



Interim Results 2002 / 2003

February 2003

Result Summary for Interim

- ✓ Solid results despite challenging market conditions
- ✓ Good results in all markets
- ✓ Recent acquisitions performing well
 - The Paper Company, Turgeon Papier
- ✓ Benefits of business mix
- ✓ Increased interim dividend
- ✓ Well positioned to take advantage of future economic recovery
- ✓ Clear strategic growth plan

Financial Highlights for Interim

- ✓ Revenue of \$1,867m ↑ 23%
- ✓ Profit before tax of \$102m ↑ 9%
- ✓ Net Profit after tax before goodwill amortisation of \$80m ↑ 14%
- ✓ Net profit after tax of \$71m ↑ 10%
- ✓ Earnings per share before goodwill amortisation of 22.3 cents, ↑ 2%
- ✓ Earnings per share of 20.0 cents on higher capital base

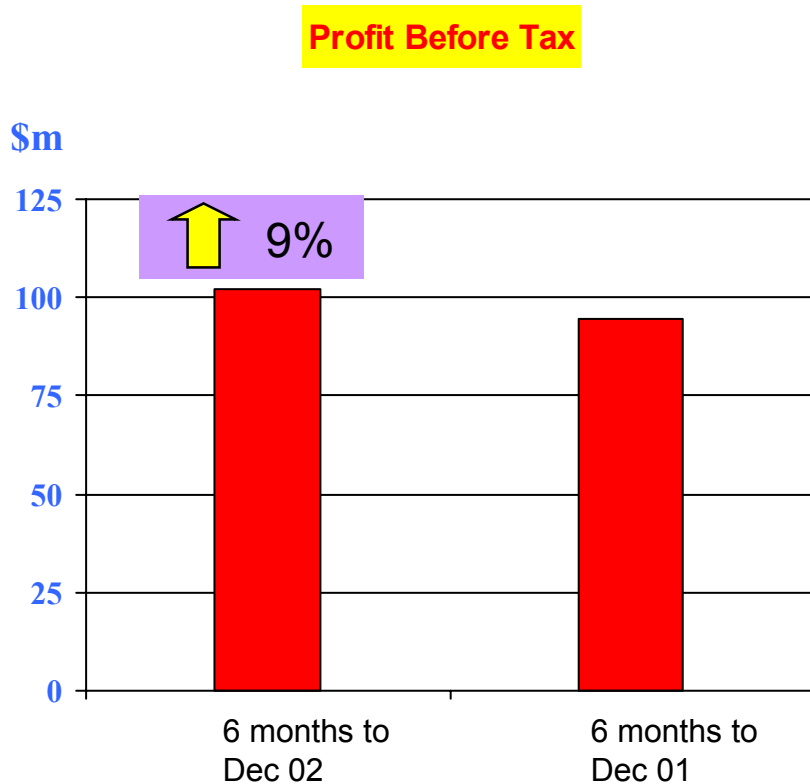
Financial Highlights for Interim

- ✓ Interim dividend of 13.5 cents per share
 - an increase of 4% on last year
 - 70% franked
- ✓ Share price up 5% from 30/6/02, and market capitalisation up 11%
- ✓ Return on average funds employed of 12.9%

Operational Highlights for Interim

- ✓ Acquisition of Bunzl Fine Paper (UK) - now The Paper Company
- ✓ Placement of A\$175m stock = 36 million shares
- ✓ US\$400m syndicated multi-currency debt facility
- ✓ Business transaction system (SAP) successfully implemented
- ✓ Share buy back initiated

Key Results - Operating Earnings



6 months to Dec 02: \$102.4 million
6 months to Dec 01: \$ 94.3 million

Key Variances:

- Weak international economies
- Benefit of acquisitions
- Intense competition, reduced overall margins
- Communication Paper market share maintained on lower demand
- Higher imported pulp costs while paper selling price stable
- Impact of divestments in prior period

Key Financial Statistics

		6 mths to December 2002	6 mths to December 2001		
Sales Revenue	\$m	1,867	1,519	↑	23%
Profit before interest, income tax, depreciation and amortisation	\$m	164.1	149.7	↑	10%
Profit before interest and income tax	\$m	123.1	112.8	↑	9%
Profit after tax, before goodwill amortisation	\$m	79.5	70.0	↑	14%
Profit after tax	\$m	71.5	64.8	↑	10%
Earnings per share, before goodwill amortisation	cps	22.3	21.8	↑	2%
Earnings per share	cps	20.0	20.1	-	
Return on average shareholders equity	%	10.2	10.6		
Net Interest cover	X	5.9	6.1		
PBITA / Average funds employed	%	13.7	13.6		
PBIT / Average funds employed	%	12.9	13.0		

Financial Summary

		6 mths to December <u>2002</u>	6 mths to December <u>2001</u>
Dividend	cps	13.5	13.0
Dividend franking	%	70	100
Capital Expenditure (excluding acquisitions)	\$m	31	33
Capital Expenditure (including acquisitions)	\$m	349	33
Net tangible assets per share	\$	3.22	3.07
Shareholders Equity (31 December)	\$m	1,475	1,246
Net Debt	\$m	418	404
Net Debt / Equity	%	28.3	32.4
Net Debt / Net Debt & Equity	%	22.1	24.5
Cash Flow from Operations	\$m	126.6	165.1*

* includes divestments working capital of \$50m

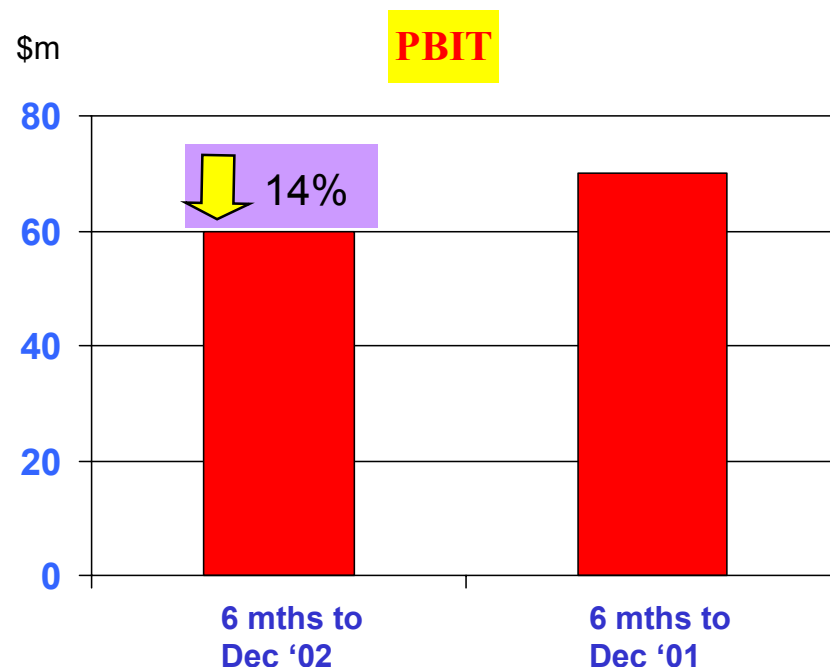
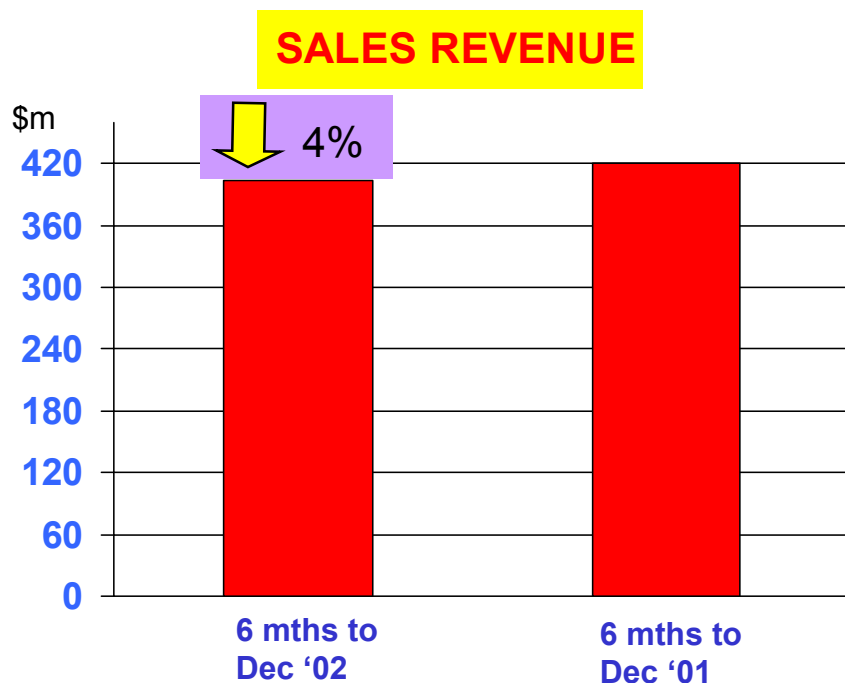
Corporate and Other

		6 months <u>Dec 02</u>	6 months <u>Dec 01</u>	Change <u>%</u>
Sales Revenue	\$m	93	204	(54)
Profit before Interest & Tax	\$m	(7)	(6)	-

- Increased contribution from Spicers Stationery and Envelopes
- Earnings from divested businesses in prior period
- Corporate costs similar to prior year

Australian Paper - Communication Papers

		6 months <u>Dec 02</u>	6 months <u>Dec 01</u>	Change %
Sales Revenue	\$m	404	420	(4)
Profit before Interest & Tax	\$m	60	70	(14)
Sales Volume	'000 tonnes	254	256	(1)
- Australia / New Zealand	%	86	88	

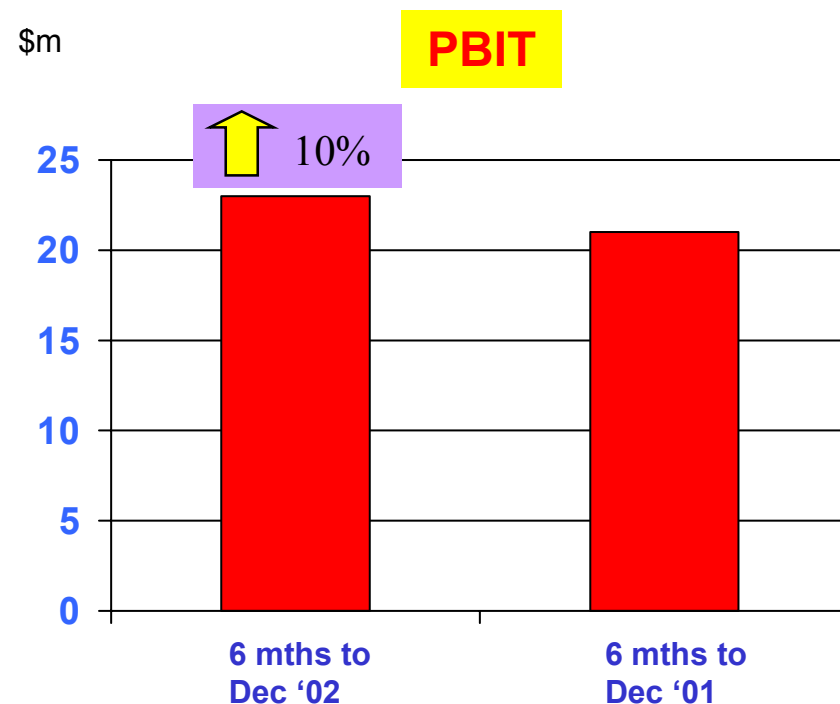
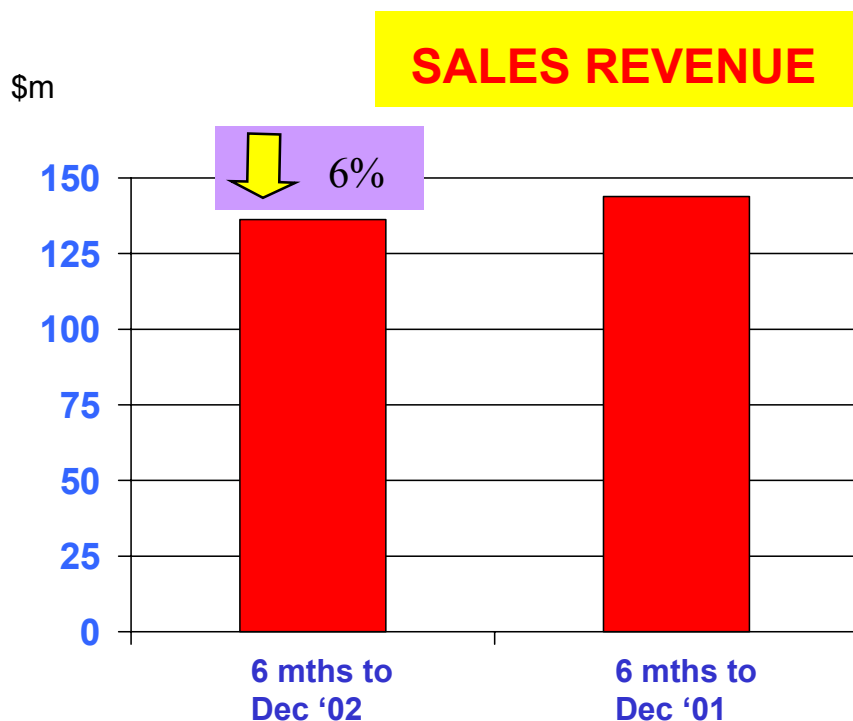


Australian Paper - Communication Papers

- Incrementally higher selling prices in Australia
- Office Papers market share 60% maintained on lower volume
- Export levels maintained at positive contribution
- Earnings impacted by higher imported pulp costs
- Leverage flexible and responsive service strength

Australian Paper - Packaging Papers

		6 months <u>Dec 02</u>	6 months <u>Dec 01</u>	Change %
Sales Revenue	\$m	136	144	(6)
Profit before Interest & Tax	\$m	23	21	10
Sales Volume	'000 tonnes	165	179	(8)
- Australia / New Zealand	%	83	75	

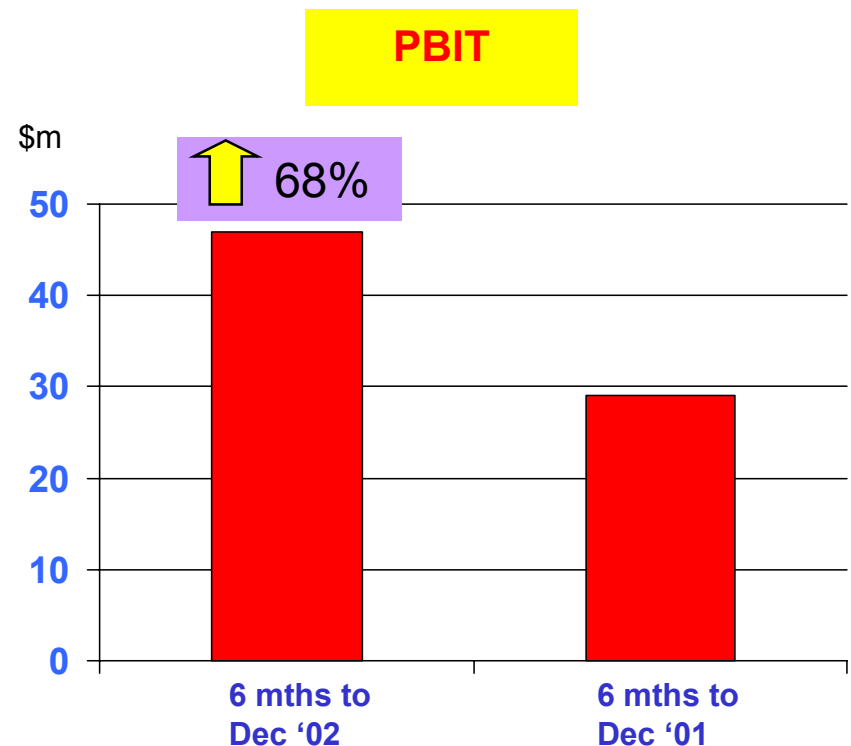
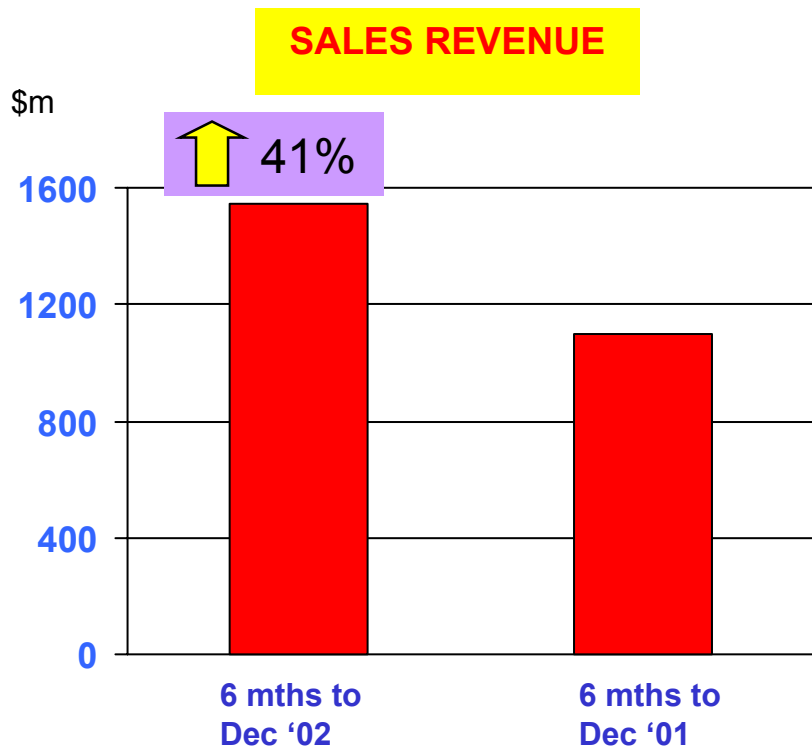


Australian Paper - Packaging Papers

- Increased Australian selling prices
- Stock build up for machine shuts in second half
 - Export volume reduces
- Weak export selling prices remain due to competitive Asian market condition
- Maryvale number 2 paper machine impacted by electrical fire
- Semi-extensible Sack Kraft project on schedule
 - stock build up

Merchanting and Paper Trading

		6 months <u>Dec 02</u>	6 months <u>Dec 01</u>	Change <u>%</u>
Sales Revenue	\$m	1,548	1,098	41
Profit before Interest & Tax	\$m	47	28	68
Sales Volume	'000 tonnes	746	527	



Merchanting and Paper Trading

Australia

- Flat demand and intensely competitive market
- Improved gross margin
- Benefits from restructuring and cost initiatives
- Some improvements in demand late in the period

New Zealand

- Slower economic conditions and demand
 - increased competition, low priced imports, lower margins
- Combined businesses under one management structure
 - efficiency benefits

Merchanting and Paper Trading

Asia

- Weak economic conditions
- Focus on costs and efficiencies = improved earnings

North America

- Weak economic conditions and demand
- Increased volume and market share in difficult conditions
 - service, product range, greenfields
- USA gross profit reduced due to lower selling prices
- Good result in Canada
 - synergistic benefits of Turgeon Papier and Coast Paper

Merchanting and Paper Trading

Europe

- Acquisition of Bunzl Fine Paper in the UK and Ireland on 1 July 2002
- Name change to The Paper Company
- UK market stronger and more consistent than continental Europe
- Meeting all targets for performance
 - Sales volume up 15%
 - Proforma earnings up 48% to \$17.8m

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
- Continue to review options to reduce pulp cost volatility
- Maximise supply to Australia and New Zealand
- Export excess production

Paper Merchanting Strategy

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

Business Outlook

- Uncertain economic outlook internationally
- Upside remains dependent on pace of strengthening economies over next 6 - 12 months
- Excellent opportunities to grow merchanting
- Well positioned for future growth and economic recovery

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PaperlinX Limited
307 Ferntree Gully Rd, Mt Waverley, Victoria 3149, Australia
ABN 70 005 146 350