



Final Results 2003 / 2004

August 2004

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Presentation Sequence

- Introduction and Overview
- PaperlinX 2004 Full Year Result
- PaperlinX Merchandising
- Australian Paper
- Strategy and Outlook
- Questions and Answers

Managing Director and Chief Executive Officer

Tom Park

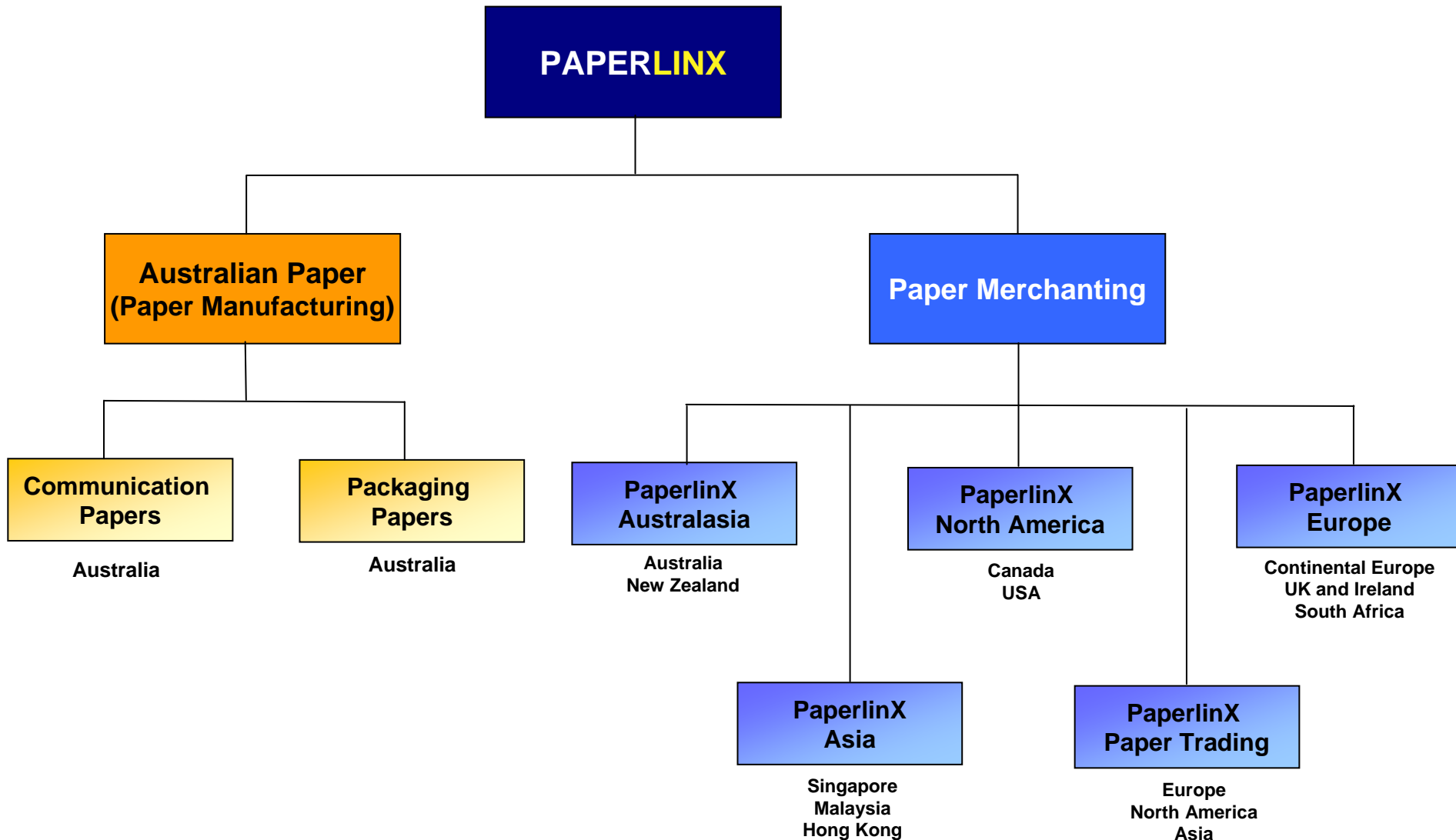
Senior Management

Tom Park	Chief Executive Officer
Darryl Abotomey	Chief Financial Officer
Eduard de Voogd	Chief Executive Officer - PaperlinX Europe
Peter Waterworth	Chief Operating Officer Paper Merchenting & Trading
David Goldthorp	Chief Operating Officer - Australian Paper
David Shirer	Executive General Manager - Corporate Affairs
Ross O'Brien	Executive General Manager - Human Resources
Roger Breen	Group General Manager – Australia/NZ
Chris Creighton	President – PaperlinX North America

Strategic Position

- Established global merchanting position
- Created a well diversified earnings base
- Unique Australian manufacturing with key strategic advantages
- Scope for increased returns
 - Paper merchanting: synergies
 - Manufacturing: productivity and strategic investments
 - Improved external environment

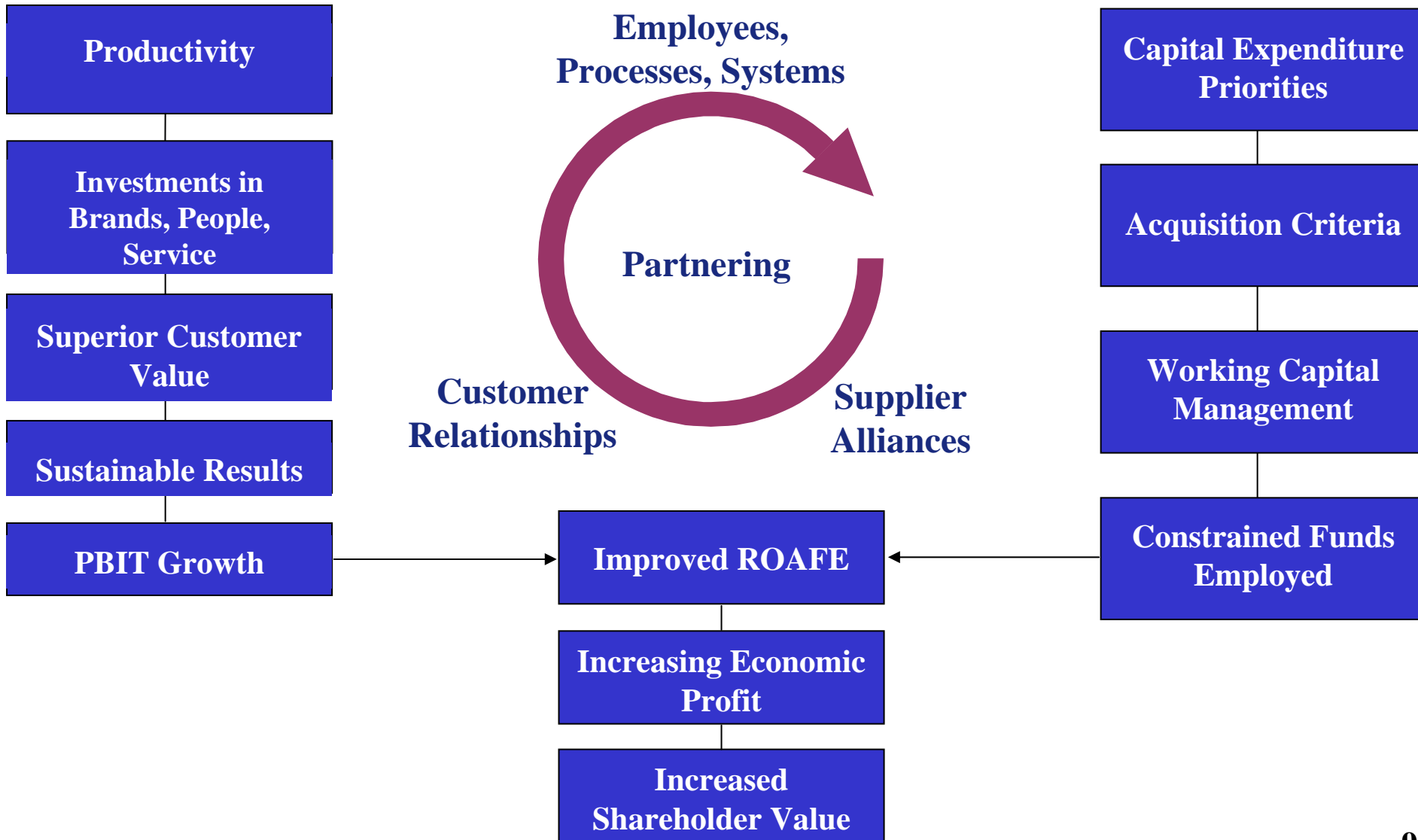
PaperlinX Global Platform



Core Operating Principles

- Focus resources on strengthening existing businesses
- Productivity to provide funds to improve sustainability and growth
- Actively prioritise activities based on value creation for customers and PaperlinX
- Fully leverage our global opportunities
- Invest in our people and their skills
- Compliance is mandatory
- Results oriented teamwork/success as a team

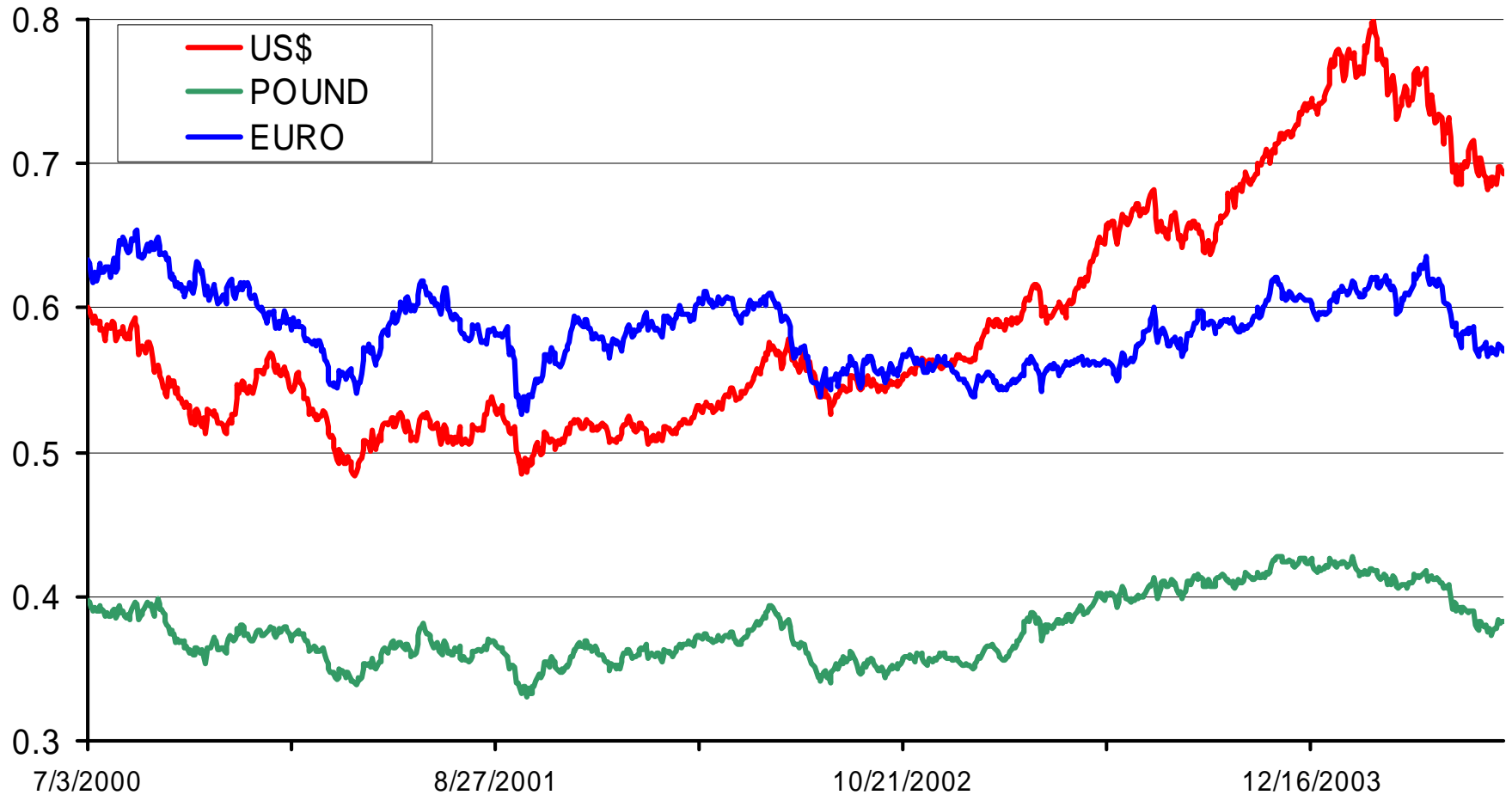
Shareholder Value Model



Economic Background

- Excess supply of fine papers internationally resulting in increased product availability and global price declines
- Discretionary expenditure on promotion and advertising remained subdued
- Significant currency movements
 - Effecting export earnings from Australia
 - Impact on Australian paper selling prices
 - Translation of foreign currency earnings
- Australian domestic paper market impacted by increased competition and lower Australian selling prices
- Conditions look to have bottomed during the period, with indicators improving

Value of Australian Dollar



Result Summary

- x Weak international paper selling prices and demand
- x Strong Australian dollar
- x Australian manufacturing profit impact exacerbated by strong A\$ and lower A\$ priced import competition
- x Semi-extensible sack kraft paper
- ✓ Global merchant platform established
- ✓ European Investments delivering ahead of expectations:
 - The Paper Company meets return target early
 - BPMD
- ✓ Strong market position in all key regions
- ✓ Benefits of geographic and business mix

Financial Summary

		12 mths to June <u>2003</u>	12 mths to June <u>2004</u>	<u>Change</u>
Revenue	\$m	3,618	6,212	72%
Operating Earnings (PBIT)	\$m	231	190	(18%)
Net Profit after Tax	\$m	132	109	(18%)

Key Financial Measures

		<u>12 months to June 2003</u>	<u>12 months to June 2004</u>
Cash Flow from Operations	\$m	234	403
Return (PBIT / Average funds employed)	%	12.3	7.5
Earnings per share	cps	36.9	24.7
Final dividend per share	cps	14.0	14.0
Total dividend per share	cps	27.5	27.5

Highlights 2004 Full Year Result

- Buhrmann's paper merchanting division (BPMD) acquisition
- BPMD integration essentially complete
- Increasing brand investments
- Working capital management and operating cash flow
- Paper merchanting returns
- Organisational focus

Chief Financial Officer

Darryl Abotomey

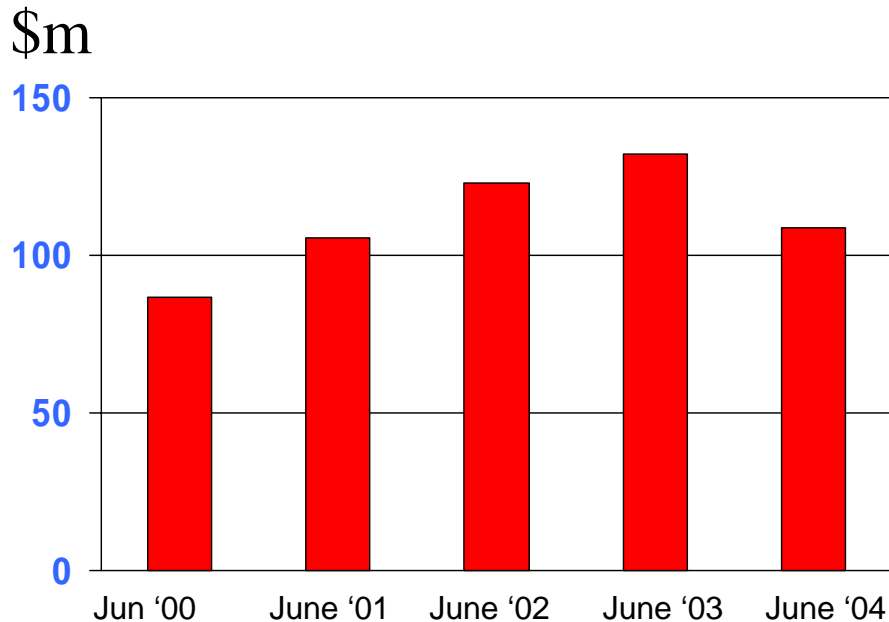
Financial Highlights

- ✓ Successful acquisition and integration of Buhrmann's paper merchanting division to create PaperlinX Europe
- ✓ Completion of financing
- ✓ Solid financial position
- ✓ Balanced debt structure
- ✓ Capital expenditure below depreciation levels

Note: Results include acquisition of BPMD from 1/11/2003

Key Results

NPAT



June 00*: \$86.9 million

June 01: \$105.6 million

June 02: \$123.0 million

June 03: \$132.1 million

June 04: \$108.5 million

* *proforma*

Key Variances:

- Weak international economies
- Benefit of acquisitions
- Lower international paper selling prices impact on profit margins
- Impact of stronger Australian dollar
- Finance structure benefits
 - Tax deductible goodwill

Operating Earnings

<u>A\$ millions</u>	<u>12 months to June 2003</u>		<u>12 months to June 2004</u>	
Sales Revenue	3,617.8		6,211.6	
Business Segment EBIT		%		%
Merchanting	92.0	36	147.5	69
Communication Papers	108.4	43	44.8	21
Packaging Papers	53.9	21	21.6	10
Corporate and Other	<u>(23.4)</u>		<u>(24.2)</u>	
Total Earnings before Interest and Tax	<u>230.9</u>		<u>189.7</u>	

Key Financial Statistics

		June <u>2003</u>	June <u>2004</u>	
Sales volume	Million mt	2.3	3.9	70%
Sales revenue	\$m	3,617.8	6,211.6	72%
Profit before interest, income tax, depreciation and amortisation	\$m	313.2	300.7	(4)%
Profit before interest and income tax	\$m	230.9	189.7	(18)%
Profit after tax, before goodwill amortisation	\$m	147.7	126.0	(15)%
Profit after tax	\$m	132.1	108.5	(18)%
Return on average shareholders equity	%	9.3	6.2	
Net Interest cover	X	5.7	3.9	
PBITA / Average funds employed	%	13.1	8.1	
PBIT / Average funds employed	%	12.3	7.5	

Financial Summary

		June 2003	June 2004
Earnings per share, before goodwill amortisation	cps	41.2	28.6
Earnings per share	cps	36.9	24.7
Dividend	cps	27.5	27.5
Dividend franking	%	50	0
Net Operating Cash Flow	\$m	234	403
Capital Expenditure (excluding acquisitions)	\$m	64	55
Capital Expenditure (including acquisitions)	\$m	391	1,167
Net tangible assets per share	\$	3.30	3.15
Shareholders Equity (30 June)	\$m	1,646	1,813
Net Debt / Equity	%	8.8	57.0
Net Debt / Net Debt & Equity	%	8.1	36.3

Acquisition of Buhrmann's Paper Merchanding Division

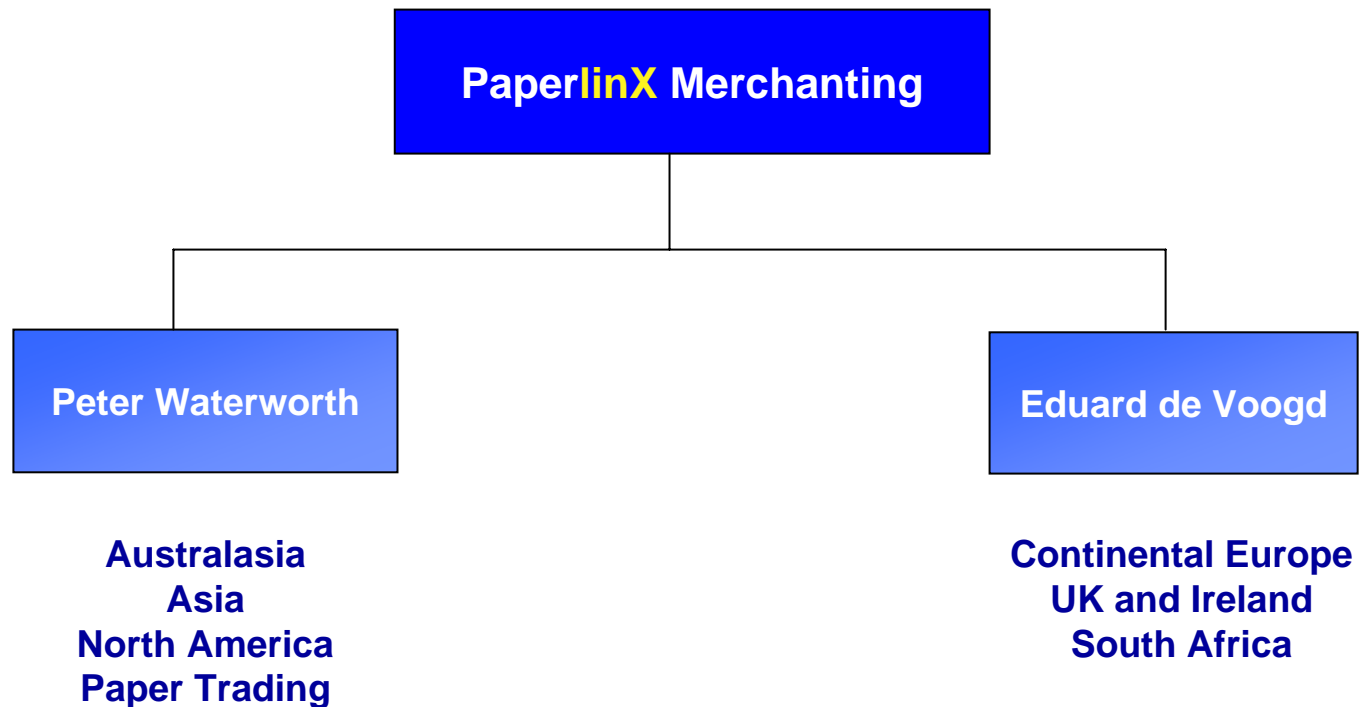
	<u>€ million</u>
• Payment to Buhrmann NV & Minorities	648
• Transaction costs	19
• Total cost	667
• Made up of	
– Net Assets	598
– Intangibles	
- brands	15
- goodwill	54
• No deferred consideration payment	
• Valuation of one item is the subject of arbitration	

Other/Financial

		12 months <u>Jun 03</u>	12 months <u>Jun 04</u>	Change <u>%</u>
Sales Revenue	\$m	110	100	(1)
Profit before Interest & Tax	\$m	(23)	(24)	3

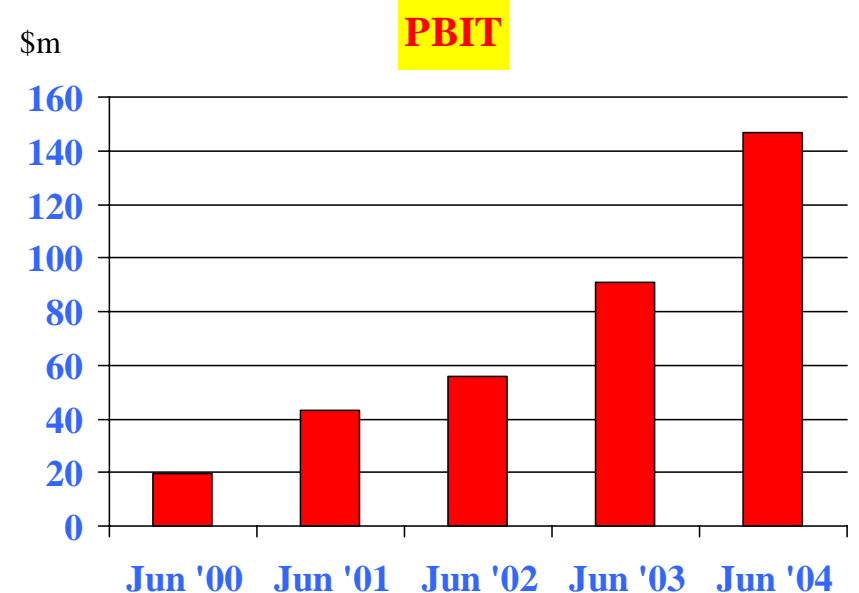
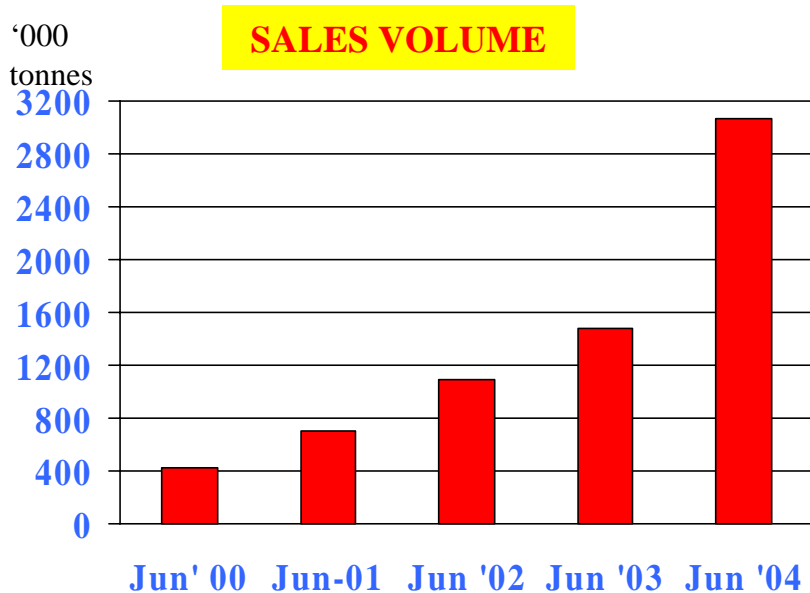
- Spicers Stationery and Envelopes profits impacted by low priced imports
- One-off gain on sale of Victorian warehouse (\$4.5m)
- Mix of other small one-offs
- Underlying corporate costs increased slightly reflecting larger organisation

Merchanting



Merchanting

		12 months <u>Jun 03</u>	12 months <u>Jun 04</u>	Change <u>%</u>
Sales Volume	'000 tonnes	1,477	3,060	107
Sales Revenue	\$m	2,967	5,620	89
Profit Before Interest & Tax	\$m	92	148	60
Return on Average Funds Employed	%	11.1	10.1	



**Chief Operating Officer
Paper Merchants and Trading**

Peter Waterworth

Merchanting – Australia and New Zealand

		12 months <u>Jun 03</u>	12 months <u>Jun 04</u>	Change <u>%</u>
Sales Volume	'000 tonnes	585	605	4
Sales Revenue	A\$m	1,116	1,050	(5)
Profit before Interest & Tax	A\$m	29.3	29.1	-

- Strong competition
- Lower average pricing
- Subdued market conditions, improving in recent months
- Stable Australian & NZ merchanting earnings
- Smooth implementation of SAP system

Merchanting - Asia

		12 months <u>Jun 03</u>	12 months <u>Jun 04</u>	Change <u>%</u>
Sales Volume	'000 tonnes	67	71	6
Sales Revenue	S\$m	92	99	8
Profit before Interest & Tax	S\$m	2.3	2.2	(4)

- Asian economies remained weak
- Restructuring to improve productivity
- Focus on profitable business
- Prices and margins improving

Merchanting - North America

		12 months <u>Jun 03</u>	12 months <u>Jun 04</u>	Change <u>%</u>
Sales Volume	'000 tonnes	349	391	12
Sales Revenue	US\$m	470	573	22
Profit before Interest & Tax	US\$m	10.2	12.0	18

- Paper demand lagged economy
- Lower paper selling prices, particularly in Canada
- Volume growth ahead of the market
- Inclusion of Kelly Paper from 1 November 2003
- Canadian Competition Authority investigation
- Includes profit on sale of property (C\$2.4m)

Paper Trading

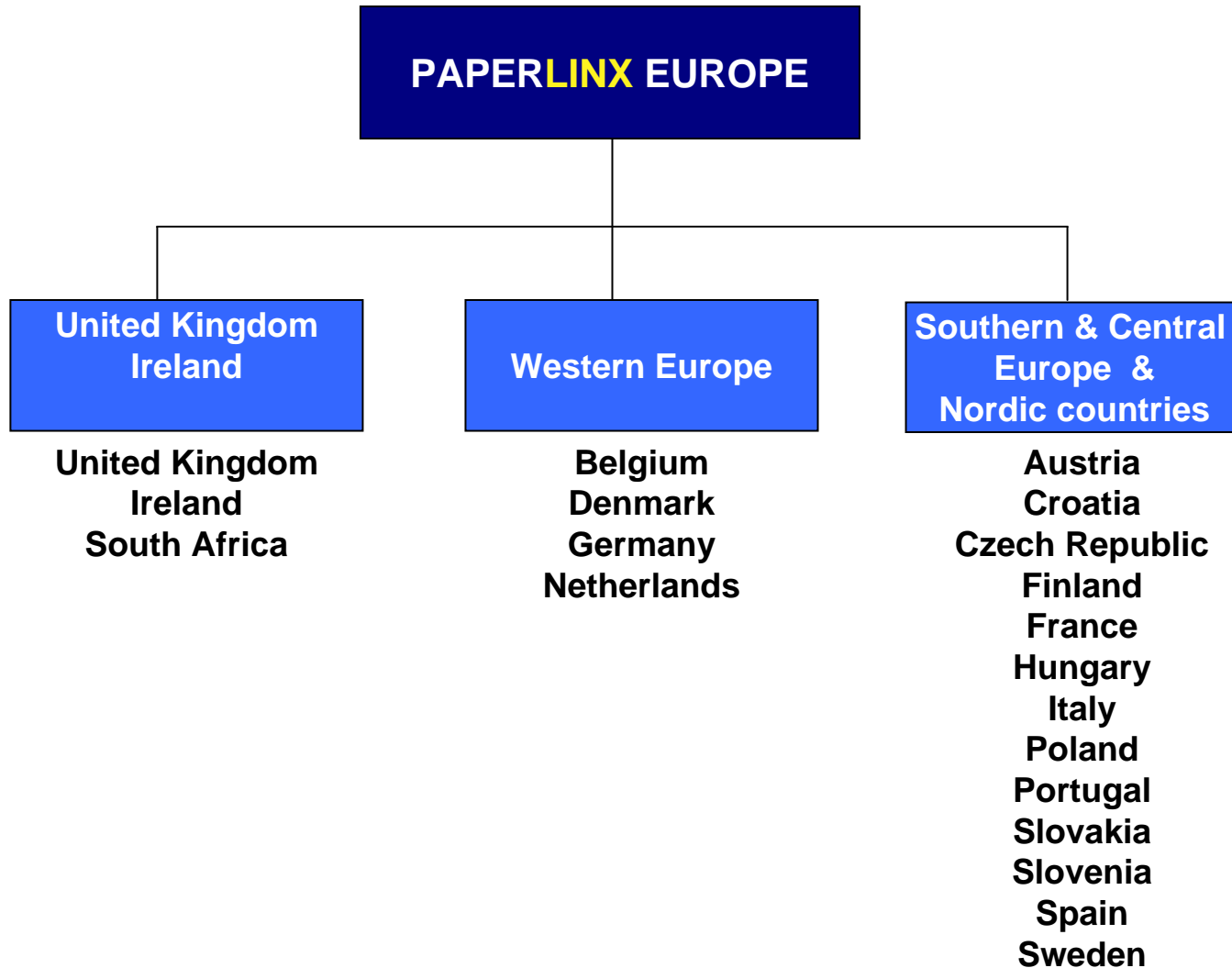
		12 months <u>Jun 03</u>	12 months <u>Jun 04</u>	Change <u>%</u>
Sales Volume	'000 tonnes	104	158	52
Commission Volume	'000 tonnes	303	318	5
Sales Revenue	A\$m	101	131	31
Profit before Interest & Tax	A\$m	6.0	3.6	(40)

- Commission based business
- Selling prices and margins under pressure
- Now includes BPMD trading businesses
- Will benefit from any price rises

**Chief Executive Officer
PaperlinX Europe**

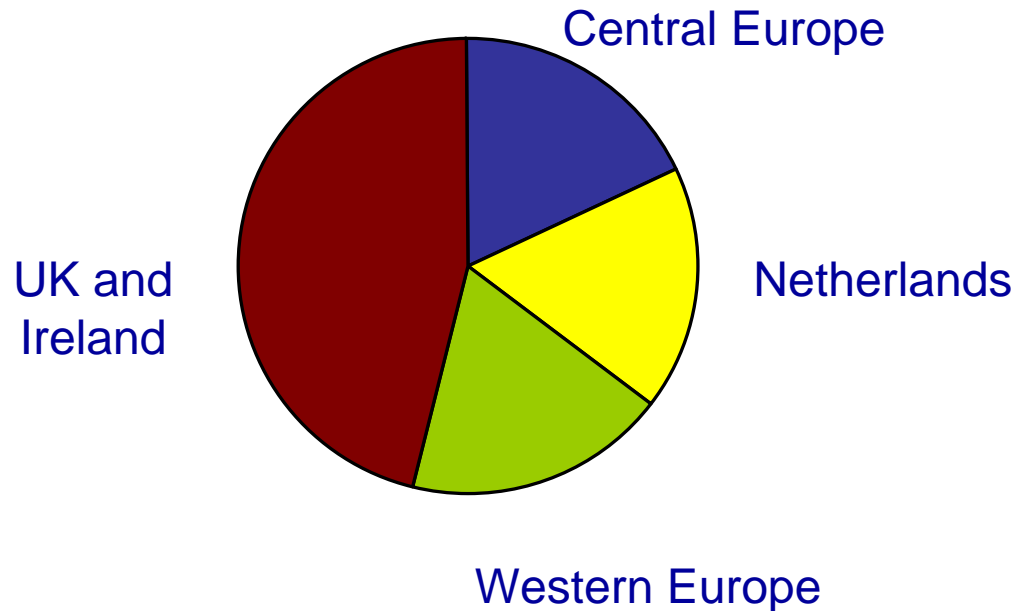
Eduard de Voogd

PaperlinX Europe Structure



PaperlinX Europe - Market sizes (by revenue)

Proforma based Revenue for 8 months



PaperlinX Europe

		12 months <u>Jun 03</u>	*12 months <u>Jun 04</u>	Change <u>%</u>
Sales Volume	'000 tonnes	374	1,835	391
Sales Revenue	€m	486	2,092	330
Profit before Interest & Tax	€m	21.3	57.9	172

*Note: includes The Paper Company for 12 months and PaperlinX Europe for 8 months

- Weak market conditions prevailed through 2004
- Average selling prices lower by 9%
- April 2004 mill price rise announcements generally unsuccessful
- Strong market position maintained
- Strengthening demand in recent months

PaperlinX Europe – Synergies and Restructuring

- Integration of BPMD (acquired 1 November 2003), essentially complete, with good progress on synergies
- Benefits flowing from restructuring (Germany, UK)
- Restructuring underway in France
- Process and systems implementation
- Cost initiatives and synergy opportunities

PaperlinX Europe - Performance

- Excellent performance by The Paper Company
 - 15% return on funds employed at end of second year
- BPMD performing in line with expectations at operating profit level
- Earnings per share contribution ahead of target
- Improving outlook
- Paper selling price rises announced by suppliers

**Chief Operating Officer
Australian Paper**

David Goldthorp

Australian Paper - Consolidated Result

		12 months <u>Jun 03</u>	12 months <u>Jun 04</u>	Change <u>%</u>
Sales Volume	'000 tonnes	845	836	(1)
Sales Revenue	A\$m	1,063	969	(9)
Profit before Interest & Tax	A\$m	162.3	66.4	(59)
Return on Average Funds Employed	%	14.7	5.8	

- Main Items impacting result

- Reduced selling prices and volumes \$45m
- Machine downtime \$10m
- Sack Kraft quality \$25m
- Currency impact on export receipts nets off gain on imported pulp cost

Australian Paper - Communication Papers

		12 months <u>Jun 03</u>	12 months <u>Jun 04</u>	Change <u>%</u>
Sales Volume	'000 tonnes	509	506	(1)
- Australia / New Zealand	%	81	78	
Sales Revenue	\$m	788	715	(9)
Profit Before Interest & Tax	\$m	108.4	44.8	(59)

- Increased supply to Australia of lower cost imported paper
- Reduced Australian sales volumes and margins
- Impact of stronger Australian dollar
 - Lower average Australian selling prices
 - Reduced export receipts
 - Reduced imported pulp costs
- Overall Australian paper market stable

Communication Papers - Current Initiatives

- Relaunch of improved Reflex copy paper
- Launch of Impress Silk coated paper
- Selling price increases announced for 1 August 2004
- Pulp project review continues

Australian Paper - Packaging Papers

		12 months <u>Jun 03</u>	12 months <u>Jun 04</u>	Change <u>%</u>
Sales Volume	'000 tonnes	336	330	(2)
• Australia / New Zealand	%	84	81	
Sales Revenue	\$m	276	254	(8)
Profit Before Interest & Tax	\$m	53.9	21.6	(60)

- Stable Australian linerboard segment
- Lower export receipts
 - Weak export markets
 - Currency impact
- Higher market specifications for sack and bag paper
- Increased import competition for sack and bag papers

Packaging Papers – Current Initiatives

- Rebuild of number 1 paper machine at Maryvale
 - Top quartile of producers
 - Complementary to semi-extensible unit
- Volume recovery with domestic sack and bag customers
- Committed to leadership position with our customers

Strategy and Outlook

Managing Director and
Chief Executive Officer

Tom Park

2004 Summary

- Global merchanting platform established
 - BPMD acquisition and integration
 - Balanced business portfolio
- Acquisitions ahead of expectations
- Currency and global paper supply/demand impacts
- Product quality and brand investments
- Direction, disciplines and structure in place
- Dividend maintained

Business Outlook - Overall

- Global indications for paper are improving
- Australian exchange rate appears to have stabilised
- Strategies and productivity are on-plan
- Key investments are underway or defined
- Further opportunities to benefit from global structure

Business Outlook - Financial

- Australian Paper recovering
 - Improvement from depressed 2nd half 2003/04
 - Full year to similar levels as 2003/04
 - Foresee strengthening into 2005/06
- Merchanting strengthening
 - Synergy benefits
 - Major markets firming
 - Full year impact of BPMD

Questions & Answers

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