



**Final Results
2000/2001**

August 2001

Highlights

- ✓ Revenue of \$2,353m, up 48%
- ✓ Profit before interest and tax of \$200.4m, up 28%
- ✓ Net profit after tax in line with prospectus at \$105.6m, up 22%
- ✓ Return on average funds employed of 11.8% up from 10.5%, an increase of 12%
- ✓ Earnings per share of 37.2 cents, up 10%

Note: Comparisons are against proforma 1999/2000 results.

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Highlights

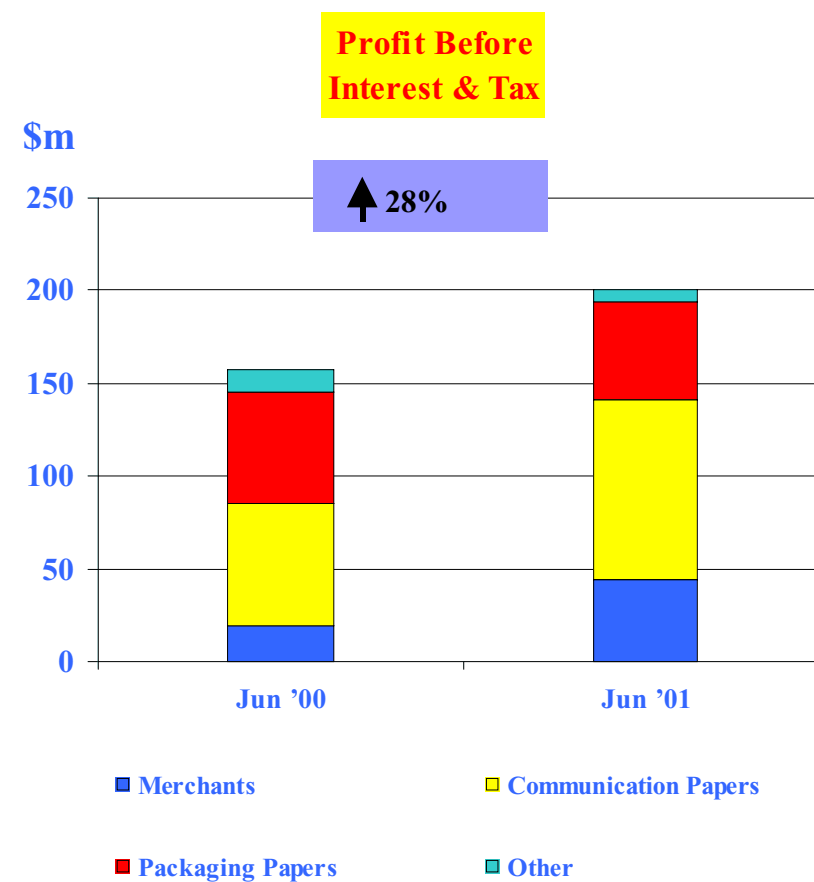
- ✓ Final dividend of 14 cents per share, bringing the total for the year to 27 cents per share, fully franked
- ✓ Share price up 27%, market capitalisation up 60% and share market liquidity significantly improved

Highlights

- ✓ Successful acquisition of Spicers Paper Limited
- ✓ Successful acquisition of Coast Paper in Canada
- ✓ ISO 14001 environmental accreditation at plantations and all Australian pulp and paper manufacturing operations
- ✓ Restructuring of New Zealand paper merchants and announcement of Australian paper merchant restructuring
- ✓ Announcement of sale of Australian Paper Plantations

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Key Results - Operating Earnings



June 00*: \$156.8 million
 June 01: \$200.4 million

**proforma*

Key Variances:

- Higher selling prices for paper offset by increased cost of imported pulp
- Softer global and domestic economies in second half
- Impact of prices and currencies
- Benefits from cost reductions
- Packaging one-off sale in prior period
- Impact of Spicers acquisition

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Key Financial Statistics

		June <u>2001</u>	June <u>2000</u>	
Profit before interest and income tax	\$m	200.4	156.8	28% ↑
Profit after tax	\$m	105.6	86.9	22% ↑
Earnings per share	cps	37.2	33.8	10% ↑
Return on shareholders equity	%	9.7	9.2	5% ↑
Net Interest cover	X	4.7	4.3	9% ↑
PBIT/Funds Employed	%	11.8	10.5	12% ↑
Dividend	cps	27.0	n/a	

Notes: All before abnormals

2000 based on proforma

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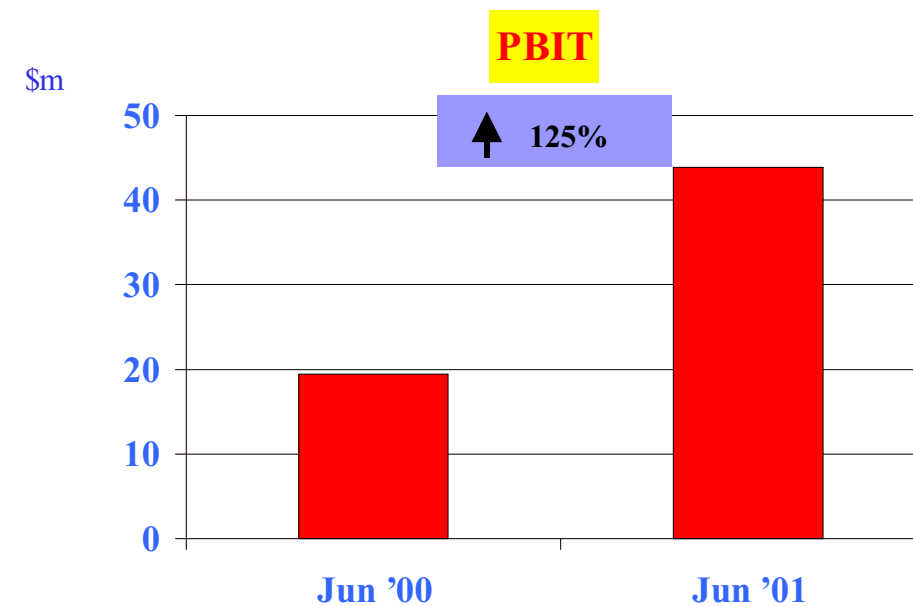
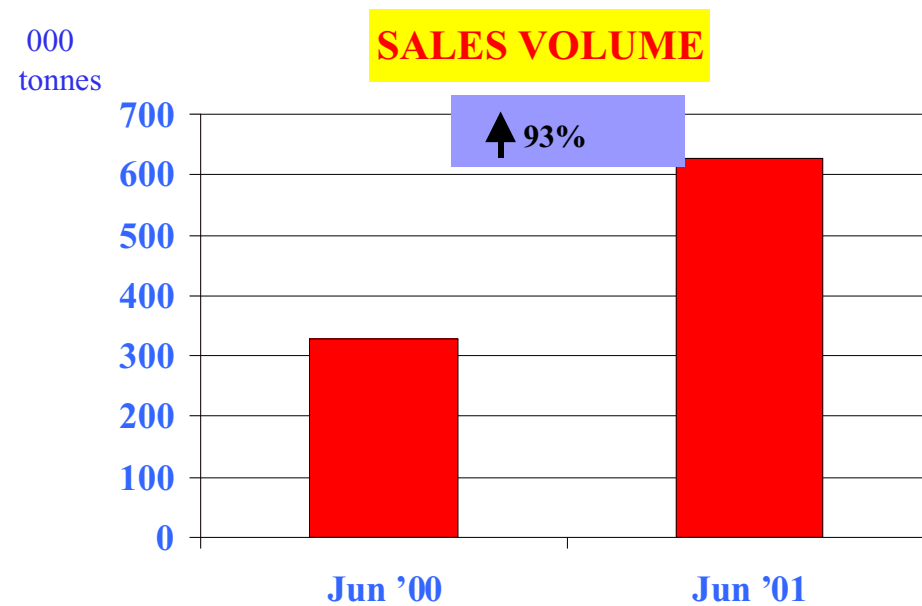
Financial Summary

		June 2001	Jun 2000	
Capital Expenditure (excluding acquisitions)	\$m	49.0	54.0	9.0%↓
Capital Expenditure (including acquisitions)	\$m	373.1	54.0	nm
Funds Employed	\$m	1,868	1,495	25%↑
Net tangible assets per share	\$	2.99	3.54	16%↓
Shareholders Equity	\$m	1,178.0	947.2	24%↑
Debt	\$m	690.6	547.5	26%↑
Debt / Equity	%	58.6	57.8	
Debt / Debt & Equity	%	37.0	36.6	
Cash Flow from Operations	\$m	197.3	n/a	



Merchanting

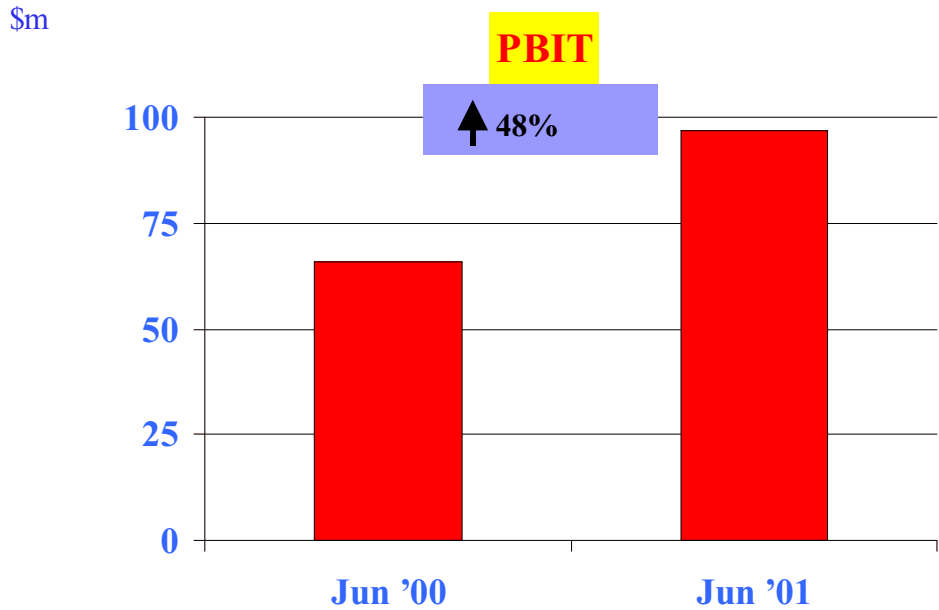
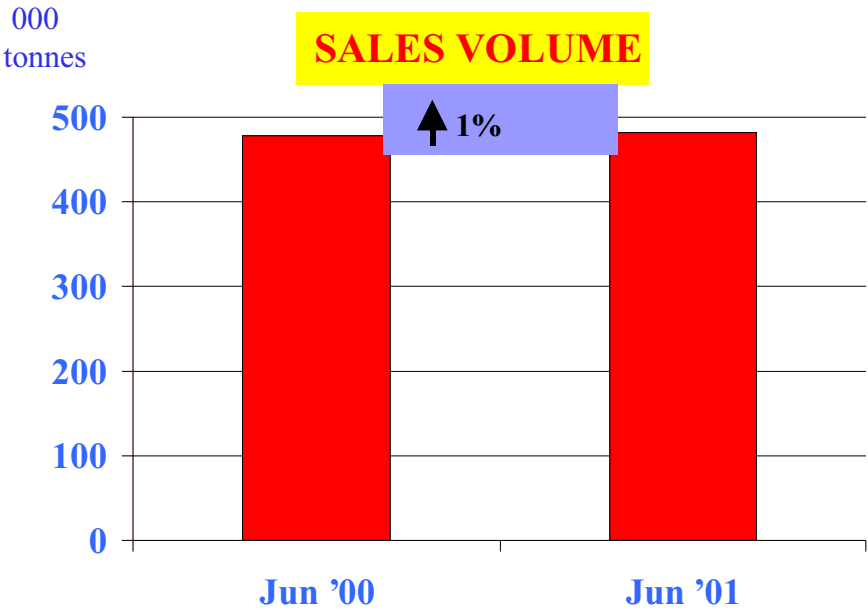
- Acquisition of Spicers Paper and Coast Paper
- Contrasting conditions in the year
- Restructuring of New Zealand and Australian merchants



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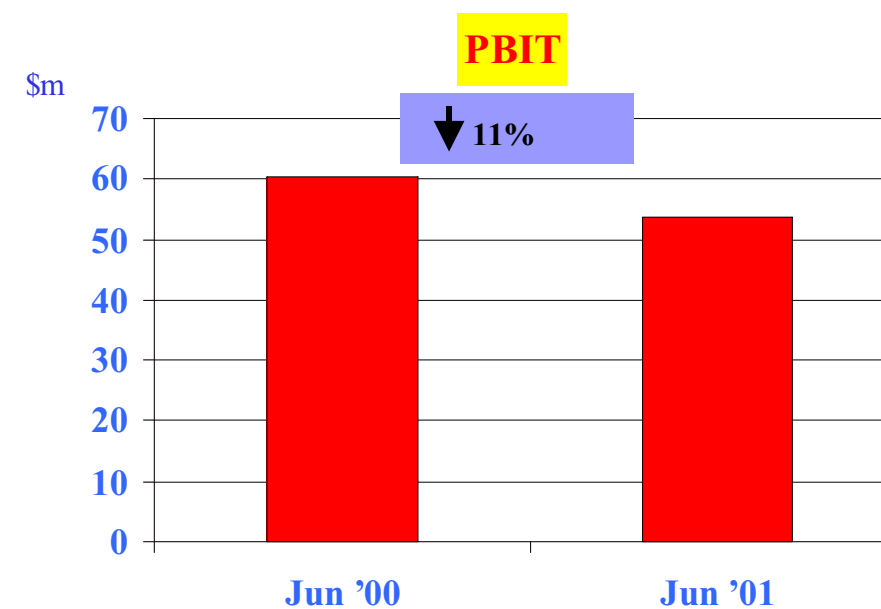
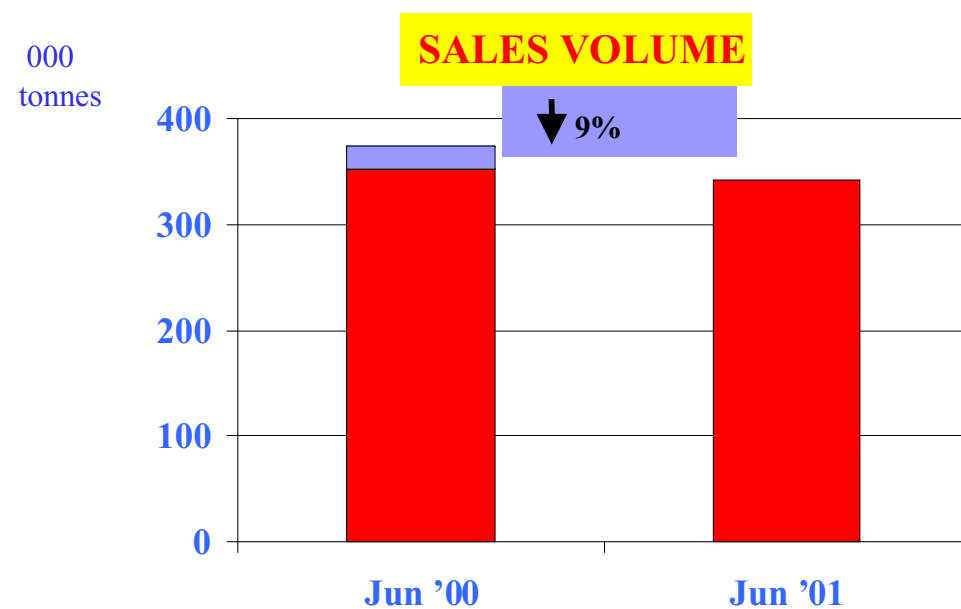
Communication Papers

- Strong result
- Commodity prices reflect a year of two halves
- Revenue boosted by higher prices and product mix
- All mills achieved ISO14001 environmental accreditation



Packaging Papers

- Weaker markets impacted result with sales down in second half:
 - prior period included one-off sale of 22,000 tonnes
 - 17% of sales are export
- Revenue impacted by lower volume, export pricing and product mix



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Investments / Other Businesses

Spicers : \$5.3m for first half, consolidated for second half

Trading:

- Pacific Paper Marketing (paper trading):
 - predominantly Asia, Americas, Australia, New Zealand and UK
 - international supply of paper
 - record earnings on 401,000 tonnes sold
- Amtrade (raw material trading):
 - improved second half

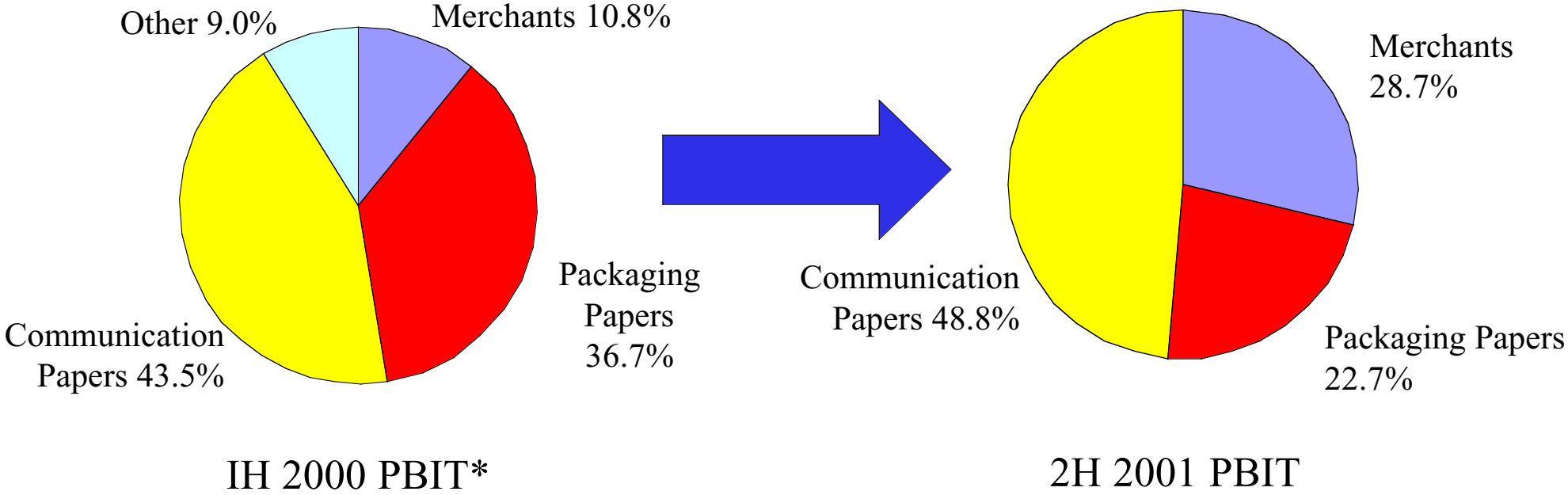
Plantations:

- Record sales and profit assisted by cost reduction initiatives
- Sale announced post balance date

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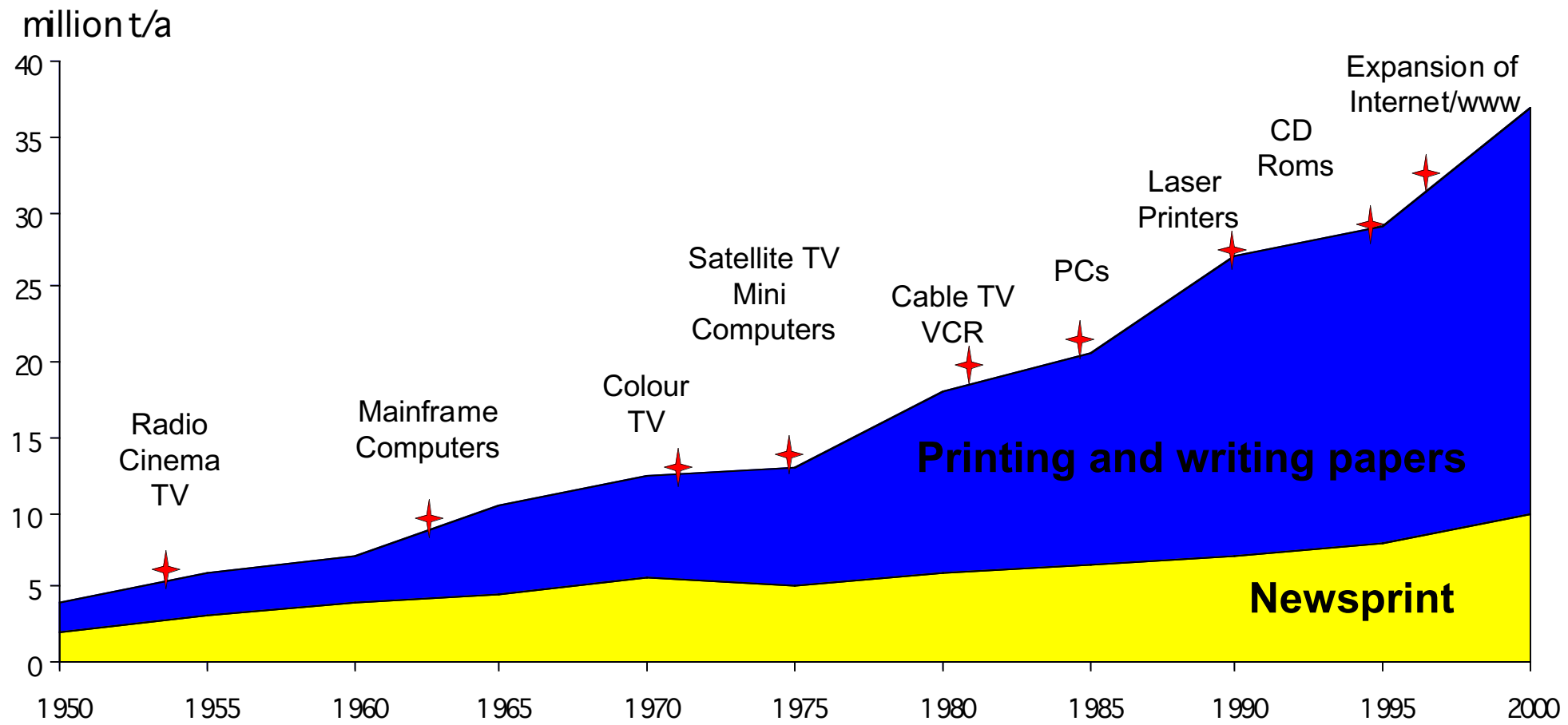
Strategy - Evolving

Growing merchanting



* Proforma

Paper Consumption



Newsprint and printing and writing paper consumption and the proliferation of electronic media in Western Europe 1950-2000

Ref. Jaakko Poyry Magazine June 2001

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Strategy - Australian & NZ Merchanding

- Consolidate market position
- Rationalise merchant structure to lower costs and maximise synergies
- Continue development of leading edge logistics and demand planning
- Strengthen key supplier alliances
- Further develop customer friendly e-commerce platform

Strategy - North American Merchanding

- Consolidate acquisition of Coast Paper with Spicers Paper Inc and maximise synergies
- Grow business in selected North American regions by
 - organic growth
 - greenfield, eg recent expansion into Kansas City
 - acquisition
- Further development of PPM s paper trading business

Strategy - Asian Merchanting

- Major review of merchant markets and opportunities
- Drive down costs of current operations to improve returns
- Low key strategic development in regions with best medium to longer term opportunities
- Wide regional spread

Strategy - European Merchanting

- Continue intensive study
 - focus on ex-stock merchant market
 - greater than 15% ROFE by year 3
 - focus on key regional markets
- Move to acquire or joint venture only if
 - low risk to required returns
 - strong local management
 - fit with global supplier alliances

Strategy - Manufacturing

- Leading Australian Manufacturer
 - White Communication Papers (excluding Newsprint)
 - Brown Packaging Papers
- Focus on product and machine rationalisation
- Product development and production efficiency
- Drive assets hard
- Maximise supply to Australia and New Zealand

Strategy - Summary

- Consolidate on strong Australasian merchanting and manufacturing position
- Grow international merchanting
 - Pursue North American growth opportunities
 - Improve Asian merchanting profits
 - Continually research Europe for opportunities
- Develop key global supplier alliances
- Leverage on key strengths
 - Leading edge logistics
 - e-commerce systems
 - customer relationship management

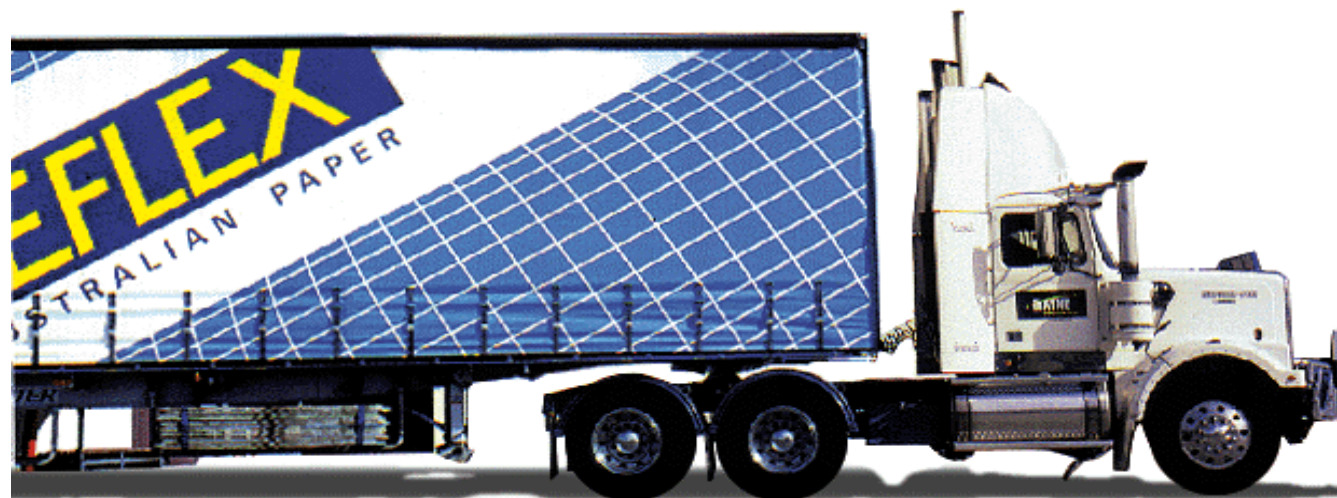
The Outlook

- Integration of Australian merchants - synergies
- International expansion of merchanting
- Change of earnings mix may impact on future franking
- Commodity cycle appears to have begun to turn, but pressure remains on paper pricing
- Inventory reductions in paper chain look to have ended

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PaperlinX is linking customers and brands through world class merchanting, distribution and manufacturing businesses

to ensure strong and growing returns for our shareholders



and we ve only just begun ...

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