

Appendix 4E

Preliminary Final Report

Introduced 1/1/2003

Name of entity

PAPERLINX LIMITED

ABN

70 005 146 350

Half yearly
(tick) Preliminary
final (tick)

✓

Half year/financial year ended ('current
period')

30 June 2006

Results for announcement to the market

Extracts from this report for announcement to the market (see note 1).

A\$M

| | | | | |
|---|-------------------|---------------------|----|-----------------------------|
| Revenue (item 1.1) | down | 2.5% | to | 7,392.3 |
| Net profit for the period excluding Australian Tax Consolidation attributable to holders of the parent (item 1.18) | down | 27.0% | to | 65.4 |
| Net profit (loss) for the period attributable to holders of the parent (item 1.13) | down | 60.7% | to | 65.4 |
| Dividends (distributions) | | Amount per security | | Franked amount per security |
| Final dividend (Preliminary final report only - item 15.4) This dividend was declared at the date of this report. This dividend has not been provided for in the accounts as at 30 June 2006. Interim dividend (Half yearly report only - item 15.6) | | 4.5¢ | | Nil |
| Previous corresponding period (Preliminary final report - item 15.5; half yearly report - item 15.7) | | 12.0¢ | | Nil |
| †Record date for determining entitlements to the dividend, (in the case of a trust, distribution) (see item 15.2) | 22 September 2006 | | | |
| Brief explanation of any of the figures reported above (see Note 1) and short details of any bonus or cash issue or other item(s) of importance not previously released to the market: Refer attached news release. | | | | |

If this is a half yearly report it is to be read in conjunction with the most recent annual financial report.

+ See chapter 19 for defined terms.

Preliminary Final Report

Condensed consolidated statement of financial performance

| | Current period – A\$M | Previous corresponding period - A\$M |
|--|--------------------------|--|
| 1.1 Revenue (<i>items 1.22 – 1.24</i>) | 7,392.3 | 7,582.9 |
| 1.2 Other Income (<i>items 1.25 – 1.30</i>) | 27.3 | 4.6 |
| 1.3 Expenses (<i>items 1.31 – 1.36</i>) | (7,267.6) | (7,405.1) |
| 1.4 Profit (loss) before net financing costs | 152.0 | 182.4 |
| 1.5 Financial income (<i>items 1.37 – 1.39</i>) | 7.3 | 4.3 |
| 1.6 Financial expenses (<i>items 1.40 – 1.43</i>) | (73.1) | (75.1) |
| 1.7 Net finance costs | (65.8) | (70.8) |
| 1.8 Profit (loss) before tax | 86.2 | 111.6 |
| 1.9 Tax benefit/(expense) | (21.5) | 55.1 |
| 1.10 Profit (loss) after tax but before profit and loss of discontinuing operations | 64.7 | 166.7 |
| 1.11 Profit (loss) of discontinuing operations, net of tax | 0.7 | - |
| 1.12 Profit for the year | 65.4 | 166.7 |
| Attributable to | | |
| 1.13 Equity holders of the parent | 65.4 | 166.6 |
| 1.14 Minority interests | - | 0.1 |
| | 65.4 | 166.7 |
| 1.15 Profit for the year | 65.4 | 166.7 |
| 1.16 Australian Tax Consolidation adjustment | - | (77.0) |
| 1.17 Profit for the year excluding Australian Tax Consolidation | 65.4 | 89.7 |
| 1.18 Attributable to | | |
| Equity holders of the parent | 65.4 | 89.6 |
| 1.19 Minority interests | - | 0.1 |
| | 65.4 | 89.7 |
| Earnings per security (EPS) | Current period | Previous corresponding period |
| 1.20 Basic EPS from continuing operations | 14.5 | 37.3 |
| 1.21 Diluted EPS from continuing operations | 14.3 | 37.1 |

+ See chapter 19 for defined terms.

Preliminary Final Report

| | | Current Period – A\$M | Previous Corresponding Period A\$M |
|------------------------------|------------------------|-----------------------|--|
| REVENUES AND EXPENSES | | | |
| Revenue | | | |
| 1.22 | Sales of goods | 7,383.2 | 7,574.1 |
| | Rendering of services: | | |
| 1.23 | Commissions | 9.1 | 8.8 |
| 1.24 | Total revenue | 7,392.3 | 7,582.9 |

| | | | |
|---------------------|--|-------------|------------|
| Other income | | | |
| 1.25 | Insurance proceeds | - | 0.1 |
| 1.26 | Rent | 2.0 | 1.2 |
| 1.27 | Other | 0.1 | - |
| 1.28 | Dividends received | 0.8 | 0.3 |
| 1.29 | Net profit on disposal of non-current assets (1) | 24.4 | 3.0 |
| 1.30 | Total other income | 27.3 | 4.6 |

- (1) Included in the amount in the current year is \$16.3 million (2005: \$Nil million) in relation to profits arising on the disposal of properties under commercial sale and lease back arrangements. In accordance with the on-going review of the owned properties, it is expected that further commercial sale and lease back arrangements may be undertaken in the future.

Preliminary Final Report

| | | Current Period – A\$M | Previous Corresponding Period A\$M |
|-----------------|------------------------------|-----------------------|--|
| Expenses | | | |
| 1.31 | Cost of sales | 6,027.7 | 6,101.5 |
| 1.32 | Distribution and warehousing | 424.4 | 423.2 |
| 1.33 | Sales and marketing | 348.4 | 380.5 |
| 1.34 | General and administration | 464.9 | 496.4 |
| 1.35 | Research and development | 2.2 | 3.5 |
| 1.36 | Total expenses | 7,267.6 | 7,405.1 |

| | | | |
|----------------------------|-----------------------------------|---------------|---------------|
| Net financing costs | | | |
| Financial income: | | | |
| 1.37 | Interest income | 5.8 | 4.1 |
| 1.38 | Net foreign exchange gains | 1.5 | 0.2 |
| 1.39 | Total financial income | 7.3 | 4.3 |
| Financial expenses: | | | |
| 1.40 | Interest expense | (71.0) | (72.6) |
| 1.41 | Less capitalised interest | 0.3 | - |
| 1.42 | Other borrowing costs | (2.4) | (2.5) |
| 1.43 | Total financial expenses | (73.1) | (75.1) |
| 1.44 | Total net financing costs | (65.8) | (70.8) |
| Net interest expense: | | | |
| 1.45 | Interest income | 5.8 | 4.1 |
| 1.46 | Interest expense | (70.7) | (72.6) |
| 1.47 | Total net interest expense | (64.9) | (68.5) |

+ See chapter 19 for defined terms.

Preliminary Final Report

| | | Current Period - A\$m | Previous Corresponding Period A\$m |
|--------------------------|---|-----------------------|------------------------------------|
| Profit before tax | | | |
| 1.48 | Revenue: | | |
| | • Continuing operations | 7,383.2 | 7,574.1 |
| | • Discontinuing operations | 29.5 | - |
| | | 7,412.7 | 7,574.1 |
| 1.49 | Profit before depreciation, amortisation, net interest and tax: | | |
| | • Continuing operations | 255.8 | 293.0 |
| | • Discontinuing operations | 1.3 | - |
| | | 257.1 | 293.0 |
| 1.50 | Depreciation and amortisation: | | |
| | • Continuing operations | (104.7) | (112.9) |
| | • Discontinuing operations | - | - |
| | | (104.7) | (112.9) |
| 1.51 | Profit before net interest and tax: | | |
| | • Continuing operations | 151.1 | 180.1 |
| | • Discontinuing operations | 1.3 | - |
| | | 152.4 | 180.1 |
| 1.52 | Net interest: | | |
| | • Continuing operations | (64.9) | (68.5) |
| | • Discontinuing operations | (0.2) | - |
| | | (65.1) | (68.5) |
| 1.53 | Profit before income tax: | | |
| | • Continuing operations | 86.2 | 111.6 |
| | • Discontinuing operations | 1.1 | - |
| | | 87.3 | 111.6 |
| 1.54 | Tax: | | |
| | • Continuing operations | (21.5) | 55.1 |
| | • Discontinuing operations | (0.4) | - |
| | | (21.9) | 55.1 |
| 1.55 | Profit for the year: | | |
| | • Continuing operations | 64.7 | 166.7 |
| | • Discontinuing operations | 0.7 | - |
| | | 65.4 | 166.7 |

+ See chapter 19 for defined terms.

Preliminary Final Report

| Consolidated retained profits | | Current period - A\$M | Previous corresponding period A\$M |
|--------------------------------------|---|-----------------------|------------------------------------|
| 1.56 | Retained profits (accumulated losses) at the beginning of the financial period | (58.1) | (70.4) |
| 1.57 | Net profit (loss) attributable to holders of the parent (<i>item 1.13</i>) | 65.4 | 166.6 |
| 1.58 | Net transfers from (to) reserves (<i>details if material</i>) | - | - |
| 1.59 | Employee share options and rights | 2.9 | 2.3 |
| 1.60 | Adjustment to comply with AASB 139 (Financial Instruments: Recognition and Measurement) | (0.3) | - |
| 1.61 | Dividends paid | (78.1) | (122.7) |
| 1.62 | Actuarial gains/ (losses) on defined benefit plans | 30.0 | (33.9) |
| 1.63 | Retained profits (accumulated losses) at end of financial period | (38.2) | (58.1) |

+ See chapter 19 for defined terms.

Intangible and extraordinary items

| | | <i>Consolidated – current period</i> | | | |
|------------|--|--------------------------------------|--------------------------------|---|--|
| | | Before tax A\$M (a) | Related tax A\$M (b) | Related outside +equity interests A\$M (c) | Amount (after tax) attributable to members A\$M (d) |
| 2.1 | Amortisation of computer software | | - | - | - |
| 2.2 | Amortisation of brand names | | | | |
| 2.3 | Amortisation of other intangibles | - | - | - | - |
| 2.4 | Total amortisation of intangibles | | - | - | - |
| 2.5 | Extraordinary items (details) | - | - | - | - |
| 2.6 | Total extraordinary items | - | - | - | - |

There was no amortisation of goodwill in the previous corresponding period.

Comparison of half year profits

(Preliminary final report only)

| | | Current year – A\$M | Previous year – A\$M |
|-----|---|---------------------|----------------------|
| 3.1 | Consolidated profit (loss) after tax attributable to holders of the parent reported for the 1 st half year (item 1.16 in the half yearly report) | 35.3 | 132.5 |
| 3.2 | Consolidated profit (loss) after tax attributable to holders of the parent for the 2 nd half year | 30.1 | 34.1 |
| | Total for year | 65.4 | 166.6 |

+ See chapter 19 for defined terms.

Preliminary Final Report

| Condensed consolidated balance sheets | | At end of current period A\$M | As shown in last annual report A\$M | As in last half yearly report A\$M |
|--|---|-------------------------------|-------------------------------------|------------------------------------|
| Current assets | | | | |
| 4.1 | Cash and cash equivalents | 455.1 | 429.1 | 289.0 |
| 4.2 | Trade and other receivables | 1,541.8 | 1,433.2 | 1,489.8 |
| 4.3 | Inventories | 864.1 | 811.7 | 814.9 |
| 4.4 | Assets classified as held for sale | 19.6 | - | - |
| 4.5 | Total current assets | 2,880.6 | 2,674.0 | 2,593.7 |
| Non-current assets | | | | |
| 4.6 | Receivables | 8.9 | 5.4 | 5.1 |
| 4.7 | Investments | 14.1 | 13.3 | 13.5 |
| 4.8 | Property, plant and equipment | 990.8 | 985.2 | 977.0 |
| 4.9 | Intangible assets | 421.6 | 403.7 | 405.7 |
| 4.10 | Deferred tax assets | 74.4 | 85.2 | 83.4 |
| 4.11 | Total non-current assets | 1,509.8 | 1,492.8 | 1,484.7 |
| 4.12 | Total assets | 4,390.4 | 4,166.8 | 4,078.4 |
| Current liabilities | | | | |
| 4.13 | Trade and other payables | 1,172.9 | 1,041.9 | 958.8 |
| 4.14 | Interest bearing loans and borrowings | 221.7 | 266.6 | 266.2 |
| 4.15 | Income tax payable | 9.6 | 3.8 | 6.4 |
| 4.16 | Employee benefits | 41.4 | 40.9 | 42.6 |
| 4.17 | Provisions | 13.8 | 19.8 | 17.3 |
| 4.18 | Liabilities classified as held for sale | 0.9 | - | - |
| 4.19 | Total current liabilities | 1,460.3 | 1,373.0 | 1,291.3 |
| Non-current liabilities | | | | |
| 4.20 | Payables | 93.1 | 119.6 | 120.0 |
| 4.21 | Interest bearing liabilities | 1,136.7 | 1,036.0 | 1,039.9 |
| 4.22 | Deferred tax liabilities | 43.4 | 33.4 | 19.4 |
| 4.23 | Employee benefits | 37.3 | 38.9 | 39.2 |
| 4.24 | Provisions | 10.9 | 3.2 | 4.5 |
| 4.25 | Total non-current liabilities | 1,321.4 | 1,231.1 | 1,223.0 |
| 4.26 | Total liabilities | 2,781.7 | 2,604.1 | 2,514.3 |
| 4.27 | Net assets | 1,608.7 | 1,562.7 | 1,564.1 |

+ See chapter 19 for defined terms.

Preliminary Final Report

| Condensed consolidated balance sheets(cont) | | At end of current period A\$M | As shown in last annual report A\$M | As in last half yearly report A\$M |
|--|--|-------------------------------|-------------------------------------|------------------------------------|
| | Equity | | | |
| 4.28 | Issued capital | 1,691.9 | 1,691.5 | 1,691.7 |
| 4.29 | Reserves | (45.0) | (71.7) | (66.9) |
| 4.30 | Retained profits (accumulated losses) | (38.2) | (58.1) | (60.8) |
| 4.31 | Equity attributable to holders of the parent entity | 1,608.7 | 1,561.7 | 1,564.0 |
| 4.32 | Minority interests | - | 1.0 | 0.1 |
| 4.33 | Total equity | 1,608.7 | 1,562.7 | 1,564.1 |
| 4.34 | Preference capital included as part of 4.37 | - | - | - |

+ See chapter 19 for defined terms.

Exploration and evaluation expenditure capitalised

(To be completed only by entities with mining interests if amounts are material. Include all expenditure incurred.)

| | Current period A\$M | Previous corresponding period – A\$M |
|---|---------------------|--------------------------------------|
| 5.1 Opening balance | N/A | N/A |
| 5.2 Expenditure incurred during current period | N/A | N/A |
| 5.3 Expenditure written off during current period | N/A | N/A |
| 5.4 Acquisitions, disposals, revaluation increments, etc. | N/A | N/A |
| 5.5 Expenditure transferred to Development Properties | N/A | N/A |
| 5.6 Closing balance | N/A | N/A |

Development properties

(To be completed only by entities with mining interests if amounts are material)

| | Current period A\$M | Previous corresponding period – A\$M |
|---|---------------------|--------------------------------------|
| 6.1 Opening balance | N/A | N/A |
| 6.2 Expenditure incurred during current period | N/A | N/A |
| 6.3 Expenditure transferred from exploration and evaluation | N/A | N/A |
| 6.4 Expenditure written off during current period | N/A | N/A |
| 6.5 Acquisitions, disposals, revaluation increments, etc. | N/A | N/A |
| 6.6 Expenditure transferred to mine properties | N/A | N/A |
| 6.7 Closing balance | N/A | N/A |

+ See chapter 19 for defined terms.

Preliminary Final Report

Condensed consolidated statement of cash flows

| | Current period A\$M | Previous corresponding period – A\$M |
|---|---------------------|--------------------------------------|
| Cash flows related to operating activities | | |
| 7.1 Receipts from customers | 7,431.7 | 7,641.6 |
| 7.2 Payments to suppliers and employees | (7,113.9) | (7,271.8) |
| 7.3 Dividends received | 0.8 | 0.3 |
| 7.4 Interest received | 5.7 | 4.4 |
| 7.5 Interest paid | (69.6) | (74.3) |
| 7.6 Income taxes paid | (6.1) | (36.9) |
| 7.7 Other (provide details if material) | 11.2 | 10.1 |
| 7.8 Net operating cash flows | 259.8 | 273.4 |
| Cash flows related to investing activities | | |
| 7.9 Loans (advanced to)/repaid by other entities | (0.9) | 0.9 |
| 7.10 Acquisition of property, plant and equipment and intangibles | (101.4) | (86.3) |
| 7.11 Acquisition of subsidiaries and businesses | (100.9) | (44.6) |
| 7.12 Proceeds on disposal of property, plant and equipment | 51.1 | 29.5 |
| 7.13 Net investing cash flows | (152.1) | (100.5) |
| Cash flows related to financing activities | | |
| 7.14 Dividends paid | (77.8) | (122.3) |
| 7.15 Proceeds from issues of shares | - | 0.4 |
| 7.16 Loans (repaid to)/received from other persons | 0.2 | (3.1) |
| 7.17 Proceeds from borrowings | 1,156.0 | 669.2 |
| 7.18 Repayment of borrowings | (1,171.3) | (711.3) |
| 7.19 Principal lease repayments | - | (0.1) |
| 7.20 Net financing cash flows | (92.9) | (167.2) |
| 7.21 Net increase (decrease) in cash held | 14.8 | 5.7 |
| 7.22 Cash at beginning of period (see Reconciliation of cash) | 427.8 | 445.0 |
| 7.23 Exchange rate adjustments to item 7.24 | 11.3 | (22.9) |
| 7.24 Cash at end of period (see Reconciliation of cash) | 453.9 | 427.8 |

+ See chapter 19 for defined terms.

Non-cash financing and investing activities

Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows are as follows. (*If an amount is quantified, show comparative amount.*)

| |
|-----|
| N/A |
|-----|

Reconciliation of cash

| Reconciliation of cash at the end of the period (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows. | Current period A\$M | Previous corresponding Period – A\$M |
|--|---------------------|--------------------------------------|
| 8.1 Cash on hand and at bank | 455.1 | 429.1 |
| 8.2 Bank overdraft | (1.2) | (1.3) |
| 8.3 Total cash at end of period (item 7.26) | 453.9 | 427.8 |

Other notes to the condensed financial statements

| Ratios | Current period | Previous corresponding Period |
|---|----------------|-------------------------------|
| 9.1 Profit before tax / revenue Consolidated profit (loss) before tax (item 1.8) as a percentage of revenue (item 1.1) | 1.2% | 1.5% |
| 9.2 Profit after tax / +equity interests Consolidated net profit (loss) after tax attributable to holders of the parent (item 1.13) as a percentage of equity (similarly attributable) at the end of the period (item 4.31) | 4.1% | 10.7% |

+ See chapter 19 for defined terms.

Earnings per security (EPS)

10. Details of basic and diluted EPS reported separately in accordance with paragraph 9 and 18 of *AASB 1027: Earnings Per Share* are as follows.

| | | Current period | Previous corresponding Period |
|--|--|----------------|-------------------------------|
| Calculation of the following in accordance with <i>AASB 1027: Earnings per Share</i> | | | |
| 10.1 | Basic earnings per share (cents) | | |
| | • Continuing operations | 14.5 | 37.3 |
| | • Discontinuing operations | 0.2 | - |
| | | 14.7 | 37.3 |
| 10.2 | Net Profit | | |
| | • Continuing operations | 64.7 | 166.6 |
| | • Discontinuing operations | 0.7 | - |
| | | 65.4 | 166.6 |
| 10.3 | Weighted average number of shares (millions) | 446.2 | 446.1 |
| 10.4 | Diluted earnings per share (cents) | | |
| | • Continuing operations | 14.3 | 37.1 |
| | • Discontinuing operations | 0.2 | - |
| | | 14.5 | 37.1 |
| 10.5 | Net Profit | | |
| | • Continuing operations | 64.7 | 166.6 |
| | • Discontinuing operations | 0.7 | - |
| | | 65.4 | 166.6 |
| 10.6 | Weighted average number of shares (millions) | 449.6 | 448.6 |

NTA backing

| | | Current period | Previous corresponding Period |
|------|---|----------------|-------------------------------|
| 11.1 | Net tangible asset backing per ⁺ ordinary security | \$2.49 | \$2.40 |

+ See chapter 19 for defined terms.

Discontinuing Operations

(Entities must report a description of any significant activities or events relating to discontinuing operations in accordance with paragraph 7.5 (g) of AASB 1029: Interim Financial Reporting, or, the details of discontinuing operations they have disclosed in their accounts in accordance with AASB 1042: Discontinuing Operations (see note 17).)

12.1 Discontinuing Operations

| |
|-----|
| N/A |
|-----|

Control gained over entities having material effect

| | |
|---|-----|
| 13.1 Name of entity (or group of entities) | NIL |
| 13.2 Consolidated profit (loss) and extraordinary items after tax of the subsidiaries since the date in the current period on which control was ⁺ acquired | N/A |
| 13.3 Date from which such profit has been calculated | N/A |
| 13.4 Profit (loss) and extraordinary items after tax of the subsidiaries for the whole of the previous corresponding period | N/A |

Loss of control of entities having material effect

| | |
|--|-----|
| 14.1 Name of entity (or group of entities) | NIL |
| 14.2 Consolidated profit (loss) and extraordinary items after tax of the subsidiaries for the current period to the date of loss of control | N/A |
| 14.3 Date to which the profit (loss) in item 14.2 has been calculated | N/A |
| 14.4 Consolidated profit (loss) and extraordinary items after tax of the subsidiaries while controlled during the whole of the previous corresponding period | N/A |
| 14.5 Contribution to consolidated profit (loss) and extraordinary items from sale of interest leading to loss of control | N/A |

+ See chapter 19 for defined terms.

Preliminary Final Report

Dividends (in the case of a trust, distributions)

15.1 Date the dividend (distribution) is payable

13 October 2006

15.2 +Record date to determine entitlements to the dividend (distribution) (ie, on the basis of proper instruments of transfer received by 5.00 pm if +securities are not +CHES approved, or security holding balances established by 5.00 pm or such later time permitted by SCH Business Rules if +securities are +CHES approved)

22 September 2006

15.3 If it is a final dividend, has it been declared?
(Preliminary final report only)

Yes

Amount per security

| | | Amount per security | Franked amount per security at applicable tax (see note 4) | Amount per security of foreign source dividend |
|------|---|---------------------|--|--|
| 15.4 | (Preliminary final report only) Final dividend: Current year (30% tax rate) - not provided for at 30 June | 4.5¢ | Nil | N/A |
| 15.5 | Previous year (30% tax rate) | 12.0¢ | Nil | N/A |
| 15.6 | (Half yearly and preliminary final reports) Interim dividend: Current year (30% tax rate) - not provided for at 31 December. | 5.5¢ | Nil | N/A |
| 15.7 | Previous year (30% tax rate) | 13.5¢ | Nil | N/A |

Total dividend (distribution) per security (interim plus final)

(Preliminary final report only)

| | Current year | Previous year |
|-----------------------------|--------------|---------------|
| 15.8 +Ordinary securities | 10.0¢ | 25.5¢ |
| 15.9 Preference +securities | N/A | N/A |

Half yearly report - interim dividend (distribution) on all securities or Preliminary final report - final dividend (distribution) on all securities

| | Current period A\$M | Previous corresponding Period – A\$M |
|--|-------------------------------------|--------------------------------------|
| 15.10 +Ordinary securities (each class separately) Preference +securities (each class separately) | Not provided for at 30 June 2006 | Not provided for at 30 June 2005 |
| 15.12 Other equity instruments (each class separately) Refer 15.6 above | | |
| 15.13 Total | - | - |

+ See chapter 19 for defined terms.

Preliminary Final Report

The +dividend or distribution plans shown below are in operation.

| |
|------------------------------------|
| Dividend Reinvestment Plan ('DRP') |
|------------------------------------|

The last date(s) for receipt of election notices for the +dividend or distribution plans

| |
|-------------------|
| 21 September 2006 |
|-------------------|

Any other disclosures in relation to dividends (distributions). *(For half yearly reports, provide details in accordance with paragraph 7.5(d) of AASB 1029 Interim Financial Reporting)*

| |
|-----|
| N/A |
|-----|

Details of aggregate share of profits (losses) of associates and joint venture entities

| Group's share of associates' and joint venture entities': | Current period A\$M | Previous corresponding period – A\$M |
|---|---------------------|--------------------------------------|
| 16.1 Profit (loss) before tax | N/A | N/A |
| 16.2 Income tax | N/A | N/A |
| 16.3 Profit (loss after tax | N/A | N/A |
| 16.4 (1) Extraordinary items net of tax | - | - |
| (2) Unrealised profit in inventory adjustment | N/A | N/A |
| 16.5 Net profit (loss) | N/A | N/A |
| 16.6 Adjustments | N/A | N/A |
| 16.7 Share of net profit (loss) of associates and joint venture entities | N/A | N/A |

+ See chapter 19 for defined terms.

Preliminary Final Report

Material interests in entities which are not controlled entities

The economic entity has an interest (that is material to it) in the following entities. (If the interest was acquired or disposed of during either the current or previous corresponding period, indicate date of acquisition ("from dd/mm/yy") or disposal ("to dd/mm/yy").)

| Name of entity | Percentage of ownership interest held at end of period or date of disposal | | Contribution to net profit (loss) (item 1.9) | |
|---|--|-------------------------------|--|--------------------------------------|
| | Current period | Previous corresponding period | Current period A\$M | Previous corresponding period – A\$M |
| 17.1 Equity accounted associates and joint venture entities NIL | | | | |
| 17.2 Total | - | - | - | - |
| Name of entity | Percentage of ownership interest held at end of period or date of disposal | | Contribution to net profit (loss) (item 1.9) | |
| | Current period | Previous corresponding period | Current period A\$M | Previous corresponding period – A\$M |
| 17.3 Other material interests NIL | | | | |
| 17.4 Total | - | - | - | - |

+ See chapter 19 for defined terms.

Preliminary Final Report

Issued and quoted securities at end of current period*(Description must include rate of interest and any redemption or conversion rights together with prices and dates)*

| Category of +securities | Total number | Number quoted | Issue price per security (see note 14) (cents) | Amount paid up per security (see note 14) (cents) |
|---|--------------|---------------|--|---|
| 18.1 Preference +securities <i>(description)</i> | N/A | N/A | N/A | N/A |
| 18.2 Changes during current period | | | | |
| (a) Increases through issues | N/A | N/A | N/A | N/A |
| (b) Decreases through returns of capital, buybacks, redemptions | N/A | N/A | N/A | N/A |
| 18.3 +Ordinary securities | 446,182,209 | | | |
| 18.4 Changes during current period | | | | |
| (a) Increases through Employee Share Plan Issues | | | | |
| – Exercise of Options | 10,000 | 10,000 | 3.32 | 3.32 |
| (b) Increase through long term incentive plan | - | - | - | - |
| (c) Decreases through returns of capital, buybacks | - | - | - | - |
| 18.5 +Convertible debt securities <i>(description and conversion factor)</i> | N/A | N/A | N/A | N/A |
| 18.6 Changes during current period | | | | |
| (a) Increases through Employee Share Plan Issues | N/A | N/A | N/A | N/A |
| (b) Decreases through securities matured, converted | N/A | N/A | N/A | N/A |

+ See chapter 19 for defined terms.

Preliminary Final Report

| | Total number | Number quoted | Exercise price | Expiry Date (if any) |
|--|--------------|---------------|----------------|----------------------|
| 18.7 Options (<i>description and conversion factor</i>) | | Nil | | N/A |
| 18.8 Issued during current period | 1,022,140 | Nil | 2.77 | N/A |
| | 9,720 | Nil | 4.85 | N/A |
| | 150,000 | Nil | 2.77 | N/A |
| | 1,181,860 | | | |
| 18.9 Exercised during current period | 10,000 | Nil | 3.32 | N/A |
| 18.10 Expired during current period | 355,390 | N/A | | |
| 18.11 Debentures (<i>description</i>) | | | | |
| 18.12 Changes during current period | | | | |
| (a) Increases through issues | N/A | N/A | | |
| (b) Decreases through securities matured, converted | N/A | N/A | | |
| 18.13 Unsecured notes (<i>description</i>) | | | | |
| 18.14 Changes during current period | | | | |
| (a) Increases through issues | N/A | N/A | | |
| (b) Decreases through securities matured, converted | N/A | N/A | | |

+ See chapter 19 for defined terms.

Segment Reporting

(Information on the business and geographical segments of the entity must be reported for the current period in accordance with *AASB 1005: Segment Reporting* and for half year reports, *AASB 1029: Interim Financial Reporting*. Because entities employ different structures a pro forma cannot be provided. Segment information in the layout employed in the entity's ⁺accounts should be reported separately and attached to this report.)

BUSINESS SEGMENTS

The consolidated entity comprises the following main business segments, based on the consolidated entity's management and internal reporting reporting system.

| Segment | Description of Operations |
|-------------------------------|---|
| Merchanting and Paper Trading | International paper merchant and paper trader supplying the printing and publishing industry and office supplies. |
| Communication Papers | Manufacture of office papers, graphic papers, converting papers and other speciality and coated papers. |
| Packaging Papers | Manufacture of packaging papers and industrial papers. Products include kraftliners, sack kraft and light weight bag and industrial papers, sold predominantly to converting customers. |
| Corporate and Other | Includes stationery and envelopes business and corporate costs. |

GEOGRAPHIC SEGMENTS

The consolidated entity comprises the following main geographic segments. In presenting the information on the basis of geographic segments, segment sales are based on the geographic location of customers. Segment assets are based on the geographic location of the assets.

| Segment | Description of Operations |
|---------------------------|--|
| Australia and New Zealand | Manufacture of communication papers and packaging papers, paper merchanting and paper trading. |
| North America | Paper merchanting and paper trading. |
| Europe | Paper merchanting and paper trading. |
| Asia | Paper merchanting and paper trading. |

⁺ See chapter 19 for defined terms.

Preliminary Final Report

Segment Reporting (cont'd)

| | CONSOLIDATED | | | |
|---|-----------------------|--------------------|-------------------|------------------------|
| | SEGMENT RESULT (3) | SEGMENT REVENUE | SEGMENT ASSETS | SEGMENT LIABILITIES |
| | \$M | \$M | \$M | \$M |
| For the year ended 30 June 2006 | | | | |
| <u>BUSINESS SEGMENTS</u> | | | | |
| Merchanting and Paper Trading | | | | |
| • Continuing Operations | 189.1 | 6,900.5 | 3,241.4 | 1,163.0 |
| • Discontinuing Operations | 1.3 | 29.5 | 19.6 | 0.9 |
| | <u>190.4</u> | <u>6,930.0</u> | <u>3,261.0</u> | <u>1,163.9</u> |
| Communication Papers | (9.4) | 674.4 | 635.0 | 118.7 |
| Packaging Papers | 5.3 | 241.8 | 298.4 | 41.6 |
| Corporate and Other | <u>(33.9)</u> | 94.4 | 121.6 | 46.1 |
| Profit before net interest and income tax | <u>152.4</u> | | | |
| Net interest (1) | <u>(65.1)</u> | | | |
| Profit before income tax | 87.3 | | | |
| Income tax expense (1) | (21.9) | | | |
| Income tax benefit – Australian Tax Consolidation (1) | - | | | |
| Profit after income tax expense | 65.4 | | | |
| Net profit attributable to minority interests | - | | | |
| Inter-segment sales (2) | | (527.9) | | |
| Unallocated assets (deferred tax balances) | | | 74.4 | |
| Unallocated liabilities (6) | | | | 1,411.4 |
| Total | <u>65.4</u> | <u>7,412.7</u> | <u>4,390.4</u> | <u>2,781.7</u> |

+ See chapter 19 for defined terms.

Segment Reporting (cont'd)

| | CONSOLIDATED | | | |
|---|-----------------------|--------------------|-------------------|------------------------|
| | SEGMENT RESULT (3) | SEGMENT REVENUE | SEGMENT ASSETS | SEGMENT LIABILITIES |
| | \$M | \$M | \$M | \$M |
| For the year ended 30 June 2005 | | | | |
| <u>BUSINESS SEGMENTS</u> | | | | |
| Merchanting and Paper Trading | 194.1 | 7,035.3 | 3,054.0 | 1,045.9 |
| Communication Papers | 2.1 | 699.8 | 622.9 | 124.3 |
| Packaging Papers | 10.0 | 242.9 | 292.2 | 41.3 |
| Corporate and Other | (26.1) | 100.6 | 112.5 | 52.8 |
| Profit before net interest and income tax | <u>180.1</u> | | | |
| Net interest (1) | <u>(68.5)</u> | | | |
| Profit before income tax | 111.6 | | | |
| Income tax expense (1) | (21.9) | | | |
| Income tax benefit – Australian Tax Consolidation (1) | 77.0 | | | |
| Profit after income tax expense | <u>166.7</u> | | | |
| Net profit attributable to minority interests | (0.1) | | | |
| Inter-segment sales (2) | | (504.5) | | |
| Unallocated assets (deferred tax balances) | | | 85.2 | |
| Unallocated liabilities (6) | | | | 1,339.8 |
| Total | <u>166.6</u> | <u>7,574.1</u> | <u>4,166.8</u> | <u>2,604.1</u> |

+ See chapter 19 for defined terms.

Preliminary Final Report

Segment Reporting (cont'd)

| | CONSOLIDATED | | |
|---|--------------------|-------------------|------------------------|
| | SEGMENT REVENUE | SEGMENT ASSETS | CAPITAL EXPENDITURE |
| | \$M | \$M | \$M |
| For the year ended 30 June 2006 | | | |
| <u>GEOGRAPHIC SEGMENTS</u> | | | |
| Australia and New Zealand | 1,351.0 | 1,471.2 | 76.3 |
| North America | 1,257.8 | 591.9 | 21.4 |
| Europe | 4,617.5 | 2,190.7 | 23.9 |
| Asia | 186.4 | 62.2 | 0.4 |
| Unallocated assets (deferred tax assets) | - | 74.4 | - |
| Total | 7,412.7 | 4,390.4 | 122.0 |

| | CONSOLIDATED | | |
|---|--------------------|-------------------|------------------------|
| | SEGMENT REVENUE | SEGMENT ASSETS | CAPITAL EXPENDITURE |
| | \$M | \$M | \$M |
| For the year ended 30 June 2005 | | | |
| <u>GEOGRAPHIC SEGMENTS</u> | | | |
| Australia and New Zealand | 1,444.4 | 1,464.1 | 66.4 |
| North America | 1,011.1 | 413.1 | 5.5 |
| Europe | 4,945.2 | 2,147.7 | 44.8 |
| Asia | 173.4 | 56.7 | 0.3 |
| Unallocated assets (deferred tax assets) | - | 85.2 | - |
| Total | 7,574.1 | 4,166.8 | 117.0 |

+ See chapter 19 for defined terms.

Segment Reporting (cont'd)

| | CONSOLIDATED | | |
|--|--|---------------------------------|-----------------------------------|
| | DEPRECIATION & AMORTISATION \$M | NON CASH EXPENSES (4) \$M | CAPITAL EXPENDITURE (5) \$M |
| For the year ended 30 June 2006 | | | |
| <u>BUSINESS SEGMENTS</u> | | | |
| Merchanting & Paper Trading | | | |
| • Continuing operations | 40.4 | (4.3) | 47.8 |
| Communication Papers | 37.0 | 6.6 | 57.7 |
| Packaging Papers | 12.9 | 3.1 | 13.1 |
| Corporate and Other | 14.4 | 5.1 | 3.4 |
| Total | 104.7 | 10.5 | 122.0 |

| | CONSOLIDATED | | |
|--|--|---------------------------------|-----------------------------------|
| | DEPRECIATION & AMORTISATION \$M | NON CASH EXPENSES (4) \$M | CAPITAL EXPENDITURE (5) \$M |
| For the year ended 30 June 2005 | | | |
| <u>BUSINESS SEGMENTS</u> | | | |
| Merchanting & Paper Trading | 41.1 | 19.7 | 52.8 |
| Communication Papers | 46.7 | 13.9 | 46.2 |
| Packaging Papers | 12.2 | 4.7 | 15.5 |
| Corporate and Other | 12.9 | 4.4 | 2.5 |
| Total | 112.9 | 42.7 | 117.0 |

+ See chapter 19 for defined terms.

Segment Reporting (cont'd)
Notes

- (1) Interest and income tax expense are not allocated internally to the segments but held centrally.
- (2) Inter-segment sales comprise sales of paper, which are priced on an arm's length basis.
- (3) The segment result for the individual business segments is the profit before net interest and income tax.
- (4) The non-cash expenses above comprise the following items:

| | 2006 \$M | 2005 \$M |
|--|-------------|-------------|
| • Provisions charge | 34.4 | 48.9 |
| • Net (profit)/loss on disposal of property, plant and equipment | (24.4) | (3.0) |
| • Other non cash items - refer Statements of Cash Flows | 0.5 | (3.2) |
| | <u>10.5</u> | <u>42.7</u> |

- (5) Capital Expenditure above comprises the following items:

| | | |
|--|--------------|--------------|
| • Addition of property, plant and equipment - refer Statements of Cash Flows | 101.4 | 86.3 |
| • Movement in accruals for property, plant and equipment | 0.6 | 7.4 |
| | <u>102.0</u> | <u>93.7</u> |
| • Goodwill in relation to acquisitions of subsidiaries | 9.1 | 17.1 |
| • Brands acquired on acquisition of subsidiaries | 1.2 | - |
| • Property, plant and equipment acquired on acquisition of subsidiaries | 9.7 | 6.2 |
| | <u>122.0</u> | <u>117.0</u> |

- (6) The unallocated segment liabilities comprise the following items:

| | | |
|--|----------------|----------------|
| • Current interest bearing liabilities | 221.7 | 266.6 |
| • Current tax liabilities | 9.6 | 3.8 |
| • Non-current interest bearing liabilities | 1,136.7 | 1,036.0 |
| • Non-current deferred tax liabilities | 43.4 | 33.4 |
| | <u>1,411.4</u> | <u>1,339.8</u> |

- (7) The impairment losses booked relate to the following segments:

| | | |
|--|---|------|
| • Industry – Communication Papers | - | 12.4 |
| • Geographic – Australia and New Zealand | - | 12.4 |

+ See chapter 19 for defined terms.

Comments by directors

(Comments on the following matters are required by ASX or, in relation to the half yearly report, by AASB 1029: *Interim Financial Reporting*. The comments do not take the place of the directors' report and statement (as required by the Corporations Act) and may be incorporated into the directors' report and statement. For both half yearly and preliminary final reports, if there are no comments in a section, state NIL. If there is insufficient space to comment, attach notes to this report.)

Basis of financial report preparation

19.1 Not applicable (Interim report only)

19.2 Material factors affecting the revenues and expenses of the economic entity for the current period. In a half yearly report, provide explanatory comments about any seasonal or irregular factors affecting operations.

Refer attached News Release

19.3 A description of each event since the end of the current period which has had a material effect and which is not already reported elsewhere in this Appendix or in attachments, with financial effect quantified (if possible).

Refer attached News Release

19.4 Franking credits available and prospects for paying fully or partly franked dividends for at least the next year.

At the date of this report, PaperlinX Limited has declared an unfranked dividend on ordinary shares payable on 13 October 2006 – 4.5 cents per share on fully paid shares. This dividend has not been provided for in the accounts as at 30 June 2006.

The balance of the consolidated franking account as at 30 June 2006 was \$Nil (2005: \$3.6 million).

It is expected that any interim dividend in respect of the half year ending 31 December 2006 will be unfranked.

- 19.5 Unless disclosed below, the accounting policies, estimation methods and measurement bases used in this report are the same as those used in the last annual report. Any changes in accounting policies, estimation methods and measurement bases since the last annual report are disclosed as follows

Change In Accounting Policy

PaperlinX Limited has taken advantage of the election under AASB 1 to not restate for AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement*.

There are no adjustments for 1 July 2004 or the financial year ended 30 June 2005 as previous AGAAP continues to apply.

As at 1 July 2005, the adjustments to the consolidated entity are as follows:

- under previous AGAAP, not all derivatives were recognised in the balance sheet. On adoption of AASB 139, all derivatives are recognised at fair value on the balance sheet. The effect on the consolidated entity is to record the fair value of the derivatives on the balance sheet with a corresponding decrease in retained earnings of \$0.3 million, net of tax of \$0.1 million.
- debt establishment costs which were capitalised and amortised over the term of the borrowing under previous AGAAP, are recalculated based on the effective interest rate method and recognised as part of the liability rather than as a separate asset. This results in a decrease in assets of \$4.0 million, and a decrease in financial liabilities of \$4.0 million.

- 19.6 Revisions in estimates of amounts reported in previous interim periods. For half yearly reports the nature and amount of revisions in estimates of amounts reported in previous +annual reports if those revisions have a material effect in this half year.

Not applicable

- 19.7 Changes in contingent liabilities or assets. For half yearly reports, changes in contingent liabilities and contingent assets since the last + annual report.

Not applicable

+ See chapter 19 for defined terms.

Additional disclosure for trusts

| | |
|---|----------------|
| 20.1 Number of units held by the management company or responsible entity or their related parties. | Not applicable |
| 20.2 A statement of the fees and commissions payable to the management company or responsible entity. Identify: <ul style="list-style-type: none"> • initial service charges • management fees • other fees | Not applicable |

Annual meeting*(Preliminary final report only)*

The annual meeting will be held as follows:

| | |
|---|---|
| Place | Park Hyatt 1 Parliament Square East Melbourne VIC 3002 |
| Date | Friday, 20 October 2006 |
| Time | 11.00 am |
| Approximate date the *annual report will be available | 22 September 2006 |

+ See chapter 19 for defined terms.


Compliance statement

- 1 This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views or other standards acceptable to ASX (see note 12).

Identify other standards used

Not applicable

- 2 This report, and the accounts upon which the report is based (if separate), use the same accounting policies.
- 3 This report does give a true and fair view of the matters disclosed (see note 2).
- 4 This report is based on ⁺accounts to which one of the following applies.
(Tick one)
- | | | | |
|-------------------------------------|---|--------------------------|---|
| <input checked="" type="checkbox"/> | The ⁺ accounts have been audited. | <input type="checkbox"/> | The ⁺ accounts have been subject to review. |
| <input type="checkbox"/> | The ⁺ accounts are in the process of being audited or subject to review. | <input type="checkbox"/> | The ⁺ accounts have <i>not</i> yet been audited or reviewed. |
- 5 If the audit report or review by the auditor is not attached, details of any qualifications are attached/will follow immediately they are available* (*delete one*). (*Half yearly report only - the audit report or review by the auditor must be attached to this report if this report is to satisfy the requirements of the Corporations Act.*)
- 6 The entity has a formally constituted audit committee.

Sign here:  Date: 21 August 2006
(Company Secretary)

Print name: James Orr

+ See chapter 19 for defined terms.