

PRESS RELEASE

24 February, 2005

PAPERLINX BENEFITS FROM IMPROVING MERCHANT RETURNS

PaperlinX today announced a net profit for the six months to 31 December 2004 of A\$125.8 million (A\$53.0 million in the prior corresponding period), on revenue of A\$3.9 billion (A\$2.4 billion). Earnings before interest and tax (EBIT) increased 19%. Net profit included a A\$73 million one off benefit arising from the company's election to enter the Australian Tax Consolidation regime. The net profit excluding the Australian Tax Consolidation was A\$52.8 million, which is in line with the prior year. An interim dividend of 13.5 cents per share has been declared.

Announcing the result today, PaperlinX's Chief Executive Officer, Mr Tom Park, said, "The highlight in these results has been the healthy improvement in the return on the funds employed from our global merchanting business, which are up to 10.6% from 9.3%. Despite mixed business environments, all merchanting regions grew returns as a result of a consistent focus on productivity and achievement of targeted synergies to provide the funds for us to invest in building our core brands, improving customer service and in the growth of our people.

"The merchanting businesses acquired a year ago from Buhrmann have continued to achieve synergy and operating earnings targets, and have exceeded earnings per share targets.

"Our return on average funds employed for the Group was lower at 7.1% compared with 8.0% in the prior year, as earnings from our Australian Paper manufacturing business remained under pressure.

"Paper selling prices for Australian Paper have reduced to match the lower Australian dollar selling prices for imported paper, which are priced in US dollars. While the result from Australian Paper was disappointing, we have a unique position in Australia, with a number of key long term strategic advantages. Over the past year we have critically reviewed our customer needs both now and in the future and have developed a number of strategically important and good returning projects, which, if approved, will improve the future competitiveness and returns of our business over the next five years.

Mr Park further commented, "Underlying global demand for paper continues to increase which is improving the supply and demand balance. Though, with the exception of the USA, we did not see prices lift in the first half, the conditions to support increased prices are more robust for the second half of the financial year. Regardless of how pricing develops, we are well placed to increase the returns we can make as a result of those actions that we can control.

"I would like to thank my fellow employees around the world for the hard work that has established the base we now have from which PaperlinX can grow its returns into the future. It has not been an easy six months, but our people have remained focussed on their key targets and have achieved much to be proud of.

In summary, Mr Park said, "The Group has made good progress in integrating our businesses, and is actively pursuing further opportunities to strengthen our existing businesses. We expect to see an improved second half, underpinned by an improving cost position and further gains in paper merchanting profitability. The flow-on effects from increasing capacity utilisation at international paper mills, though delayed from our initial expectations, should further benefit Australian Paper and the Group."

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Forward looking Statements:

Certain statements in this release relate to the future, including forward looking statements relating to PaperlinX's financial position and strategy. These forward looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual results, performance or achievements of PaperlinX to be materially different from future results, performance or achievements expressed or implied by such statements. Neither PaperlinX nor any other person gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statements in this document will actually occur and you are cautioned not to place undue reliance on such forward looking statements.

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Editors Note:

PaperlinX is the world's leading fine paper merchant, with businesses in Australia, New Zealand, Asia, North America and Europe. 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.