (loss) of discontinuing operations, net of tax	0.3	-
1.12	Profit for the period	32.7	35.3
	Attributable to		
1.13	Equity holders of the parent	32.7	35.3
1.14	Minority interests	-	-
		32.7	35.3
Earnings per security (EPS)		Current period	Previous corresponding period
1.15	Basic EPS from continuing operations (cents)	7.3	7.9
1.16	Diluted EPS from continuing operations (cents)	7.2	7.9

+ See chapter 19 for defined terms.

		Current Period – A\$M	Previous Corresponding Period A\$M
REVENUES AND EXPENSES			
Revenue			
1.17	Sales of goods	3,922.6	3,573.7
1.18	Commissions	3.2	2.5
1.19	Total revenue	3,925.8	3,576.2

Other income			
1.20	Insurance proceeds	-	-
1.21	Rent	1.8	1.0
1.23	Dividends	0.4	0.8
1.24	Net profit on disposal of non-current assets	1.2	6.4
1.22	Other	3.1	1.4
1.25	Total other income	6.5	9.6

+ See chapter 19 for defined terms.

		Current Period – A\$M	Previous Corresponding Period A\$M
Expenses			
1.26	Cost of sales	(3,218.2)	(2,919.2)
1.27	Distribution and warehousing	(216.5)	(206.0)
1.28	Sales and marketing	(177.2)	(168.0)
1.29	General and administration	(229.5)	(212.2)
1.30	Research and development	(0.6)	(1.4)
1.31	Total expenses (1)	(3,842.0)	(3,506.8)

(1) Included in expenses is \$11.1 million business restructure costs which primarily relate to the pulp mill, partially offset by net property savings of \$2.2 million

Net financing costs, continuing operations			
Financial income:			
1.32	Interest income	3.2	2.5
1.33	Net foreign exchange gains	-	1.5
1.34	Total financial income	3.2	4.0
Financial expenses:			
1.35	Interest expense	(40.4)	(35.4)
1.36	Less capitalised interest	1.2	-
		(39.2)	(35.4)
1.37	Net foreign exchange losses	(3.0)	-
1.38	Other borrowing costs	(1.1)	(1.3)
1.39	Total financial expenses	(43.3)	(36.7)
1.40	Total net financing costs, continuing operations	(40.1)	(32.7)
Net interest expense, continuing operations:			
1.41	Interest income	3.2	2.5
1.42	Interest expense	(39.2)	(35.4)
1.43	Total net interest expense, continuing operations	(36.0)	(32.9)

+ See chapter 19 for defined terms.

		Current Period - A\$m	Previous Corresponding Period A\$m
Profit before tax			
1.44	Revenue:		
	• Continuing operations	3,922.6	3,573.7
	• Discontinuing operations	25.9	-
		3,948.5	3,573.7
1.45	Profit before depreciation, amortisation, net interest and tax:		
	• Continuing operations	136.9	129.4
	• Discontinuing operations	0.9	-
		137.8	129.4
1.46	Depreciation and amortisation:		
	• Continuing operations	(50.7)	(50.2)
	• Discontinuing operations	-	-
		(50.7)	(50.2)
1.47	Profit before net interest and tax:		
	• Continuing operations	86.2	79.2
	• Discontinuing operations	0.9	-
		87.1	79.2
1.48	Net interest:		
	• Continuing operations	(36.0)	(32.9)
	• Discontinuing operations	(0.4)	-
		(36.4)	(32.9)
1.49	Profit before tax:		
	• Continuing operations	50.2	46.3
	• Discontinuing operations	0.5	-
		50.7	46.3
1.50	Tax:		
	• Continuing operations	(17.8)	(11.0)
	• Discontinuing operations	(0.2)	-
		(18.0)	(11.0)
1.51	Profit for the period:		
	• Continuing operations	32.4	35.3
	• Discontinuing operations	0.3	-
		32.7	35.3

+ See chapter 19 for defined terms.

Consolidated retained profits		Current period - A\$M	Previous corresponding period A\$M
1.52	Retained profits (accumulated losses) at the beginning of the financial period	(38.2)	(58.1)
1.53	Net profit (loss) attributable to holders of the parent (<i>item 1.13</i>)	32.7	35.3
1.54	Net transfers from (to) reserves (<i>details if material</i>)	-	-
1.55	Employee share options and rights	2.2	1.8
1.56	Adjustment to comply with AASB 139 (Financial Instruments: Recognition and Measurement)	-	(0.3)
1.57	Dividends paid	(20.1)	(53.5)
1.58	Actuarial gains/ (losses) on defined benefit plans	3.4	-
1.59	Retained profits (accumulated losses) at end of financial period	(20.0)	(74.8)

+ See chapter 19 for defined terms.

Intangible and extraordinary items

		<i>Consolidated – current period</i>			
		Before tax A\$M (a)	Related tax A\$M (b)	Related outside +equity interests A\$M (c)	Amount (after tax) attributable to members A\$M (d)
2.1	Amortisation of computer software	(8.4)	-	-	(8.4)
2.2	Amortisation of brand names	-	-	-	-
2.3	Amortisation of other intangibles	-	-	-	-
2.4	Total amortisation of intangibles	(8.4)	-	-	(8.4)
2.5	Extraordinary items (details)	-	-	-	-
2.6	Total extraordinary items	-	-	-	-

There was no amortisation of goodwill in the previous corresponding period.

Comparison of half year profits

(Preliminary final report only)

		Current year – A\$M	Previous year – A\$M
3.1	Consolidated profit (loss) after tax attributable to holders of the parent reported for the 1st half year (item 1.13 in the half yearly report)	N/A	N/A
3.2	Consolidated profit (loss) after tax attributable to holders of the parent for the 2nd half year	N/A	N/A
	Total for year	N/A	N/A

+ See chapter 19 for defined terms.

Condensed consolidated balance sheets		At end of current period A\$M	As shown in last annual report A\$M	As in last half yearly report A\$M
Current assets				
4.1	Cash and cash equivalents	197.9	455.1	289.0
4.2	Trade and other receivables	1,610.9	1,541.8	1,489.8
4.3	Inventories	890.0	864.1	814.9
4.4	Assets classified as held for sale	-	19.6	-
4.5	Total current assets	2,698.8	2,880.6	2,593.7
Non-current assets				
4.6	Receivables	8.6	8.9	5.1
4.7	Investments	13.8	14.1	13.5
4.8	Property, plant and equipment	994.7	990.8	977.0
4.9	Intangible assets	413.2	421.6	405.7
4.10	Deferred tax assets	64.2	74.4	83.4
4.11	Total non-current assets	1,494.5	1,509.8	1,484.7
4.12	Total assets	4,193.3	4,390.4	4,078.4
Current liabilities				
4.13	Trade and other payables	1,054.4	1,172.9	958.8
4.14	Interest bearing loans and borrowings	225.2	221.7	266.2
4.15	Income tax payable	12.9	9.6	6.4
4.16	Employee benefits	50.3	41.4	42.6
4.17	Provisions	12.4	13.8	17.3
4.18	Liabilities classified as held for sale	-	0.9	-
4.19	Total current liabilities	1,355.2	1,460.3	1,291.3
Non-current liabilities				
4.20	Payables	83.9	93.1	120.0
4.21	Interest bearing liabilities	1,039.8	1,136.7	1,039.9
4.22	Deferred tax liabilities	44.1	43.4	33.4
4.23	Employee benefits	37.2	37.3	39.2
4.24	Provisions	11.5	10.9	4.5
4.25	Total non-current liabilities	1,216.5	1,321.4	1,237.0
4.26	Total liabilities	2,571.7	2,781.7	2,528.3
4.27	Net assets	1,621.6	1,608.7	1,550.1

+ See chapter 19 for defined terms.

Condensed consolidated balance sheets (cont)		At end of current period A\$M	As shown in last annual report A\$M	As in last half yearly report A\$M
	Equity			
4.28	Issued capital	1,698.3	1,691.9	1,691.7
4.29	Reserves	(56.8)	(45.0)	(66.9)
4.30	Retained profits (accumulated losses)	(20.0)	(38.2)	(74.8)
4.31	Equity attributable to holders of the parent entity	1,621.5	1,608.7	1,550.0
4.32	Minority interests	0.1	-	0.1
4.33	Total equity	1,621.6	1,608.7	1,550.1
4.34	Preference capital included as part of 4.37	-	-	-

+ See chapter 19 for defined terms.

Exploration and evaluation expenditure capitalised

(To be completed only by entities with mining interests if amounts are material. Include all expenditure incurred.)

	Current period A\$M	Previous corresponding period – A\$M
5.1 Opening balance	N/A	N/A
5.2 Expenditure incurred during current period	N/A	N/A
5.3 Expenditure written off during current period	N/A	N/A
5.4 Acquisitions, disposals, revaluation increments, etc.	N/A	N/A
5.5 Expenditure transferred to Development Properties	N/A	N/A
5.6 Closing balance	N/A	N/A

Development properties

(To be completed only by entities with mining interests if amounts are material)

	Current period A\$M	Previous corresponding period – A\$M
6.1 Opening balance	N/A	N/A
6.2 Expenditure incurred during current period	N/A	N/A
6.3 Expenditure transferred from exploration and evaluation	N/A	N/A
6.4 Expenditure written off during current period	N/A	N/A
6.5 Acquisitions, disposals, revaluation increments, etc.	N/A	N/A
6.6 Expenditure transferred to mine properties	N/A	N/A
6.7 Closing balance	N/A	N/A

+ See chapter 19 for defined terms.

Condensed consolidated statement of cash flows

	Current period A\$M	Previous corresponding period – A\$M
Cash flows related to operating activities		
7.1 Receipts from customers	3,840.1	3,559.5
7.2 Payments to suppliers and employees	(3,950.3)	(3,557.5)
7.3 Dividends received	0.4	0.8
7.4 Interest received	3.2	2.5
7.5 Interest paid	(36.9)	(36.3)
7.6 Income taxes paid	(6.6)	(6.3)
7.7 Other (provide details if material)	8.1	4.9
7.8 Net operating cash flows	(142.0)	(32.4)
Cash flows related to investing activities		
7.9 Loans (advanced to)/repaid by other entities	0.1	(0.4)
7.10 Acquisition of property, plant and equipment and intangibles	(63.5)	(45.7)
7.11 Acquisition of subsidiaries and businesses	(11.1)	(0.8)
7.12 Partial refund of the purchase price in relation to an acquisition in a prior period	8.7	-
7.13 Proceeds on disposal of property, plant and equipment	12.2	18.9
7.14 Proceeds from the sale of controlled entities and businesses	16.4	-
7.15 Net investing cash flows	(37.2)	(28.0)
Cash flows related to financing activities		
7.16 Dividends paid	(14.4)	(53.4)
7.17 Proceeds from issues of shares	0.7	-
7.18 Proceeds from employee share plan loans	0.1	0.1
7.19 Proceeds from borrowings	1,078.6	478.0
7.20 Repayment of borrowings	(1,145.0)	(498.1)
7.21 Principal lease repayments	(0.1)	-
7.22 Net financing cash flows	(80.1)	(73.4)
7.23 Net increase (decrease) in cash held	(259.3)	(133.8)
7.24 Cash at beginning of period (see <i>Reconciliation of cash</i>)	453.9	427.8
7.25 Exchange rate adjustments to item 7.24	2.9	(6.7)
7.26 Cash at end of period (see <i>Reconciliation of cash</i>)	197.5	287.3

+ See chapter 19 for defined terms.

Non-cash financing and investing activities

Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows are as follows. (*If an amount is quantified, show comparative amount.*)

N/A

Reconciliation of cash

Reconciliation of cash at the end of the period (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current period A\$M	Previous corresponding Period – A\$M
8.1 Cash on hand and at bank	197.9	289.0
8.2 Bank overdraft	(0.4)	(1.7)
8.3 Total cash at end of period (item 7.26)	197.5	287.3

Other notes to the condensed financial statements

Ratios	Current period	Previous corresponding Period
9.1 Profit before tax / revenue Consolidated profit (loss) before tax (item 1.8) as a percentage of revenue (item 1.1)	1.3%	1.3%
9.2 Profit after tax / +equity interests Consolidated net profit (loss) after tax attributable to holders of the parent (item 1.13) as a percentage of equity (similarly attributable) at the end of the period (item 4.31)	2.0%	2.3%

+ See chapter 19 for defined terms.

Earnings per security (EPS)

10. Details of basic and diluted EPS reported separately in accordance with paragraph 9 and 18 of *AASB 1027: Earnings Per Share* are as follows.

		Current period	Previous corresponding Period
Calculation of the following in accordance with <i>AASB 1027: Earnings per Share</i>			
10.1	Basic earnings per share (cents)		
	• Continuing operations	7.3	7.9
	• Discontinuing operations	-	-
		7.3	7.9
10.2	Net Profit		
	• Continuing operations	32.4	35.3
	• Discontinuing operations	0.3	-
		32.7	35.3
10.3	Weighted average number of shares (millions)	446.9	446.2
10.4	Diluted earnings per share (cents)		
	• Continuing operations	7.2	7.9
	• Discontinuing operations	-	-
		7.2	7.9
10.5	Net Profit		
	• Continuing operations	32.4	35.3
	• Discontinuing operations	0.3	-
		32.7	35.3
10.6	Weighted average number of shares (millions)	451.1	449.5

NTA backing

		Current period	Previous corresponding Period
11.1	Net tangible asset backing per ⁺ ordinary security	\$2.55	\$2.38

+ See chapter 19 for defined terms.

Discontinuing Operations

(Entities must report a description of any significant activities or events relating to discontinuing operations in accordance with paragraph 7.5 (g) of AASB 1029: Interim Financial Reporting, or, the details of discontinuing operations they have disclosed in their accounts in accordance with AASB 1042: Discontinuing Operations (see note 17).)

12.1 Discontinuing Operations

N/A

Control gained over entities having material effect

13.1 Name of entity (or group of entities)	NIL
13.2 Consolidated profit (loss) and extraordinary items after tax of the subsidiaries since the date in the current period on which control was ⁺ acquired	N/A
13.3 Date from which such profit has been calculated	N/A
13.4 Profit (loss) and extraordinary items after tax of the subsidiaries for the whole of the previous corresponding period	N/A

Loss of control of entities having material effect

14.1 Name of entity (or group of entities)	NIL
14.2 Consolidated profit (loss) and extraordinary items after tax of the subsidiaries for the current period to the date of loss of control	N/A
14.3 Date to which the profit (loss) in item 14.2 has been calculated	N/A
14.4 Consolidated profit (loss) and extraordinary items after tax of the subsidiaries while controlled during the whole of the previous corresponding period	N/A
14.5 Contribution to consolidated profit (loss) and extraordinary items from sale of interest leading to loss of control	N/A

+ See chapter 19 for defined terms.

Dividends (in the case of a trust, distributions)

15.1	Date the dividend (distribution) is payable	5 April 2007
15.2	+Record date to determine entitlements to the dividend (distribution) (ie, on the basis of proper instruments of transfer received by 5.00 pm if +securities are not +CHES approved, or security holding balances established by 5.00 pm or such later time permitted by SCH Business Rules if +securities are +CHES approved)	16 March 2007
15.3	If it is a final dividend, has it been declared? <i>(Preliminary final report only)</i>	N/A

Amount per security

		Amount per security	Franked amount per security at applicable tax (see note 4)	Amount per security of foreign source dividend
15.4	<i>(Preliminary final report only)</i> Final dividend: Current year (30% tax rate)	N/A	N/A	N/A
15.5	Previous year (30% tax rate)	N/A	N/A	N/A
15.6	<i>(Half yearly and preliminary final reports)</i> Interim dividend: Current year (30% tax rate) - not provided for at 31 December.	5.0¢	Nil	100%
15.7	Previous year (30% tax rate)	5.5¢	Nil	N/A

Total dividend (distribution) per security (interim plus final)*(Preliminary final report only)*

	Current year	Previous year
15.8 +Ordinary securities	N/A	N/A
15.9 Preference +securities	N/A	N/A

Half yearly report - interim dividend (distribution) on all securities or Preliminary final report - final dividend (distribution) on all securities

	Current period A\$M	Previous corresponding Period – A\$M
15.10 +Ordinary securities <i>(each class separately)</i> Preference +securities <i>(each class separately)</i>	Not provided for at 31 December 2006	Not provided for at 31 December 2005
15.12 Other equity instruments <i>(each class separately)</i> Refer 15.6 above		
15.13 Total	-	-

+ See chapter 19 for defined terms.

The +dividend or distribution plans shown below are in operation.

Dividend Reinvestment Plan ('DRP')

The last date(s) for receipt of election notices for the +dividend or distribution plans

16 March 2007

Any other disclosures in relation to dividends (distributions). *(For half yearly reports, provide details in accordance with paragraph 7.5(d) of AASB 1029 Interim Financial Reporting)*

N/A

Details of aggregate share of profits (losses) of associates and joint venture entities

Group's share of associates' and joint venture entities':	Current period A\$M	Previous corresponding period – A\$M
16.1 Profit (loss) before tax	N/A	N/A
16.2 Tax expense	N/A	N/A
16.3 Profit (loss after tax)	N/A	N/A
16.4 (1) Extraordinary items net of tax	-	-
(2) Unrealised profit in inventory adjustment	N/A	N/A
16.5 Net profit (loss)	N/A	N/A
16.6 Adjustments	N/A	N/A
16.7 Share of net profit (loss) of associates and joint venture entities	N/A	N/A

+ See chapter 19 for defined terms.

Material interests in entities which are not controlled entities

The economic entity has an interest (that is material to it) in the following entities. (If the interest was acquired or disposed of during either the current or previous corresponding period, indicate date of acquisition ("from dd/mm/yy") or disposal ("to dd/mm/yy").)

Name of entity	Percentage of ownership interest held at end of period or date of disposal		Contribution to net profit (loss) (item 1.9)	
	Current period	Previous corresponding period	Current period A\$M	Previous corresponding period – A\$M
17.1 Equity accounted associates and joint venture entities NIL				
17.2 Total	-	-	-	-
Name of entity	Percentage of ownership interest held at end of period or date of disposal		Contribution to net profit (loss) (item 1.9)	
	Current period	Previous corresponding period	Current period A\$M	Previous corresponding period – A\$M
17.3 Other material interests NIL				
17.4 Total	-	-	-	-

+ See chapter 19 for defined terms.

Issued and quoted securities at end of current period*(Description must include rate of interest and any redemption or conversion rights together with prices and dates)*

Category of +securities	Total number	Number quoted	Issue price per security (see note 14) (cents)	Amount paid up per security (see note 14) (cents)
18.1 Preference +securities <i>(description)</i>	N/A	N/A	N/A	N/A
18.2 Changes during current period				
(a) Increases through issues	N/A	N/A	N/A	N/A
(b) Decreases through returns of capital, buybacks, redemptions	N/A	N/A	N/A	N/A
18.3 +Ordinary securities	447,983,180			
18.4 Changes during current period				
(a) Increases through Employee Share Plan Issues				
– Exercise of Options	165,000	165,000	\$3.13	\$3.13
– Exercise of Options	25,000	25,000	\$3.50	\$3.50
– Exercise of Options	25,000	25,000	\$3.32	\$3.32
(b) Increase through long term incentive plan	-	-	-	-
(c) Decreases through returns of capital, buybacks	-	-	-	-
18.5 +Convertible debt securities <i>(description and conversion factor)</i>	N/A	N/A	N/A	N/A
18.6 Changes during current period				
(a) Increases through Employee Share Plan Issues	N/A	N/A	N/A	N/A
(b) Decreases through securities matured, converted	N/A	N/A	N/A	N/A

+ See chapter 19 for defined terms.

	Total number	Number quoted	Exercise price	Expiry Date (if any)
18.7 Options (<i>description and conversion factor</i>)	4,421,670	Nil		N/A
18.8 Issued during current period				
	1,121,240	Nil	3.11	N/A
	150,000	Nil	3.11	N/A
	1,271,240			
18.9 Exercised during current period				
	165,000	Nil	3.13	
	25,000	Nil	3.50	
	25,000	Nil	3.32	
	215,000			
18.10 Expired during current period	186,730	N/A		
18.11 Debentures (<i>description</i>)				
18.12 Changes during current period				
(a) Increases through issues	N/A	N/A		
(b) Decreases through securities matured, converted	N/A	N/A		
18.13 Unsecured notes (<i>description</i>)				
18.14 Changes during current period				
(a) Increases through issues	N/A	N/A		
(b) Decreases through securities matured, converted	N/A	N/A		

+ See chapter 19 for defined terms.

Segment Reporting

(Information on the business and geographical segments of the entity must be reported for the current period in accordance with *AASB 1005: Segment Reporting* and for half year reports, *AASB 1029: Interim Financial Reporting*. Because entities employ different structures a pro forma cannot be provided. Segment information in the layout employed in the entity's ⁺accounts should be reported separately and attached to this report.)

BUSINESS SEGMENTS

The consolidated entity comprises the following main business segments, based on the consolidated entity's management and internal reporting system.

Segment	Description of Operations
Merchanting and Paper Trading	International paper merchant and paper trader supplying the printing and publishing industry and office supplies.
Communication Papers	Manufacture of office papers, graphic papers, converting papers and other speciality and coated papers. Includes stationery and envelopes business.
Packaging Papers	Manufacture of packaging papers and industrial papers. Products include kraftliners, sack kraft and light weight bag and industrial papers, sold predominantly to converting customers.
Corporate	Includes corporate costs.

⁺ See chapter 19 for defined terms.

Segment Reporting (cont'd)

	SEGMENT RESULT (3)	SEGMENT REVENUE
	\$M	\$M
For the year ended 31 December 2006		
<u>BUSINESS SEGMENTS</u>		
Merchanting and Paper Trading		
• Continuing Operations	98.2	3,592.1
• Discontinuing Operations	0.9	25.9
	<u>99.1</u>	<u>3,618.0</u>
Communication Papers	0.1	382.8
Packaging Papers	2.9	127.0
	<u>3.0</u>	<u>509.8</u>
Australian Paper		
Corporate and Other	<u>(15.0)</u>	-
Profit before net interest and tax	87.1	
Net interest (1)	<u>(36.4)</u>	
Profit before tax	50.7	
Tax expense (1)	<u>(18.0)</u>	
Profit for the period	32.7	
Inter-segment sales (2)		<u>(179.3)</u>
Total	<u>32.7</u>	<u>3,948.5</u>

+ See chapter 19 for defined terms.

Segment Reporting (cont'd)

	SEGMENT RESULT (3)	SEGMENT REVENUE
	\$M	\$M
For the year ended 31 December 2005		
<u>BUSINESS SEGMENTS</u>		
Merchanting and Paper Trading	91.3	3,223.8
Communication Papers	1.3	401.6
Packaging Papers	2.8	122.9
Australian Paper	4.1	524.5
Corporate and Other	(16.2)	-
Profit before net interest and tax	79.2	
Net interest (1)	(32.9)	
Profit before tax	46.3	
Tax expense (1)	(11.0)	
Profit for the period	35.3	
Inter-segment sales (2)		(174.6)
Total	35.3	3,573.7

Notes

- (0) Interest and income tax expense are not allocated internally to the segments but held centrally.
- (0) Inter-segment sales comprise sales of paper, which are priced on an arm's length basis.
- (0) The segment result for the individual business segments is the profit before net interest and tax.

Comments by directors

(Comments on the following matters are required by ASX or, in relation to the half yearly report, by AASB 1029: *Interim Financial Reporting*. The comments do not take the place of the directors' report and statement (as required by the Corporations Act) and may be incorporated into the directors' report and statement. For both half yearly and preliminary final reports, if there are no comments in a section, state NIL. If there is insufficient space to comment, attach notes to this report.)

Basis of financial report preparation

18.0 Not applicable (Interim report only)

18.0 Material factors affecting the revenues and expenses of the economic entity for the current period. In a half yearly report, provide explanatory comments about any seasonal or irregular factors affecting operations.

Refer attached News Release

19.3 A description of each event since the end of the current period which has had a material effect and which is not already reported elsewhere in this Appendix or in attachments, with financial effect quantified (if possible).

Refer attached News Release

19.4 Franking credits available and prospects for paying fully or partly franked dividends for at least the next year.

At the date of this report, PaperlinX Limited has declared an unfranked dividend on ordinary shares payable on 5 April 2007 of 5.0 cents per share on fully paid shares. This dividend has not been provided for in the accounts as at 31 December 2006.

The balance of the consolidated franking account as at 31 December 2006 was \$Nil (2005: \$Nil).

It is expected that any final dividend in respect of the year ending 30 June 2007 will be unfranked.

- 19.5 Unless disclosed below, the accounting policies, estimation methods and measurement bases used in this report are the same as those used in the last annual report. Any changes in accounting policies, estimation methods and measurement bases since the last annual report are disclosed as follows

Not applicable

- 18.5 Revisions in estimates of amounts reported in previous interim periods. For half yearly reports the nature and amount of revisions in estimates of amounts reported in previous +annual reports if those revisions have a material effect in this half year.

Not applicable

- 18.5 Changes in contingent liabilities or assets. For half yearly reports, changes in contingent liabilities and contingent assets since the last + annual report.

Not applicable

Additional disclosure for trusts

20.1 Number of units held by the management company or responsible entity or their related parties.

Not applicable

20.2 A statement of the fees and commissions payable to the management company or responsible entity.

Identify:

- initial service charges
- management fees
- other fees

Not applicable

Annual meeting

(Preliminary final report only)

The annual meeting will be held as follows:

Place

Not Applicable

Date

Not Applicable

Time

Not Applicable

Approximate date the ⁺annual report will be available

Not Applicable

⁺ See chapter 19 for defined terms.

Compliance statement

- 1 This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views or other standards acceptable to ASX (see note 12).

Identify other standards used

Not applicable

- 2 This report, and the accounts upon which the report is based (if separate), use the same accounting policies.
- 3 This report does give a true and fair view of the matters disclosed (see note 2).
- 4 This report is based on ⁺accounts to which one of the following applies.
(Tick one)
- | | | | |
|--------------------------|---|-------------------------------------|---|
| <input type="checkbox"/> | The ⁺ accounts have been audited. | <input checked="" type="checkbox"/> | The ⁺ accounts have been subject to review. |
| <input type="checkbox"/> | The ⁺ accounts are in the process of being audited or subject to review. | <input type="checkbox"/> | The ⁺ accounts have <i>not</i> yet been audited or reviewed. |
- 6 If the audit report or review by the auditor is not attached, details of any qualifications are attached/will follow immediately they are available* (*delete one*). (*Half yearly report only - the audit report or review by the auditor must be attached to this report if this report is to satisfy the requirements of the Corporations Act.*)
- 6 The entity has a formally constituted audit committee.

Sign here:  Date: 21 February 2007

Print name: James Orr

+ See chapter 19 for defined terms.