NEWS RELEASE

STOCK EXCHANGE RELEASE

22 August 2006

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PAPERLINX 2006 FINANCIAL RESULTS

PaperlinX today announced profit after tax for the year ended 30 June 2006 of $65.4 million on revenue of $7.4 billion, well down on the prior year. The underlying second half operating earnings for 2006 was above both the first half of 2006 and the second half of 2005. Both years have been reported under AIFRS with 2005 results restated to match changes in the accounting rules. The final dividend will be 4.5 cents per share and the Board has activated the dividend re-investment plan.

Commenting on the announcement today, PaperlinX CEO Tom Park said, "The 2006 results reflect a continuation of the challenging market conditions that have been seen over the past three years and have continued into the new financial year."

"In this difficult environment we are encouraged that the benefits of a number of our restructuring and development programmes began to flow to earnings in the second half of 2006. These programmes have involved investing capital and current earnings to improve returns for shareholders if current conditions persist, and to increase our leverage to any future improvements in the sector."

"At the half year results we detailed a range of strategic initiatives expected to deliver a sustainable net benefit to operating profit of over $100 million per annum in 2009, building from a net benefit of over $35 million in 2007. These commitments are on track, underpinned in 2007 by the successful acquisition of Cascades Merchanting (now called Spicers Canada) in Canada, (already exceeding our year three 15% return target), and the closure of the Shoalhaven number 1 paper machine."

"We have now added two new initiatives to our list; PaperlinX Office and an out-sourced Maryvale Wood yard. Both of these initiatives are expected to exceed target returns, with one-off costs in 2007 of around $12 million."

"PaperlinX will continue to focus on identifying opportunities to improve our existing businesses to counter the input cost increases and currency impacts that were encountered in our manufacturing business over the past year and were unable to be passed on through pricing. These cost pressures continue into this financial year."

"Our solid operating cash flow of $260 million was supported by continued good performance on reducing our working capital."

"Our employees are to be commended for their commitment and enthusiasm to realise the full potential from the unique PaperlinX business model during this difficult stage in the paper cycle."

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Summary of Result

- Profit after tax for the year ended 30 June 2006 was $65.4 million.
- Second half underlying earnings (before strategic initiatives costs and profit on the sale of non-core assets) were higher than both the first half and prior corresponding period.
- One-off costs associated with restructuring, closures and acquisitions have been largely funded internally from the sale of non-core assets and reductions in underlying working capital. This is reflected in a solid $260 million of operating cash flow.
- Though well below our targets, the current return on funds employed of 6.2% maintains PaperlinX's position in the top quartile of global paper companies, and is the result of the company's unique market position, tight cost control in the paper merchanting business and continued reduction in net working capital (down $92 million versus the comparable June 2005 period excluding currency impacts and acquisitions).
- The Paper Merchanting business achieved earnings before interest and tax of $190.4 million, down $3.7 million on the prior year, including a net $9.4 million benefit from profit on asset sales over the cost of restructuring and other charges. The decline in earnings was primarily due to lower average prices and lower volumes in the UK, Netherlands and New Zealand markets. Overall volumes were flat with the inclusion of the recently acquired Spicers Canada for four months (already exceeding year 3 return target of 15%). Working capital was reduced in all geographic regions, expenses were down 2%, and the business returned 11.5% on average funds employed (exceeding our cost of capital) despite weak trading conditions.
- Earnings before interest and tax for Australian Paper were $(4.1) million including net costs of $13.6 million coming from a combination of asset sales and costs associated with strategic initiatives. Excluding one-off costs, the profit of $9.5 million compared with a profit of $12.1 million in the prior year. While this result continued to show the impact of depressed paper selling prices and increased input costs, the trend in underlying earnings over the past three halves shows a more stable base as management actions have begun to mitigate these continuing negative impacts.
- Net debt to net debt plus equity was 36.0%, which is in line with last year and the Group's target range of 40% to 50%. Interest cover was 2.3 times. Both of these ratios are in compliance with debt covenants.
- Directors declared an unfranked final dividend of 4.5 cents per share, representing a 70% payout ratio. The Board has activated the dividend reinvestment plan for the final dividend. Details will be mailed to eligible shareholders in Australia and New Zealand today.

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Business Improvement Initiatives

Commenting further on the Group's strategic initiatives, Mr Park said, "Structural global oversupply is the key issue facing the paper industry, which, combined with the weaker US dollar, has resulted in weak paper prices in markets other than the US. The major factors impacting our manufacturing profits in Australia also include the rising input costs that all industries are facing, and the unique input cost of rising pulp prices that our industry faces. These factors continue to impact earnings as we enter the new financial year."

"We have responded to these pressures, and, when you include our strategic diversification into paper merchanting, have established a unique platform that allows us to outperform our sector peers. Our returns are not where we intend them to be, however, so we are continuing to aggressively pursue opportunities for improvement."

"The strategic initiatives highlighted here leverage our global platform, improve our customer offerings, and will lift returns to target levels given more balanced market conditions. The sale of non core assets has been faster than we had originally anticipated and this has largely offset the costs of a range of restructuring and closure costs included in these results."

PaperlinX strategic initiatives include:

Cascades Merchanting acquisition (Canada): Completed March 2006; year 3 target return already achieved (15%+)

- build economies of scale and realise synergies by growing Canadian merchanting platform.

Exit of Portuguese market: Completed

- exiting small poorly performing paper merchanting business.

Shoalhaven Paper Machine 1 closure: Completed on schedule in March 2006

- to improve overall operating efficiency by replacing unprofitable products made for the export market at Maryvale with products that were previously manufactured on Shoalhaven Paper Machine 1.

Upgrade of Maryvale Mill Paper Machine 1: Complete; uptake improving from slow start

- world class product quality to enhance our competitive position.

Maryvale pulp mill upgrade: On schedule, on budget

- to improve paper quality, reduce pulp production costs, replace 80,000 tonnes of imported pulp and improve our environmental impact by upgrading the current pulp capacity and bleach plant.

Netherlands Integration: On plan, integration underway

- integration of paper merchanting businesses in the Netherlands to realise synergies in commercial print and packaging services.

The Delivery Co (UK): First site operational as scheduled

- integration of the individual logistics operations of UK paper merchants to optimise customer service, maximise efficiency and minimise the environmental impact of distribution activities.

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European IT Platform: First implementation successful

- creation of a common IT platform to improve inventory and warehouse control in order to improve working capital management, deliver a range of other synergy benefits and improve service to customers.

Strategic Supplier Alliances: Progressing as expected

- working with strategic suppliers to build competitiveness and grow volumes together.

New Strategic Initiatives:

PaperlinX Office: Plans initiated July 06

- combining three Australian businesses which service the office products and stationery market in Australia

Maryvale Mill Wood yard: Conditional agreement reached

- Outsourced new wood yard facility for Maryvale Mill in Australia to further enhance the quality and consistency of pulp to be produced at Maryvale's upgraded pulp facilities.

For further information, please contact:

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Editors Note:
PaperlinX is the world's leading fine paper merchant, with businesses in Australia, New Zealand, Asia, North America, South Africa and Europe. Through its Australian Paper division, it is also the only Australasian producer of high quality communication papers, and a major Australian producer of high performance packaging and industrial papers.

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.

Subject to any continuing obligations under applicable law or any relevant listing rules of the ASX, PaperlinX disclaims any obligation or undertaking to disseminate any updates or revisions to any forward looking statements in this document to reflect any change in expectations in relation thereto or any change in events, conditions or circumstances on which any such statement is based.

Release Time 8.30am Australian eastern standard time
Date 22 August 2006

PAPERLINX RESULTS FOR THE FULL YEAR ENDED 30 JUNE 2006

PaperlinX has reported operating earnings (EBIT) of $152.4 million and after tax profit of $65.4 million for the 2006 financial year. The current result and prior period have been reported under AIFRS.

- These results reflect a continuation of the adverse trading conditions experienced in the fiscal 2005 year which impacted volumes, selling prices and margins. The after tax profit of $65.4 million compares with $89.6 million for the year ended 30 June 2005 (excluding the benefits of tax consolidation), with profit after tax stabilising in the second half of the year compared with the prior corresponding period.
- Second half underlying operating earnings showed an improvement over both the first half and the prior corresponding period, however, rising mill input costs have not been able to be passed on in paper selling prices and continue to impact earnings.
- Though well below our targets, total average return on funds employed of 6.2% remains in the top quartile of international paper companies. Operating cash flow of $260 million benefited from a working capital cash improvement (excluding currency impacts and acquisitions) of $88 million.
- Profit on sale of non-core assets has largely funded $25.4 million in one-off costs associated with key strategic initiatives, resulting in a net loss from one-off items of $4.2 million.
- Benefits of previously announced strategic initiatives are on track to return over $35 million in 2007 and over $100 million in 2009, with the acquisition of Cascades Resources (now Spicers Canada) and the closure of the number 1 paper machine at Shoalhaven completed in the past 6 months.
- A final dividend of 4.5 cents per share, unfranked, has been declared. The Board has activated the dividend reinvestment plan for the final dividend.

PAPERLINX LIMITED AND CONTROLLED ENTITIES		Year ended 30 June		
		2006	2005	% change
Sales Revenue	$M	7,412.7	7,574.1	(2)
Earnings from Ordinary Activities before interest, income tax, amortisation and depreciation	$M	257.1	293.0	(12)
Earnings from Ordinary Activities before interest & income tax	$M	152.4	180.1	(15)
Profit from Ordinary Activities before tax	$M	87.3	111.6	(22)
Profit from Ordinary Activities after income tax (excluding ATC)	$M	65.4	89.6	(27)
Profit from Ordinary Activities after income tax (including ATC)	$M	65.4	166.6	(61)
Key Ratios				
Earnings from before interest and income tax to average funds employed	%	6.2	6.7	
Working Capital to Sales	%	16.5	16.1	
Operating Cash Flow	$M	259.8	273.4	
Net interest cover (times)	x	2.3	2.6	
Net debt/Net debt & Equity	%	36.0	35.9	
Earnings per share (excluding ATC)	cps	14.7	20.1	
Earnings per share (including ATC)	cps	14.7	37.3	
Dividend per share	cps	10.0	25.5	

***Note**: In this statement, currency is in Australian dollars unless otherwise indicated.*

RESULTS FOR THE YEAR ENDED 30 JUNE 2006

Commentary on the Group 2006 Results

Introduction

PaperlinX financial results for the year ended 30 June 2006 have been influenced by a continuation of challenging external market conditions including global supply imbalances and rising input costs, balanced to some extent by continued progress on areas within our control, including strategic initiatives, working capital management and cost reductions. Reported profit after tax of $65.4 million was well below last years' $89.6 million (excluding the prior year benefits of Australian Tax Consolidation), although the underlying second half operating earnings for 2006 was above both the first half of 2006 and the second half of 2005.

Overall operating earnings (EBIT) of $152.4 million included a range of one-off items both positive and negative. Profit on sale of surplus property has largely funded the one-off costs associated with the Group's key strategic initiatives highlighted at the half year results. The net impact on reported profit of these items was a loss of $4.2 million.

Operating cash flow of $260 million included a solid $88 million cash reduction in working capital (excluding currency impacts and acquisitions). The company was able to largely fund its restructuring, closure and acquisition costs from internal sources, with the acquisition of Spicers Canada balanced by reductions in working capital.

Returns for the year of 6.2% on average funds employed, while well below our target levels, remain in the top quartile among global paper companies.

In the first half result, a range of strategic initiatives were highlighted that are expected to result in a positive net EBIT benefit in 2007 of over $35 million and at least $100 million per annum of sustainable incremental contribution to operating earnings in 2009. As shown below, these initiatives are on track with expectations for net benefits from them unchanged. These benefits will go towards mitigating continued input cost pressures, and will provide additional upside should there be an improvement in external conditions.

Since that time, two additional strategic initiatives have been brought forward: consolidating the PaperlinX Office Group in Australia, and out-sourcing the Maryvale Wood Yard. These additional strategic initiatives will incur one-off costs of around $12 million in 2007, primarily relating to redundancy costs and warehouse consolidations. Both projects are expected to exceed target return levels on an on-going basis following those initial costs.

Progress on previously announced Strategic Initiatives:

- Cascades Merchanting acquisition (Canada): Completed; year 3 target return already achieved (15%+)

  - build economies of scale and realise synergies by growing Canadian merchanting platform.

- Exit of Portuguese market: Completed

  - exiting small poorly performing paper merchanting business.

- Shoalhaven Paper Machine 1 closure: Completed on schedule

  - to improve overall operating efficiency by replacing unprofitable products made for the export market at Maryvale with products that were previously manufactured on Shoalhaven Paper Machine 1.

  Upgrade of Maryvale Mill Paper Machine 1: Complete, uptake improving from slow start

  - world class product quality to enhance our competitive position.

- Maryvale pulp mill upgrade: On schedule, on budget

  - to improve paper quality, reduce pulp production costs, replace 80,000 tonnes of imported pulp and improve our environmental impact by upgrading the current pulp capacity and bleach plant.

- Netherlands Integration: Management appointed, integration on plan

  - integration of paper merchanting businesses in the Netherlands to realise synergies in commercial print and packaging services.

- The Delivery Co (UK): First site operational as scheduled

  - integration of the individual logistics operations of UK paper merchants to optimise customer service, maximise efficiency and minimise the environmental impact of distribution activities.

- European IT Platform: First implementation completed successfully

  - creation of a common IT platform to improve inventory and warehouse control in order to improve working capital management, deliver a range of other synergy benefits and improve service to customers.

- Strategic Supplier Alliances: Progressing as expected

  - working with strategic suppliers to build competitiveness and grow volumes together.

New Strategic Initiatives:

- PaperlinX Office: Management announced, plans initiated

  - combining three Australian businesses which service the office products and stationery market in Australia to improve our offering and service to customers.

- Maryvale Mill Wood Yard: Conditional agreement reached

  - Outsourced new wood yard facility for Maryvale Mill in Australia to further enhance the quality and consistency of pulp to be produced at Maryvale's upgraded pulp facilities.

Paper Merchanting

The Paper Merchanting business achieved earnings before interest and tax of $190.4 million, down from $194.1 million in the prior year. Earnings include net benefits of $9.4 million, where the profit on sale of surplus property assets have more than offset one-off costs associated with a number of the strategic initiatives being undertaken in the paper merchanting business. Underlying operating earnings have been impacted by lower average prices and soft volumes, particularly in Europe (the UK and Netherlands) and New Zealand. Cost increases, while mitigated by management of expenses and other internal initiatives, have also impacted the results.

Merchanting businesses have continued to produce sound returns in this difficult environment, with clear potential upside from any improvements in market conditions. Return on average funds employed was 11.5%, which is above our cost of capital. Overall expenses were reduced by 2% as management made good progress against targets. Working capital reductions have continued, in local currency all major business regions were at lower levels than a year ago.

Operating earnings were impacted by lower earnings in Europe (down 4% in local currency, including net one-off benefits) and in Australasia (down 13%), balanced by a strong 36% improvement in North America which reflected the inclusion of Spicers Canada for four months and the leverage to higher paper prices. Mix benefits included in these numbers include growth of core brands (+ 8%) and an improved stock sales to indent sales ratio in Europe.

Paper Manufacturing

Earnings from Australian Paper have remained under significant pressure. Operating earnings of $(4.1) million included $17.1 million in one-off charges for the closure of the number 1 paper machine at Shoalhaven Mill in NSW and Maryvale PM1 commissioning costs, partly offset by profit on the sale of non-core assets of $3.5 million. They also reflect the continued impact of depressed Australian paper prices, oversupply in global paper markets and higher input costs (up $10.5 million over the past year). Fuel oil costs rose most sharply, up 38%. The current environment has not allowed these cost increases to be passed on. With paper prices down 4% on average, and costs up, average margin per tonne of product sold has fallen 4.4%.

Despite the difficult market, management has actively moved ahead on a number of key initiatives to improve returns from the current unacceptable levels. Previous investments to enhance the quality of copy paper manufactured at Maryvale Mill have underpinned a 12.3% growth in domestic volume and over 5 points of market share growth. The upgrade of the number 1 paper machine at Maryvale Mill has been completed and product is reclaiming market position though at a slower rate than initially planned. The Maryvale pulp mill upgrade is progressing to plan. The number 1 paper machine at Shoalhaven Mill was closed in March as planned with production being transferred to Maryvale Mill. Incorporating the new grades has had some impact on machine efficiency at Maryvale, but this has now largely been addressed. A conditional agreement has been reached to outsource the Maryvale Mill wood yard, reducing costs and improving efficiency. Additionally, PaperlinX Office has been launched, combining three PaperlinX businesses that service the Australian office products and stationery markets.

The net benefit from these initiatives will be to improve returns from our manufacturing business, though some improvement in the external environment is required to see Australian Paper achieve an acceptable return on funds employed.

OPERATING EARNINGS

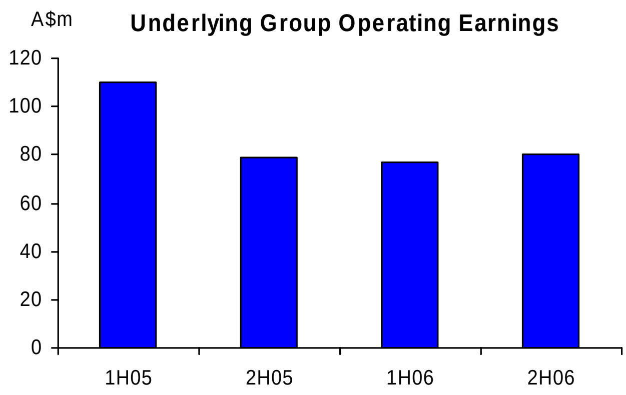
The following table shows, for PaperlinX Limited and controlled entities, Operating Earnings (EBIT), Sales Revenue and Total Assets by industry segment for the year to 30 June 2006.

	EBIT		Sales Revenue		Total Assets	
	Jun 2006 $M	Jun 2005 $M	Jun 2006 $M	Jun 2005 $M	Jun 2006 $M	Jun 2005 $M
Industry Segments						
Paper Merchanting						
Australasia	27.0	31.1	1,230	1,278	505	532
Europe	123.5	133.8	4,555	4,867	2,187	2,140
North America	39.9	29.2	1,145	890	569	382
Total Paper Merchanting (1)	190.4	194.1	6,930	7,035	3,261	3,054
Communication Papers	(9.4)	2.1	674	700	635	623
Packaging Papers	5.3	10.0	242	243	298	292
Total Australian Paper (2)	(4.1)	12.1	916	943	933	915
Corporate and Other	(33.9)	(26.1)	95	101	122	113
Operating earnings before interest & income tax	152.4	180.1				
Net Interest	(65.1)	(68.5)				
Income Tax Expense	(21.9)	(21.9)				
Outside Equity Interests	0.0	(0.1)				
Inter-segment Sales			(528)	(505)		
Unallocated Assets (deferred tax assets)					74	85
Total	65.4	89.6(3)	7,413	7,574	4,390	4,167

Notes
(1) 2006 EBIT includes net one-off benefit of $9.4 million. 2005 EBIT one-off cost of $(9.9) million
(2) EBIT includes net one-off cost of $(13.6) million
(3) Excludes benefit of entering Australian Tax consolidation regime of $77 million

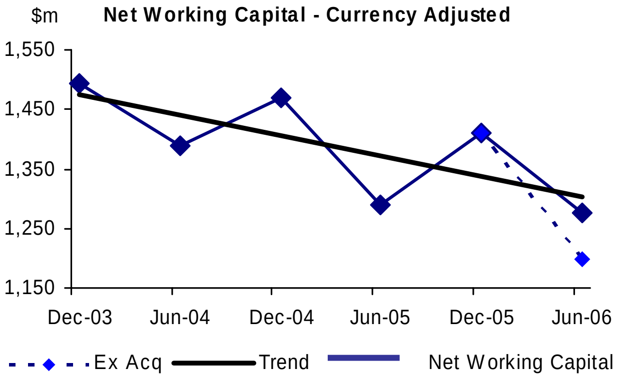
Underlying Operating Earnings

The reported operating earnings for 2006 and 2005 contain a number of one-off items. This chart helps provide clarity on the trend in underlying operating earnings (EBIT) after removing one-off costs and benefits relating to property transactions and costs associated with implementing strategic initiatives. On this basis, the second half EBIT for 2006 is above both first half of 2006 and the second half of 2005.



Working Capital

Net working capital for the Group at June 2006 was $1,277 million. Adjusted for currency impact ($53 million increase) and acquisitions ($94 million increase), the net working capital reduced $92 million. The net working capital in all major operating regions decreased as a result of our continued focus on this key area. All three components of working capital improved versus prior period.



Financial Position

At 30 June 2006, PaperlinX has a gearing ratio of net debt to net debt plus equity of 36.0%, which is in line with last June and below the Group's target range of 40% to 50%. Interest cover was 2.3 times. Both of these ratios are in compliance with debt covenants.

Cash generated by operations excluding working capital movement was $172 million. Net cash flow from operations after working capital movements was at $260 million. Net debt has increased to $903 million compared to $873 million at the same period last year (including an increase of $64 million due to currency impact).

There have been no significant changes in funding arrangements. PaperlinX has an appropriate mix of long, medium and short term debt, and has undrawn lines of credit available to it beyond current foreseeable needs.

Capital expenditure in the period was $101 million which was 97% of depreciation. In the last year PaperlinX has committed to an upgrade of its pulping capacity and associated facilities at the Maryvale Mill at a cost of $203 million over the next three years. Total acquisition expenditure was $101 million, most notably Spicers Canada. PaperlinX has funding available for its current and planned projects.

Dividend

Directors have declared an unfranked final dividend of 4.5 cents per share representing a 70% payout ratio. This brings the total dividend for the year to 10.0 cents.

The final dividend will be paid on 13th October 2006 to shareholders on record as of 22nd September 2006 as being entitled to the dividend.

Dividend Reinvestment Plan

Directors have announced that the PaperlinX Dividend Reinvestment Plan (DRP) will be activated, and will apply in respect of the year's final dividend. A summary of the DRP and an election form will be mailed to all eligible shareholders (Australia and New Zealand only) today.

Closing date for applications to participate in the DRP is 21 September, 2006.

Australian Tax Consolidation

In the 2005 Fiscal year (the prior corresponding period, from 1 July 2004 to 30 June 2005) PaperlinX recorded a one-off $77 million gain from its election to form a tax consolidation group in Australia from 1 July 2003. Details have been previously reported.

Australian International Financial Reporting Standards (AIFRS)

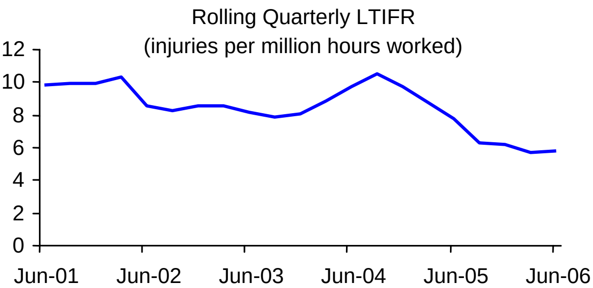
These results are reported against the Australian equivalents to the International Financial Reporting Standards (AIFRS) as issued by the Australian Accounting Standards Board. The prior corresponding period results have also been restated.

Employees

As at 30 June 2006 PaperlinX had 9,672 employees, down 1.9% versus prior year (excluding the Spicers Canada business acquired in March 2006) and down versus two years ago. 30% of our employees are in Australasia, 53% in Europe and 17% in North America.

Safety

The Group's rolling 12 month LTIFR (lost time injury frequency rate) has declined by 27% to 5.7, with clear improvement by our European businesses since acquisition and among our mills over the past year. The MTIFR (medically treated injury frequency rate) over the same period has reduced by 26%. Safety is a key focus for PaperlinX and receives significant attention by management and the Board.



Environmental

There have been significant steps to further improve the overall environmental performance of our manufacturing and logistics operations around the world. The upgrade of the Maryvale Pulp Mill and its bleaching process and key projects in a number of our logistics operations to improve fleet utilisation, improve energy efficiency and reduce waste output will reduce air emissions, odour, greenhouse gas emissions and waste output as well as provide strong economic benefits.

Our manufacturing operations in Australia continue to increase production and sale of recycled products meeting the needs of government, business and the private consumer to increase the use of recycled products and reduce waste to landfill in this country.

During the year Spicers Paper in Australia, US and Hong Kong and Australian Paper's Maryvale and Shoalhaven Mills have all gained Forest Stewardship Council (FSC) chain of custody certification, which will provide customers with greater certainty over fibre supply.

During the year there were no significant breaches of environmental compliance at any of our global operations.

BALANCE SHEET

PAPERLINX LIMITED AND CONTROLLED ENTITIES		June 2006	June 2005
Current Assets	$m	2,880.6	2,674.0
Non Current Assets	$m	1,509.8	1,492.8
Total Assets	$m	4,390.4	4,166.8
Current Liabilities	$m	1,460.3	1,373.0
Non Current Liabilities	$m	1,321.4	1,231.1
Total Liabilities	$m	2,781.7	2,604.1
Shareholders Equity	$m	1,608.7	1,562.7
Key Balance Sheet Ratios			
Net Debt	$m	903.3	873.5
Net debt to net debt and shareholders equity	%	36.0	35.9
Net debt to shareholders equity	%	56.2	55.9
Net tangible assets per share	$	2.49	2.40

INCOME STATEMENT

PAPERLINX LIMITED AND CONTROLLED ENTITIES	Year ended 30 June 2006 $M	2005 $M
SALES REVENUE	7,412.7	7,574.1
Operating Earnings before depreciation, amortisation, interest and income tax (EBITDA)	257.1	293.0
Depreciation and amortisation	104.7	112.9
Operating Earnings before interest and income tax (EBIT)	152.4	180.1
Net Interest Expense	65.1	68.5
Operating profit from Ordinary Activities before income tax	87.3	111.6
Income tax expense on Operating profit	21.9	21.9
Outside Equity Interests	0.0	(0.1)
NET PROFIT AFTER TAX	65.4	89.6 (1)

(1) Excludes benefit of entering Australian Tax consolidation regime of $77 million

RETURN ON AVERAGE FUNDS EMPLOYED (1)

		12 months June 06	12 months Jun 05
Merchanting*	%	11.5	11.8
Australian Paper*	%	(0.3)	1.4
PaperlinX Group	%	6.2	6.7

* before allocation of corporate overheads

(1) EBIT / average funds employed

Summary

Market conditions for the year to 30 June 2006 reflected a continuation of the challenging market conditions that have been seen over the past three years. Structural global oversupply is the key issue facing the paper industry, and, combined with the weaker US dollar, has resulted in weak paper prices in markets other than the US. The impact of these pressures and higher input costs led to the closure of the Shoalhaven Mill number 1 paper machine and similar actions by paper manufacturers around the world. These difficult conditions have continued into the new financial year.

Capacity reductions in North America have led to improved capacity utilisation in that region with improved pricing as a result. European closures and announced closures have also been reflected in improved capacity utilisation rates and pricing on uncoated woodfree grades. Solid demand (excluding the UK) and escalating input costs are also underpinning announced coated woodfree paper price increases in Europe, though further capacity reductions are likely to be needed to secure the industry fundamentals into the future. As has been seen in North American and Asian merchanting results, PaperlinX is well leveraged to the upside if prices increase and as we continue to reduce expenses and working capital.

Though announced paper manufacturer responses to structural over-capacity and high input costs are encouraging, we believe it is too early to call a turn for the fine paper industry globally.

The identification and delivery of strategic initiatives is progressing well, with additional high returning projects continuing to be identified. Project commitment and funding are calibrated with our financial capacity at this stage in the paper cycle.

Within our existing business platform, progress is also being made in those areas that improve earnings mix, secure the merchant role in the value chain, increase customer satisfaction, and position the company in growth segments. Branded volume growth, product quality upgrades, an improved stock/indent sales ratio, increased domestic vs export tonnes and appropriate capacity balancing in Australian Paper, and expansion in higher growth categories such as Sign and Display and Industrial Packaging all benefit PaperlinX margins and growth potential. All of these measures improved over the past year and will continue to receive priority in fiscal 2007 and beyond.

Overall, sentiment in the global paper industry appears be improving on some fronts, but the current conditions remain very challenging.

For further information, please contact:

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APPENDIX 1 - SECTOR COMMENTARY

MERCHANTING

		12 months Jun 06	12 months Jun 05
Sales Volume	'000 tonnes	3,813	3,813
Sales Revenue	A$M	6,930	7,035
Earnings before Interest & Tax	A$M	190.4	194.1
Return on Average Funds Employed	%	11.5	11.8

- Overall volumes were flat with reduced volumes in the UK, Netherlands and New Zealand, and as a result of restructuring in France and Germany. European volumes in the first quarter were affected by supply issues. These were offset by organic gains in North America and the inclusion of Spicers Canada.
- Return on funds employed was 11.5%, above the cost of capital and at a similar level to last year.
- Operating expenses were 2% below prior year.
- There was good performance on working capital with a reduction of 8.6% (including the reductions in Spicers Canada since acquisition), while the working capital to sales ratio for all key business areas improved in local currencies.
- Overall branded volumes have grown 8%, contributing positively to margin development.
- Results include a number of one-off items, both positive and negative, relating to profit on sale of non-core assets and restructuring costs, primarily in Europe of $9.4 million.

AUSTRALASIA

		12 months Jun 06	12 months Jun 05
Sales Volume	'000 tonnes	846	873
Sales Revenue	A$M	1,231	1,288
Earnings before Interest & Tax	A$M	27.0	31.1

Australia and New Zealand

		12 months Jun 06	12 months Jun 05
Sales Volume	'000 tonnes	589	607
Sales Revenue	A$M	978	1,026
Earnings before Interest & Tax	A$M	20.7	26.7

Asia

		12 months Jun 06	12 months Jun 05
Sales Volume	'000 tonnes	83	75
Sales Revenue	S$M	122	109
Earnings before Interest & Tax	S$M	5.1	4.3

Paper Trading

		12 months Jun 06	12 months Jun 05
Sales Volume	'000 tonnes	174	190
Commission Volume	'000 tonnes	311	295
Sales Revenue	A$M	152	173
Earnings before Interest & Tax	A$M	2.0	1.0

- Following changes to management reporting lines, Australasia has become a new reporting region including Merchanting in Australia/New Zealand, Asia and Paper Trading.
- Overall sales volumes were down 3% with lower volumes in New Zealand and Paper Trading. Prices across the region remained competitive, but stabilised in the second half.
- Expenses have been reduced in all businesses, with benefits from prior period restructurings. Total expenses were down 9.6%
- Significant progress was made on working capital, down 15% on the prior year.
- Strong competition and currency relativities have resulted in average selling prices in Australia being down 0.5% on last year and down 4.7% in New Zealand.
- Overall Australian volumes were flat on last year, but New Zealand volumes were impacted by the competitive situation. The New Zealand market stabilised late in the period.
- Asian demand was healthy through the whole period, although new regional capacity dampened pricing.
- Overall volumes in Asia were up 11% on the back of good gains in market share.
- Supplies of paper for sale in Paper Trading were constrained by Australian Paper's focus on the Australian domestic market and output reductions when cash margins did not justify exports at mid year.

EUROPE

		12 months Jun 06	12 months Jun 05
NW Europe	'000 tonnes	751	792
UK & Ireland	'000 tonnes	1,183	1,228
Central & Southern Europe	'000 tonnes	505	494
Total European Sales Volume (1)	'000 tonnes	2,458	2,534
Sales Revenue	€M	2,748	2,828
Earnings before Interest & Tax	€M	74.5	77.7

Note (1) Total volume also includes volume from South Africa

- The European market was challenging throughout 2006, with the UK market in particular reflecting the softer economic conditions with overall fine paper market volume down. Market share in the UK has been held after growing since acquisition.
- While average pricing for coated paper was down 4-5%, good performance on product and business mix mitigated this impact, with our overall price realisations flat.
- Total expenses were down 1.9% driven by strong performance in operating expenses and restructuring benefits.
- Three business strategic initiatives commenced implementation during the year;
  - **The Delivery Company** – creation of an integrated logistics group across the three UK merchants. The project is running to schedule, with the first integrated site in Ipswich completed and running smoothly.
  - **Netherlands Integration** – This project is on schedule, with associated redundancies completed and business alignment underway.
  - **European IT Rollout** – installation of a common IT platform across our European merchant business. The first site for this 3-5 year programme has been successfully completed in Ireland, and rollout will progress across the European businesses in a controlled manner.
- This result includes €6.7 million in net one-off gains from the sale of surplus property assets (€10.8 million) and €4.1 million in costs associated with various restructuring activities.
- German sales volume was down 8.4% primarily in low margin indent products with minimal profit impact.

NORTH AMERICA

		12 months Jun 06	12 months Jun 05
Sales Volume	'000 tonnes	509	416
Sales Revenue	US$M	849	662
Earnings before Interest & Tax	US$M	29.6	21.7

- North American markets benefited from paper manufacturers actions to reduce capacity over the past few years with prices higher, even in fairly modest market growth conditions.
- Average prices were up around 4%, while margins benefited from sound expense control.
- Volume growth (excluding the impact of Spicers Canada) of 5% was ahead of the market as branded and sheeter volumes grew 15% and our differentiated customer offering improved market share.
- The successful acquisition of Spicers Canada was completed in March and the sale of the Western region businesses is progressing to plan. This acquisition has met or exceeded the year 3 return target of 15% ROFE in its first 4 months of ownership, with strong earnings performance and working capital reductions.
- Overall working capital increased as a result of the acquisition, but underlying improvements continued, down 18% excluding the acquisition.

PAPER MANUFACTURING – AUSTRALIAN PAPER

		12 months Jun 06	12 months Jun 05
Sales Volume	'000 tonnes	817	840
Sales Revenue	A$M	916	943
Underlying Earnings before Interest & Tax	A$M	9.5	12.1
Asset sales less Strategic Initiative Costs	A$M	(13.6)	0.0
Reported Earnings before Interest & Tax	A$M	(4.1)	12.1
Return on Average Funds Employed	%	(0.3)	1.4

- Overall earnings have been under significant pressure due to lower pricing and the inability to recover cost increases over three years. This remains the key issue for this business.
- Operating earnings include a net one-off charge of $13.6 million for the closure of the number 1 paper machine at the Shoalhaven Mill in March 2006 and Maryvale number 1 paper machine commissioning costs partly offset by non-core asset sales. Excluding this charge, underlying EBIT was 21.5% below the prior year primarily due to higher input costs.
- Overall volumes were 2.8% lower as export sales have been reduced and production constrained where cash contributions were negative. Domestic sales volumes were in line with last year while exports were down 9.6%.
- The pulp and bleach plant upgrade at Maryvale to improve paper quality, reduce pulp costs and improve environment performance announced in August 2005 is on track and on budget. Completion is expected in fiscal 2008. Returns on this project from the current higher level of pulp price would be significantly higher than originally envisaged.
- Commodity input costs (primarily oil up 38%) have impacted earnings by $10.5 million. These pressures have continued, with the cost increases not able to be passed on in selling price increases at this stage.

COMMUNICATION PAPERS

		12 months Jun 06	12 months Jun 05
Sales Volume	'000 tonnes	501	522
- Australia/New Zealand	%	78	73
Sales Revenue	A$M	674	700
Underlying Earnings before Interest & Tax	A$M	4.3	2.1

- Paper selling prices in the Australian market remain under pressure (down 2% on average), while input costs rose significantly. Average oil costs were up 38% on the prior year.
- Domestic sales volumes were up 3% on the prior year largely due to improved sales of office papers. The key Reflex® brand of copy paper has launched a range of new products including recycled grades. Total office papers sales were up 13%, with market share growth.
- The Shoalhaven and Maryvale Mills have received FSC chain of custody environmental accreditation and will be producing FSC certified grades for the Australian market. Other mills are progressing towards certification.
- Price rises have recently been announced of between 3% and 5% depending upon the grade to begin to recover increased input costs.

PACKAGING PAPERS

		12 months Jun 06	12 months Jun 05
Sales Volume	'000 tonnes	316	318
- Australia/New Zealand	%	73	77
Sales Revenue	A$M	242	243
Underlying Earnings before Interest & Tax	A$M	5.2	10.0

- The Australian linerboard segment was impacted by lower demand from key customers.
- The upgrade of the Maryvale Mill number 1 paper machine was completed during the year with production meeting target specifications.
- High second half exports resulted from slower than expected domestic uptake of sack and bag paper, though this position is improving.
- Export receipts continue to be depressed by the level of the Australian dollar.

CORPORATE & OTHER

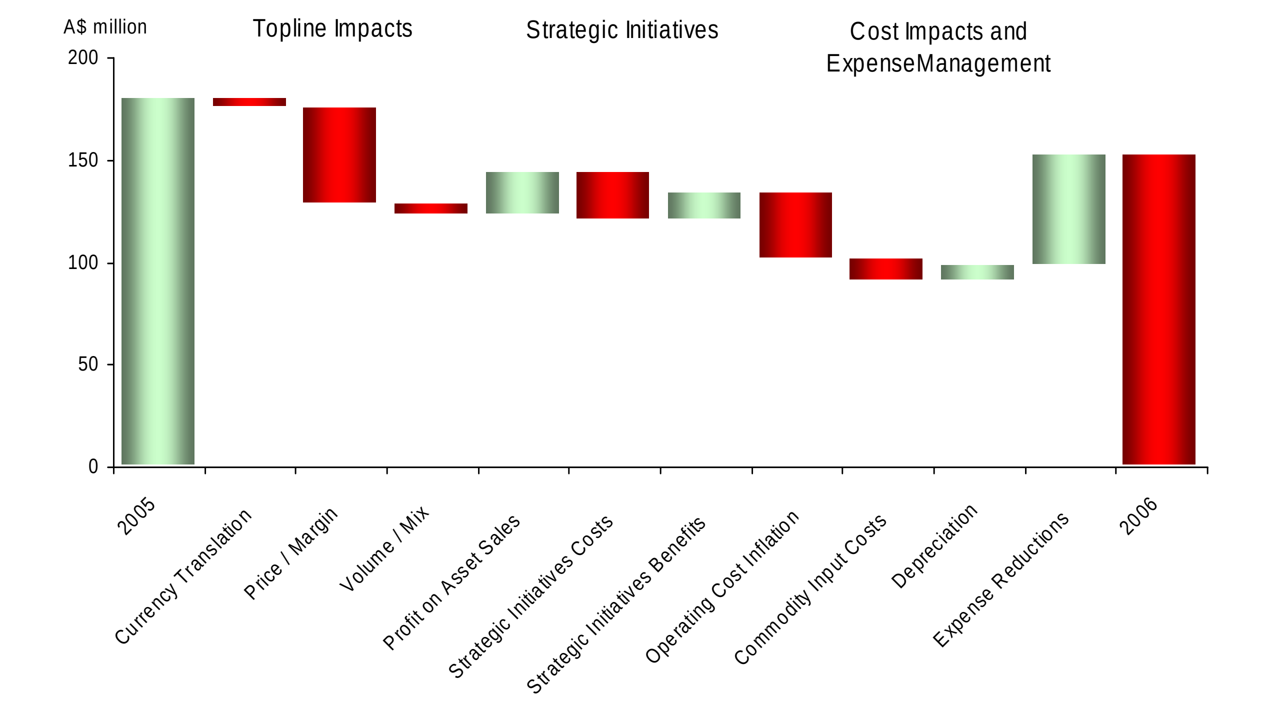
		12 months Jun 06	12 months Jun 05
Sales Revenue	A$M	95	101
Earnings before Interest & Tax	A$M	(33.9)	(26.1)

- This sector incorporates the *tudor*® Group envelope and stationery business and PaperlinX corporate costs.
- *tudor*® Group faced pressure from low priced imports, with reduced pricing affecting margins. Second half earnings saw a significant deterioration.
- Underlying corporate costs were at similar levels to the prior year, however prior year one-off benefits were not repeated.

APPENDIX 2 – VARIATION ANALYSIS

Sales revenue was $7.4 billion, a decrease of 2.1% from $7.6 billion in the prior year. The decrease primarily reflects the combined impact of currency translation, lower paper selling prices and lower sales volumes in Europe (primarily due to market declines in the UK). EBIT was $152.4 million, including a range of one-off gains and losses. This decrease of 15% compared with the prior year period mainly reflects external cost pressures, with impact most significant in our Australian manufacturing businesses. The weak US dollar has continued to depress selling prices globally and volumes and receipts on exports from Australia.

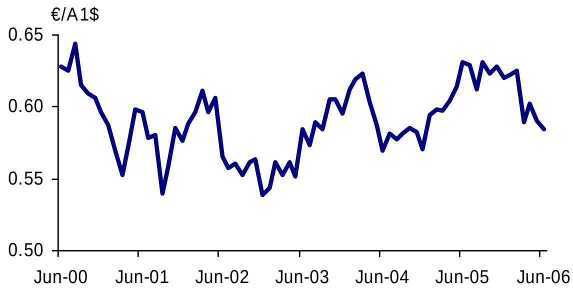
EBIT VARIATION ANALYSIS BY MAJOR INFLUENCE



Currency Translation

The currency variation includes the impact on translation of overseas earnings and the impact on receipts for exports from Australia. The largest area of impact over the past year has been the higher level of the Australian dollar against the Euro (0.615 in 2006 versus 0.592 in 2005). The average rate for Australian dollar against the US dollar was relatively unchanged, though the US dollar weakness versus global currencies over the past 3 years has a major impact on global paper pricing.

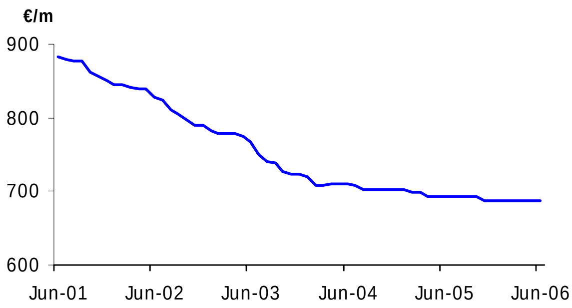
EUR/AUD Exchange Rate



Price/Margins

Paper selling prices have remained weak in Europe and Australia/New Zealand (impacted by supply/demand) while there were some positive movements in North America and Asia. Industry prices for coated paper in Europe and Australia were down around 2%, while in North America they rose 2.6%. Since the peak in 2000, prices for 100gsm reels in Germany have fallen 26%. The impact of lower prices puts pressure on margins and has been the largest impact on profitability.

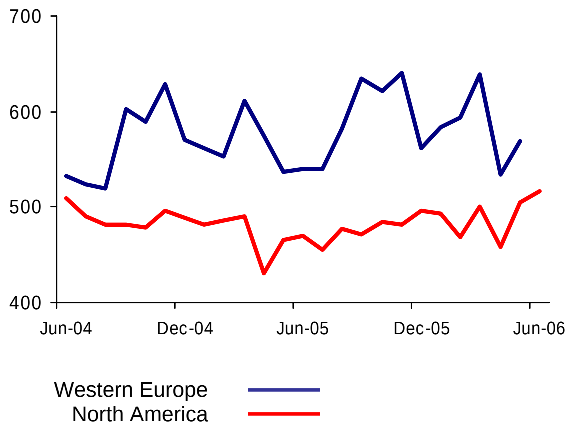
Price of Woodfree Coated Reels in Germany



Volume/Mix

Volumes in Paper Merchanting were flat, a result of restructurings and weaker volumes in the UK as demand eased during the year, as well as the negative impacts of the Finnish strike restricting supply and failed mill coated woodfree paper price increase in Europe in Q4 F'05, offset by organic growth in North America and the benefit from the acquisition of Spicers Canada. Woodfree paper consumption in Europe has shown little growth, up 1.1% year on year, while North American consumption grew around 3.8% (see chart). Overall mix provided a positive variance. Mix reflects changes in paper grades sold, variations in indent and stock sales in paper merchanting, domestic versus export sales in manufacturing, and branded versus non-branded products.

Woodfree Coated Consumption ('000 tonnes)



Strategic Initiatives

A net loss of $4.2 million arose from one-off restructuring costs and commissioning costs (total cost of $25.4 million), offset by profits on the sale of non-core assets (primarily property) of $21.2 million. Highlighting the short payback of a number of the strategic initiatives, a benefit of $13.0 million was delivered in the financial year.

Costs and Expenses

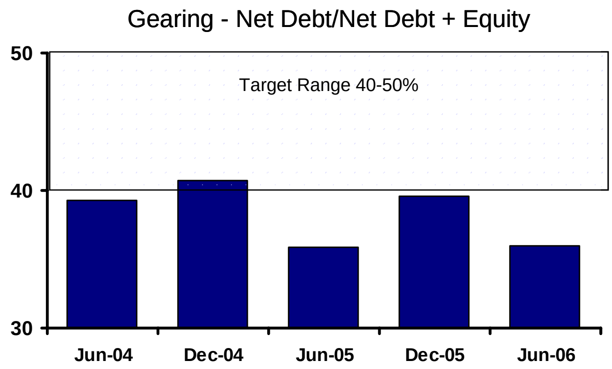
The Company has had significant success in the reducing controllable expenses with total cash fixed costs down 1.7% despite inflationary impacts. In Manufacturing, savings have only been able to partially mitigate the increasing cost of manufacturing inputs, particularly pulp, chemicals and fuel oil. In Paper Merchanting, expense reductions against prior period of 2.0% have been a positive factor. Increases in North America were incurred from increased commissions on the increased sales and costs associated with the opening of additional stores and sales offices.

	Trading Expenses % Change vs prior
Australasia	-9.6%
North America	4.3%
Europe	-1.9%
Total Merchanting	-2.0%

Net Interest Expense

Net interest expense was $65.1 million compared with $68.5 million in the prior year. Average debt levels for the period were lower, as a result of reduced working capital levels and currency translations.

Gearing of 36.0% remains below the company's target range of 40-50%.



Taxation Expense

The tax charge on earnings was $21.9 million, consistent with the prior period, which resulted in an effective tax rate of 25.0% compared with 19.6% in the prior year. The increase in the rate reflects the shift in regional profit mix and the impact of not booking tax losses in Australia.

Exceptional Items

There were no exceptional items in the current period compared with a $77 million benefit from entering Australian Tax Consolidation recorded in the corresponding period.

Earnings Per Share

Basic earnings per share were 14.7 cents per share compared to 20.1 cents per share in the previous year excluding Australian Tax Consolidation benefits.