

PRESS RELEASE

01 March 2001

*PaperlinX Posts Strong Results
for the Six Months Ended December 2000*

PaperlinX has achieved excellent results for the six months to December 2000.

- ✓ Successful acquisition of Spicers Paper Limited.
- ✓ Profit before interest and tax of \$92.9 million, an increase of 11.5% on prior year proforma results.
- ✓ Profit after tax of \$52.1 million, in line with prospectus forecast, and 9.7% above prior year proforma results.
- ✓ Earnings per share 20.3 cents.
- ✓ Interim dividend declared of 13.0 cents per share, fully franked to be paid on the increased number of shares resulting from the acquisition of Spicers.
- ✓ Profit before interest and tax to funds employed of 12.1%.
- ✓ Sound balance sheet.

The full text of the directors' statement to stock exchanges and news media is attached.

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Statement to Stock Exchanges and News Media For Six Months Ended 31 December 2000

PaperlinX is pleased to announce a solid result for its first interim period as a separately listed public company. Earnings reflect the robust growth expectations outlined in the company's listing prospectus.

PROFIT AND SALES

PaperlinX Limited & Controlled Entities				
		(1) Proforma		
		July/December	July/December	%
		<u>2000</u>	<u>1999</u>	<u>Change</u>
Sales	\$m	842.1	778.2	+8.2%
Profit before interest & income tax*	\$m	92.9	83.3	+11.5%
Profit before income tax*	\$m	74.8	64.8	+15.4%
Profit after income tax*	\$m	52.1	47.5	+9.7%
Key Ratios				
Profit before interest and income tax to funds employed*	%	12.1	10.9	
Return on shareholders equity*	%	10.8	10.1	
Net interest cover (times)*	x	5.1	4.5	
Earnings per share*	cps	20.3	18.5	+9.7%
* before abnormals				
(1) 'Proforma' is as if the businesses acquired from Amcor on 17/04/00 were owned for the period 01/07/99 to 31/12/99				

Consolidated profit after income tax for the six months to December 2000 was in line with prospectus expectations, increasing 9.7% over the prior year proforma results. Reduced interest costs were achieved from the combination of lower interest rates and strong cash flow management.

Profit before interest and income tax of \$92.9 million was 11.5% ahead of the prior year proforma results. Demand for communication papers increased in Australia and New Zealand and higher selling prices for communication papers, necessary to recover the increased cost of imported pulp, were achieved.

DIVIDEND

Directors have declared an interim dividend of 13 cents per share, fully franked at 34 cents in the dollar, as forecast in the prospectus. The dividend will be paid on the increased number of shares resulting from the acquisition of Spicers Paper.

The company will mail the interim dividend on 12 April 2001 to shareholders recorded as being entitled to the dividend on 21 March 2001. The dates are later than those published in the Annual Report to ensure completion of the Spicers Paper acquisition and issue of the resultant PaperlinX shares, prior to the record date.

OPERATIONS

The following table shows, for PaperlinX Limited and controlled entities, profit before income tax, sales revenue and assets by industry and geographic segments for the six months to 31 December 2000 and proforma for the six months to 31 December 1999.

	Profit before Income Tax		Sales Revenue		Total Assets	
	2000	⁽²⁾ Proforma 1999	2000	⁽²⁾ Proforma 1999	2000	⁽²⁾ Proforma 1999
	\$m	\$m	\$m	\$m	\$m	\$m
Industry Segments						
Merchanting ⁽¹⁾	12.9	9.0	347.0	314.8	255.8	203.5
Communication Papers ⁽¹⁾	44.4	36.2	404.3	338.9	940.0	890.6
Packaging Papers ⁽¹⁾	29.3	30.6	139.9	160.5	335.8	340.1
Investments and Other ⁽¹⁾⁽²⁾	6.3	7.5	197.3	179.0	485.8	485.5
Profit before interest & income tax ⁽¹⁾	92.9	83.3				
Net Interest	(18.1)	(18.5)				
Inter-segment Sales			(246.4)	(215.0)		
Total:	74.8	64.8	842.1	778.2	2,017.4	1,919.7
Geographic Segments						
Australia ⁽¹⁾	90.3	81.7	739.8	700.7	1,959.0	1,853.1
New Zealand ⁽¹⁾	1.6	0.9	40.2	39.4	27.3	39.5
North America ⁽¹⁾	(0.3)	0.1	44.1	29.7	20.3	18.9
Europe ⁽¹⁾	0.3	0.5	17.5	8.1	8.4	7.0
Asia ⁽¹⁾	1.0	0.1	0.5	0.3	2.4	1.2
Profit before interest & income tax	92.9	83.3				
Net Interest	(18.1)	(18.5)				
Total:	74.8	64.8	842.1	778.2	2,017.4	1,919.7

⁽¹⁾ profit before interest and income tax

⁽²⁾ proforma is as if the businesses acquired from Amcor on 17/04/00 were owned for the period 01/07/99 to 31/12/99

REVIEW OF THE HALF YEAR

PaperlinX achieved excellent results for the six months to 31 December 2000, with earnings that were higher than the prior year and were in line with prospectus forecasts.

- Profit before interest and tax (PBIT) increased to \$92.9 million, up 11.5% on last year's proforma results.
- Profit after income tax increased to \$52.1 million, up 9.7% on last year's proforma results. Last year's proforma results benefited from a prior period tax adjustment \$3 million higher than the six months to December 2000.
- PBIT to funds employed for the group increased to 12.1% from 10.9% for the proforma prior year.

The results reflect continuing improvements in the businesses from the focus on cost reductions, higher sales volumes in Australia and New Zealand and higher selling prices offset by the increased costs of imported pulp.

The results continue to reflect PaperlinX's strong position as Australia's leading integrated distributor and manufacturer of communication and packaging papers.

MERCHANTING

PaperlinX's merchants (Dalton Fine Paper, Tomasetti Paper House, Dalton Fine Paper New Zealand and PaperHouseXpress) had an excellent six months, with record sales, profit and return on funds employed. Sales volumes increased 6.7% over the prior year to 175,200 tonnes, with gains in all market segments.

Selling prices increased across the product range principally reflecting the devaluation in the Australian dollar against the US dollar, which increased the cost of imported paper.

Gross margin continued to improve, reflecting cost reduction initiatives, particularly those implemented in the prior year. An ongoing program of initiatives is continuing, with particular emphasis on the supply chain and logistics. These initiatives are designed to improve customer satisfaction and reduce operating costs.

COMMUNICATION PAPERS

PaperlinX's pulp and paper manufacturing and sales is conducted by Australian Paper. Australian Paper's communication papers business delivered strong growth in sales revenue and profit. Demand for Australian produced communication papers was driven by the strong underlying growth in office and coated papers and the higher cost of imported paper. Imported paper prices increased due to the combined effect of the devaluation of the Australian dollar and the higher international prices necessary for manufacturers to recover substantial increases in the cost of their raw materials, particularly pulp. A worldwide tight supply of market pulp saw raw material prices increase dramatically. Australian Paper purchases large quantities of market pulp to complement its production capacity, and incurred substantial increases in its costs, which were recovered in higher selling prices.

All paper machines performed well, with high capacity utilisation rates. The Maryvale 5 paper machine continued to exceed performance expectations and record levels of pulp and paper production were once again achieved.

The high quality, double coated publishing paper produced at our Tasmanian mills has achieved positive customer acceptance since its launch in April 2000. The paper replaces imports.

Our Tasmanian paper mills at Burnie and Wesley Vale achieved ISO14001 certification in December 2000. The international certification recognises organisations whose environmental management systems effectively manage the environmental aspects of an organisation's activities, products and services. Australian Paper Plantations has also achieved this certification. Our aim is for all paper mills to achieve ISO14001 certification by June 2001.

Demand continues to be robust for communication papers, particularly copy paper and coated paper which are the strongest growing segments in the paper industry.

PACKAGING PAPERS

PaperlinX's packaging papers business is conducted by Australian Paper. Demand for packaging papers in the six months to December 2000 was strong, both in Australia and overseas.

Sales and earnings are in line with prospectus forecasts, albeit below the prior period. As previously reported, last year included a one time sale of inventory to Amcor of 22,000 tonnes. After adjusting for this one time sale in the prior year, sales volumes and earnings are higher than the previous year.

Export sales accounted for approximately 13% of packaging papers sales. Demand and prices for exports to Asia were strong during the period. Prices have softened in recent months, particularly reflecting lower demand due to Chinese New Year and uncertainty on the strength of the USA economy.

INVESTMENTS & OTHER

Spicers Paper

PaperlinX has now essentially completed the purchase of the balance of the shares in Spicers Paper. Acceptances have been received such that PaperlinX owns over 97% of Spicers Paper shares and has moved to compulsory acquisition of the balance. This is an excellent strategic step for PaperlinX, providing a sound platform for the international growth of our merchanting businesses.

For the six months to December 2000, PaperlinX owned 41.8% of Spicers and has equity accounted the earnings. As Spicers will be a wholly owned subsidiary of PaperlinX Limited, and has been delisted from the Australian Stock exchange, it will not be reporting separately.

For the six months, Spicers achieved strong growth in sales and earnings after tax, before merger costs. Profit after tax before merger costs was \$16.9 million, an increase of 35% over the prior year on sales of \$785 million up 24% on the prior year. Strong results were achieved by all businesses.

After merger transaction costs, Spicers profit after tax was \$13.4 million and PaperlinX's equity accounted share is \$5.3 million, which is in line with the prior year.

The integration of Spicers with PaperlinX is well underway. The focus is on a smooth transition and achievement of the synergy benefits outlined in the Bidders' Statement.

Trading

PaperlinX's international trading businesses faced difficult trading conditions, with tight supply of product and the impact of the fluctuating exchange rates. Despite the difficult conditions, sales and earnings achieved record levels.

Pacific Paper Marketing (PPM), our paper trading business, experienced a shortage of paper to sell due to tight supply internationally. Selling prices generally increased reflecting the tight supply and higher raw material costs. Despite the tough conditions, earnings increased to record levels.

Amtrade, our raw material trading business, was unable to fully pass the impact of the lower Australian dollar onto Australian customers.

Supply conditions are easing and higher costs of imported products are being passed on to customers with the aim of restoring margin.

Plantations

Australian Paper Plantations (APP) achieved record sales volumes, in line with prospectus forecasts. However, the downturn in the building industry reduced the volume of sawlog sales, resulting in profit being below expectation.

The lower contribution from sawlog sales was partially offset by cost reduction initiatives implemented during the period.

Planting preparation is on schedule for the 2001 season, when 2,600 hectares will be planted.

FINANCIAL

A summarised PaperlinX group balance sheet is as follows:

		<u>December 2000</u>	<u>June 2000</u>
Current Assets	\$m	657.4	609.9
Non current assets	\$m	1,360.0	1,368.8
Total Assets	\$m	<u>2,017.4</u>	<u>1,978.7</u>
Current Liabilities	\$m	334.2	283.9
Non Current Liabilities	\$m	715.2	747.6
Total Liabilities	\$m	<u>1,049.4</u>	<u>1,031.5</u>
Shareholders Equity	\$m	<u>968.0</u>	<u>947.2</u>

Key Balance Sheet Ratios

Net Debt	\$m	567.5	547.5
Net debt to net debt and shareholders equity	%	37.0	36.6
Net debt to shareholders equity	%	58.6	57.8
Net tangible assets per share	\$	3.61	3.54

In December 2000, working capital and funds employed increased due mainly to delayed payments from a number of major customers over the Christmas/New Year holiday period, and to higher inventory levels.

OUTLOOK

PaperlinX's results since its listing have been extremely encouraging. The strategic step of acquiring the balance of Spicers Paper provides a platform for international expansion of the merchanting business and integration of the PaperlinX and Spicers businesses is well underway. Opportunities to further develop the merchanting business internationally, particularly in the USA and Europe, are being pursued.

The financial forecasts in the prospectus and which were predicted at listing are being achieved and the company is confident it can continue to deliver the forecast financial results and growth. The prospectus forecast predicted the January-June 2001 results to be substantially above the January-June 2000 performance, which was adversely impacted by the rapid increase in imported pulp costs. As part of our working capital, capacity and demand management we expect to incur some downtime on our smaller machines over the next period.

Our positive outlook is based on the continuing strong market growth in our key market segments of merchanting and manufacturing, sound market positioning of our businesses, further cost and efficiency initiatives, particularly in supply chain/logistics and our sound financial fundamentals.