

14 August 2003

**Statement to Australian Stock Exchange and News Media
For the year ended 30 June 2003**

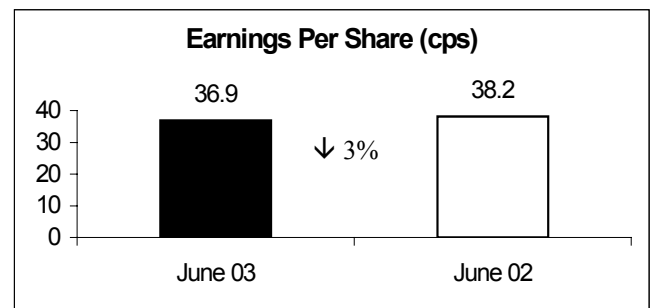
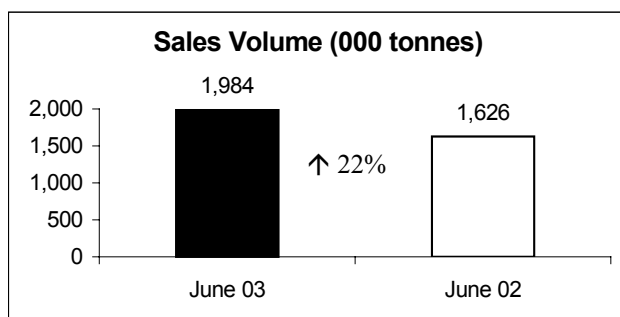
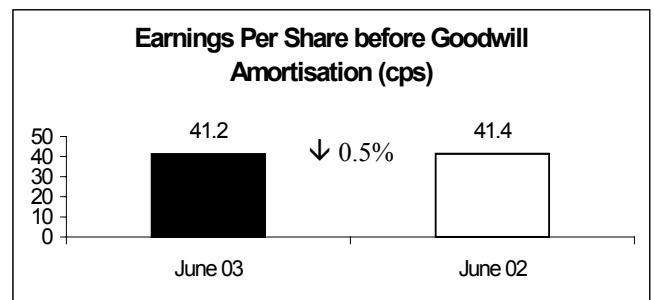
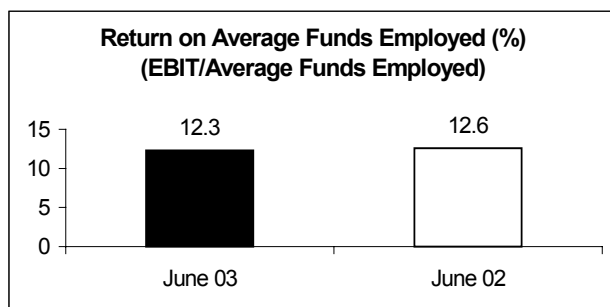
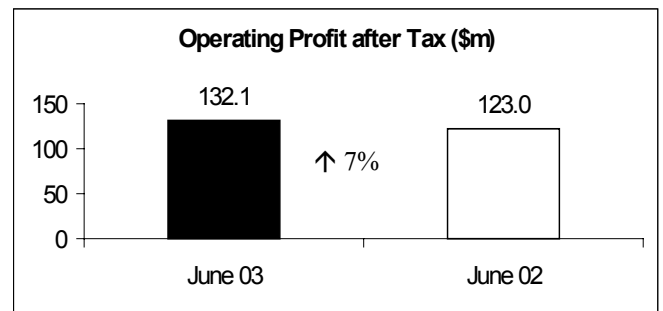
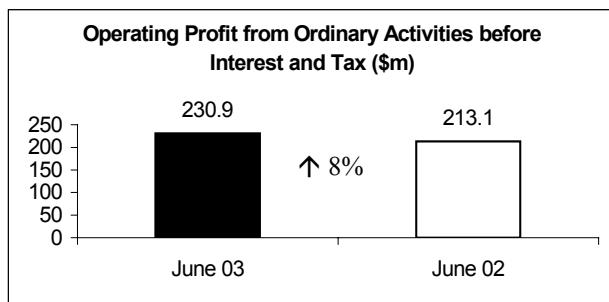
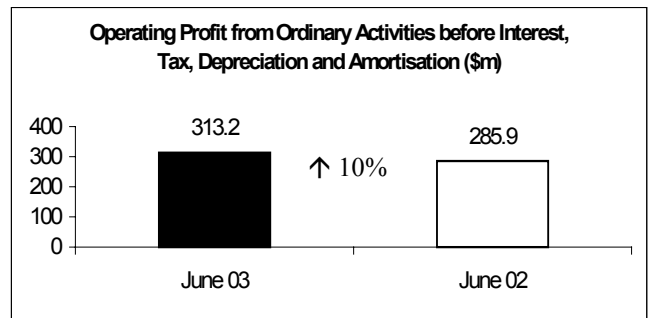
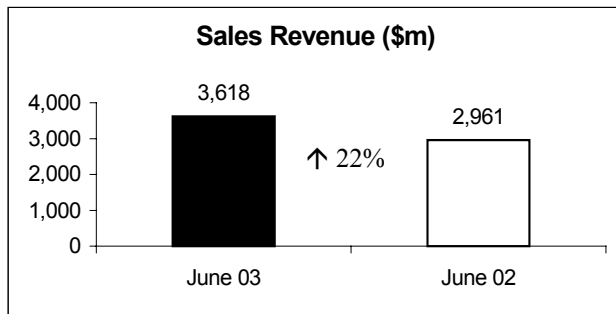
SUMMARY OF THE YEAR

For the year to 30 June 2003, PaperlinX has delivered a creditable result despite a weak economic environment and highly competitive market conditions. The results include, from 1 July 2002, The Paper Company (formerly Bunzl Fine Paper) in the United Kingdom and Ireland.

- ✓ Sales revenue of \$3,618 million, up 22% over the prior year;
- ✓ Profit before interest, tax, amortisation and depreciation increased 10% over the prior year;
- ✓ Profit after tax of \$132.1 million, up 7% over the prior year;
- ✓ Earnings per share of 36.9 cents, down 3%, impacted by the Company maintaining low gearing in the expectation of further growth;
- ✓ Final dividend maintained at 14 cents per share on higher capital base, 50% franked, making a total dividend for the year of 27.5 cents;
- ✓ Return on average funds employed of 12.3%, compared with 12.6% last year, well in excess of the cost of capital;
- ✓ The successful integration of The Paper Company in the UK and Ireland, producing returns in line with expectations;
- ✓ Restructuring of the Company's New Zealand paper merchants;
- ✓ The successful implementation of a new transaction and management control computer system in Australian Paper and part of the Australian merchanting businesses – on time and within budget;
- ✓ Announced in June 2003 an offer to acquire the leading paper merchant in Europe, the Paper Merchanting Division of Buhrmann NV; and
- ✓ The placement of \$239 million of shares to institutional investors as a part of the funding for the potential acquisition of Buhrmann's Paper Merchanting Division in Europe.

Since the end of the financial year, PaperlinX has:

- ✓ A heavily over-subscribed share purchase plan (SPP) to retail shareholders, with applications received from 41% of eligible shareholders.



Note: All currency in this report is in Australian dollars.

REVIEW OF THE YEAR

		PaperlinX Limited & Controlled Entities		
		12 months to Jun 2003	12 months to Jun 2002	% Increase
Sales Revenue	\$m	3,617.8	2,960.6	22
Profit from Ordinary Activities before interest, income tax, amortisation and depreciation	\$m	313.2	285.9	10
Profit from Ordinary Activities before interest & income tax	\$m	230.9	213.1	8
Profit from Ordinary Activities before income tax	\$m	190.4	176.9	8
Profit from Ordinary Activities after income tax	\$m	132.1	123.0	7
Key Ratios				
Profit from Ordinary Activities before interest and income tax to average funds employed	%	12.3	12.6	
Return on average shareholders equity	%	9.3	10.0	
Net interest cover (times)	x	5.7	5.9	
Earnings per share before goodwill amortisation	cps	41.2	41.4	
Earnings per share	cps	36.9	38.2	
Dividend per share	cps	27.5	27.0	

PaperlinX has delivered another increased profit in the year to June 2003, with profit after income tax of \$132.1 million, an increase of 7% over the prior year. This creditable result was achieved despite a continuation of subdued economic activity in all key regions resulting in weak demand.

The implementation of PaperlinX's strategy of growing its international merchanting business has resulted in 29% of earnings being generated outside of Australia compared to 16% in the prior year.

PaperlinX's results for 2003 include The Paper Company (formerly Bunzl Fine Paper). The prior year (to 30 June 2002) included businesses that have since been divested, namely Australian Paper Plantations, Amtrade, Edwards Dunlop and Commonwealth Paper.

Earnings have been impacted by weak international demand, strong competition, lower transaction prices for publication papers impacting on profit margins, and a sharply stronger Australian dollar. Profit before interest, income tax, depreciation and amortisation increased 10% to \$313.2 million. Profit before interest and income tax rose 8% to \$230.9 million.

PaperlinX has produced strong returns in a year in which the paper industry, along with most manufacturing and distribution industries, has faced extremely challenging economic conditions. Despite weak demand, PaperlinX has strengthened its position both operationally and financially.

Earnings per share has been affected in the short term by the impact of positioning the Company to take advantage of opportunities for growth.

PaperlinX's balance sheet and key financial ratios are exceptionally strong as the Company prepares itself to fund the proposed acquisition of Buhrmann's Paper Merchanting Division.

DIVIDEND

Directors have declared a final dividend of 14 cents per share, 50% franked at the tax rate of 30 cents in the dollar. The dividend will be mailed on 29 September 2003 to shareholders on record as of 8 September 2003 as being entitled to the dividend. It will be paid on the increased number of shares issued as a result of the proposed acquisition of Buhrmann's Paper Merchanding Division.

OPERATIONS

The following table shows, for PaperlinX Limited and controlled entities, Operating Profit from Ordinary Activities before income tax, sales revenue, and assets by industry and geographic segments for the year to 30 June 2003 and 30 June 2002.

	<u>Operating Profit before Income Tax</u>		<u>Sales Revenue</u>		<u>Total Assets</u>	
	Jun 2003	Jun 2002	Jun 2003	Jun 2002	Jun 2003	Jun 2002
	\$m	\$m	\$m	\$m	\$m	\$m
<u>Industry Segments</u>						
Merchanting ^{(1) (3) (4) (6)}	92.0	55.9	2,966.8	2,220.2	1,361.1	926.9
Communication Papers ⁽¹⁾	108.4	134.8	787.5	828.3	894.4	854.5
Packaging Papers ⁽¹⁾	53.9	43.2	275.6	285.4	296.5	283.7
Corporate and Other ^{(1) (2) (4)}	(23.4)	(20.8)	110.1	259.4	386.6	186.1
Operating profit from Ordinary Activities before interest & income tax	230.9	213.1				
Net Interest	(40.5)	(36.2)				
Profit before income tax	190.4	176.9				
Income tax expense	(58.3)	(53.9)				
Inter-segment Sales			(522.2)	(632.7)		
Unallocated Assets ⁽⁴⁾ (deferred tax assets)					40.2	37.5
Total:	132.1	123.0	3,617.8	2,960.6	2,978.8	2,288.7
<u>Geographic Segments</u> ^{(2) (3) (4) (5) (6)}						
Australia ⁽¹⁾	164.1	180.0	1,541.0	1,680.0	1,953.7	1,683.3
New Zealand ⁽¹⁾	8.2	10.2	222.2	221.5	100.2	96.1
North America ⁽¹⁾	18.3	19.7	898.3	931.0	366.6	404.9
Europe ^{(1) (6)}	37.9	0.0	867.2	15.8	467.7	2.9
Asia ⁽¹⁾	2.4	3.2	89.1	112.3	50.4	64.0
Operating profit from Ordinary Activities before interest & income tax	230.9	213.1				
Net Interest	(40.5)	(36.2)				
Profit before income tax	190.4	176.9				
Income tax expense	(58.3)	(53.9)				
Unallocated Assets (deferred tax assets)					40.2	37.5
Total:	132.1	123.0	3,617.8	2,960.6	2,978.8	2,288.7

⁽¹⁾ profit before interest and income tax;

⁽²⁾ Includes Australian Paper Plantations for the period 01/07/01 to 31/08/01
Amtrade Australia and New Zealand for the period 01/07/01 to 15/10/01
Edwards Dunlop and Commonwealth Paper for the period 01/07/01 to 13/09/01

⁽³⁾ Includes L.P. Turgeon from 1/4/02.

⁽⁴⁾ 2001/02 details have been reallocated as follows:

- Merchanting Logistics from Corporate and Other to Merchanting Segments

⁽⁵⁾ The geographic segments reflect PaperlinX's management structure – sales, profits and assets are shown in the country where the business is based.

⁽⁶⁾ The Paper Company, UK and Ireland, consolidated from 01/07/02.

MERCHANTING

		12 mnths <u>Jun 03</u>	12 mnths <u>Jun 02</u>	Increase <u>%</u>
Sales Revenue	\$m	2,966.8	2,220.2	34
Operating Profit Before Interest & Tax	\$m	92.0	55.9	65
Sales Volume	'000 tonnes	1,477	1,090	36

PaperlinX's Merchanting business delivered a creditable result with sales increasing 34% to \$3.0 billion and profit before interest and tax of \$92.0 million, an increase of 65% over the prior period. Sales volumes increased 36% to 1.5 million tonnes. The most significant influence on the results was the addition of The Paper Company (formerly Bunzl Fine Paper). The stronger Australian dollar has had a negative translation impact on overseas earnings.

The Paper Company, which operates throughout the United Kingdom and Ireland, was acquired on 1 July 2002. Earnings before interest and tax of \$38 million were 55% above the pro forma result in the prior year. The Paper Company continued to perform very well in challenging conditions, in line with our expectations.

Demand for printing and writing papers in Australia remained depressed throughout 2003. This resulted in intense competition, impacting on selling prices and profits. Despite this pressure, PaperlinX's Merchants were able to maintain volume and increase gross profit margins. However, the weaker general printing market in Australia resulted in profit before interest and tax being lower than in the prior year.

While sales volumes in New Zealand increased, margins and overall profit were affected by economic conditions, customer consolidation and low cost imports. The second half benefited from the restructuring of our two New Zealand businesses implemented in December 2002.

The North American market remained weak. Lower demand resulted in lower industry-wide volumes and selling prices were under intense pressure. Despite this, our merchants increased volume through their superior customer service, further strengthening our competitive position. Earnings before interest and tax in local currency in PaperlinX's North American operations were maintained at the same level as the prior year.

Market conditions remained difficult in Asia, impacting on earnings before interest and tax. A focus on profitable business areas and cost reductions has helped support margins.

Pacific Paper Marketing, PaperlinX's paper trading business, continued the strong performance seen in the first half, even though Asian demand remained weak.

PaperlinX's paper merchants are well placed to benefit from improvements in economic conditions leading to an increase in demand, which will flow through to improved paper prices and margins. The product offering, quality of service and customer focus, combined with the widest geographic spread of any paper merchant, make PaperlinX's offering unique.

PaperlinX has paper merchanting operations in Australia, New Zealand, USA, Canada, Singapore, Hong Kong, Malaysia, United Kingdom and Ireland. The paper trading business sells paper in over 40 countries.

AUSTRALIAN PAPER - COMMUNICATION PAPERS

		12 mnths <u>Jun 03</u>	12 mnths <u>Jun 02</u>	Increase / (Decrease) %
Sales Revenue	\$m	787.5	828.3	(5)
Operating Profit Before Interest & Tax	\$m	108.4	134.8	(20)
Sales Volume	'000 tonnes	509	518	(2)
• Australia/New Zealand	%	81	80	

The challenging conditions experienced by Australian Paper's Communication Papers business in the first half continued in the second half. Earnings were impacted by lower demand and reduced selling prices and the stronger Australian dollar on translation of export revenue. Profit before interest and tax was \$108.4 million compared to \$134.8 million in the prior revenue period.

The seasonal increase in exports in the second half was adversely impacted by a sharply higher Australian dollar, reducing revenue. Overall export volumes for the year were down slightly, in line with the small decline in overall sales volumes. Sales outside of Australia and New Zealand were 19% of sales volumes (25% in second half) reflecting minimal down time taken on paper machines.

In the Australian printing and publishing market, sales volumes to the larger web printers remained strong, although market pressures resulted in lower average selling prices. Office papers also experienced pressure on selling prices from imports due to the higher Australian dollar, reducing margins.

The cost of imported pulp, used to supplement Australian Paper's own manufactured pulp was volatile through the year. The prior year had seen the benefit of purchasing a quantity of pulp at the bottom of the cycle which was not replicated in 2003.

Australian Paper's manufacturing operations all performed well, achieving lower production costs (excluding pulp) at all operations.

All sites were re-certified for ISO 14001 environmental certification.

Communication Papers are manufactured at four paper mills in Australia and are used in printing, office and home applications.

AUSTRALIAN PAPER - PACKAGING PAPERS

		12 mnths <u>Jun 03</u>	12 mnths <u>Jun 02</u>	Increase/ (Decrease) %
Sales Revenue	\$m	275.6	285.4	(3)
Operating Profit Before Interest & Tax	\$m	53.9	43.2	25
Sales Volume	'000 tonnes	336	357	(6)
• Australia/New Zealand	%	84	77	

Australian Paper's Packaging Papers business had a strong second half to produce profit before interest and tax for the year of \$53.9 million, up 25% over the prior year.

While overall volumes were down, the combination of a favourable product mix and higher average selling prices resulted in an improved margin and profit. This has been achieved in the face of weak Asian demand and prices for exports and the prolonged drought in Australia which has impacted on demand for sack and bag papers.

For the year, 16% of sales volume was outside Australia and New Zealand, compared with 23% in the prior year.

During the year, Maryvale 1 machine, which makes bag and sack papers, was modified to make semi-extensible ('elastic') sack kraft paper to meet current and projected market demand. The project was completed within budget, and product has received positive customer support.

CORPORATE & OTHER

		12 mnths <u>Jun 03</u>	12 mnths <u>Jun 02</u>	Increase / <u>(Decrease) %</u>
Sales Revenue	\$m	110.1	259.4	(58)
Operating Profit Before Interest & Tax	\$m	(23.4)	(20.8)	(13)

Corporate and Other includes the stationery and envelopes business as well as the corporate expenses of PaperlinX. The 12 months to June 2002 included sales of \$134 million and profit before interest and tax of \$3.3 million for the businesses that have now been divested, namely Australian Paper Plantations, Edwards Dunlop, Commonwealth Paper and Amtrade.

The stationery and envelopes business implemented a restructure program which improved earnings.

Corporate overhead costs are at a similar level to last year.

During the year PaperlinX successfully implemented a new transaction and management control computer system for its Australian operations which will deliver benefits in logistics and supply chain management. This state-of-the-art system was completed on time and within budget.

FINANCIAL POSITION

In July/August 2002, PaperlinX issued 36 million shares to institutional and existing shareholders to partially fund the acquisition of The Paper Company (formerly Bunzl Fine Paper). The balance of the acquisition price was met from existing debt facilities.

In October 2002, PaperlinX established a syndicated USD400 million multi-currency bank debt facility, with terms ranging from three to five years, replacing the previous Australian debt facility.

To utilise additional cash that had been generated by reduced working capital and beyond the needs of PaperlinX at the time, an on-market share buy back was announced in December 2002. Due to the subsequent conditional agreement to purchase Buhrmann NV's Paper Merchants Division, this buy back was halted, with 1,750,456 shares having been purchased.

In June 2003, PaperlinX announced a conditional agreement to purchase the paper merchandising division of Buhrmann NV based in Europe. As a part of the funding for this acquisition, \$239 million was raised through an institutional placement of approximately 54 million shares. The balance of the acquisition cost will be funded by a combination of the share purchase plan to existing shareholders and debt. Due diligence and negotiation of legal agreements are well progressed on the proposed acquisition.

As a consequence of the institutional share placement at the end of the financial year, PaperlinX's balance sheet ratios were exceptionally strong, with debt to debt plus equity of 8%. Without the institutional placement, this ratio would have still been very strong at 23%.

STATEMENT OF FINANCIAL POSITION

		PAPERLINX LIMITED AND CONTROLLED ENTITIES	
		<u>June 2003</u>	<u>June 2002</u>
Current Assets	\$m	1,606.9	1,001.9
Non current assets	\$m	1,371.9	1,286.8
Total Assets	\$m	2,978.8	2,288.7
Current Liabilities	\$m	566.6	501.9
Non Current Liabilities	\$m	766.0	573.7
Total Liabilities	\$m	1,332.6	1,075.6
Shareholders Equity	\$m	1,646.2	1,213.1
Key Balance Sheet Ratios			
Net Debt	\$m	144.4	331.5
Net debt to net debt and shareholders equity	%	8.1	21.5
Net debt to shareholders equity	%	8.8	27.3
Net tangible assets per share	\$	3.30	3.11

STATEMENT OF FINANCIAL PERFORMANCE

		PAPERLINX LIMITED AND CONTROLLED ENTITIES	
		<u>12 months ended 30 June</u>	
		<u>2003</u>	<u>2002</u>
		<u>\$m</u>	<u>\$m</u>
SALES REVENUE		3,617.8	2,960.6
Operating Profit from Ordinary Activities before depreciation, amortisation, interest and income tax		313.2	285.9
Depreciation and amortisation		(82.3)	(72.8)
Operating Profit from Ordinary Activities before interest and income tax		230.9	213.1
Net Interest Expense		(40.5)	(36.2)
Operating profit from Ordinary Activities before income tax		190.4	176.9
Income tax expense on Operating profit		(58.3)	(53.9)
OPERATING PROFIT/(LOSS)		132.1	123.0

CONCLUSION

PaperlinX has achieved smooth and rapid integration of its acquisitions, despite the difficult market conditions in all operating regions over the past year. All of PaperlinX's businesses performed creditably under challenging circumstances, building on their market positions.

While costs are always a focus, PaperlinX has embarked on a new profit improvement program aimed to ensure that costs are minimised in order that the Group will continue to generate returns for its shareholders above the cost of capital, even if the current market conditions persist.

A great deal of economic uncertainty persists near term. PaperlinX is well positioned to take advantage of any improvement in activity and looks forward to the future with confidence.

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Editors Note:

PaperlinX is a leading international paper merchant, with businesses in Australia, New Zealand, Asia, North America, the United Kingdom and Ireland. Through its Australian Paper division, it is also the only Australasian producer of high quality communication papers, and a major producer of high performance packaging and industrial papers.