

14 August 2000

Full Year Financial Results – 1999 / 2000

We are pleased to report that PaperlinX achieved excellent results in its initial period of operation as a new publicly listed company:

Highlights

- ✓ PaperlinX listed on the Australian Stock Exchange on 17th April 2000 following demerger from Amcor.
- ✓ Proforma net profit after tax for the year ahead of prospectus forecast.
- ✓ Dividend of 5 cents per share, fully franked, for three months to 30 June 2000.
- ✓ Record sales and production volumes, profit, return on investment.
- ✓ Continued improvement in safety performance.
- ✓ Excellent performance of Maryvale 5 paper machine.
- ✓ Successful launch of high quality coated papers.

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**Statement to Australian Stock Exchange and News Media
For year ended 30 June 2000**

BACKGROUND

PaperlinX Limited commenced operations as a separate entity in April 2000 following the decision by Amcor Limited to demerge its paper distribution and manufacturing businesses and its 42% shareholding in Spicers Paper Limited. PaperlinX shares commenced trading on the Australian Stock Exchange on 17 April 2000.

As outlined in the PaperlinX prospectus dated 25 February 2000, PaperlinX acquired from Amcor Limited a number of businesses effective 01 April 2000. Accordingly, the businesses acquired are only included in the PaperlinX Limited and controlled entities' statutory financial results for the three month period 01 April 2000 to 30 June 2000. For comparative purposes, "proforma" data has been prepared as if PaperlinX's current business, capital structure and accounting policies had been in place for the full year from 01 July 1999 to 30 June 2000 (ie as if the businesses acquired on 01 April 2000 had been included for the full 12 months).

In this document:

'Proforma' results are the results as if the current businesses were owned for the full year 01/07/99 to 30/06/00.

'Statutory' results are the results for PaperlinX and controlled entities as it actually existed throughout the year, and as will be reported in the Full Year Financial Report.

All currency is Australian dollars.

PROFIT AND SALES

PaperlinX has achieved excellent results in its initial period of operation as a new publicly listed company, with sales and earnings in line with prospectus forecasts.

		PaperlinX Limited & Controlled Entities			
		Proforma Result ⁽¹⁾		Statutory Result ⁽²⁾	
		<u>Prospectus</u> ⁽³⁾	<u>Actual</u>	<u>Prospectus</u> ⁽³⁾	<u>Actual</u>
Sales	\$m	1,561.5	1,586.2	1,562.0	1,570.3
Profit before interest & income tax*	\$m	158.6	156.8	135.5	133.1
Profit before income tax*	\$m	117.5	120.5	107.1	106.6
Profit after income tax*	\$m	85.5	86.9	70.6	71.1
Profit after abnormals		n/a	111.5	n/a	85.9
Key Ratios					
Profit before interest and income tax to funds employed*	%		10.5		8.9
Return on shareholders equity*	%		9.2		7.5
Net interest cover (times)*	x		4.3		5.0
Earnings per share*	cps		33.8		27.7

* before abnormal items

(1) 'Proforma' results as defined on page 2 of this news release

(2) 'Statutory' results as defined on page 2 of this news release

(3) Details as disclosed in the PaperlinX prospectus dated 25/02/00.

PROFORMA RESULTS

Proforma profit after tax was \$1.4million ahead of prospectus forecast, due to lower interest and tax expenses. Interest costs were lower than forecast due to a concerted effort to reduce working capital – finished stock levels reduced by 30% over the year.

Profit before interest and tax was impacted by increases in the cost of internationally purchased pulp, imported to supplement self-produced pulp, the main raw material used in the manufacture of paper.

Abnormals of \$24.6 million are predominantly due to the impact on deferred income tax provisions of the change in company tax rates from 36% to 30%.

DIVIDEND

Directors have declared a dividend of five cents per share, fully franked at 34 cents in the dollar, for the three months to 30 June 2000, as forecast in the prospectus.

The company will mail the final dividend on 27 September 2000 to shareholders recorded as being entitled to the dividend on 05 September 2000.

OPERATIONS

The following table shows, for PaperlinX Limited and controlled entities, Proforma and Statutory profit before income tax, sales revenue, and assets by industry and geographic segments for the year to 30 June 2000.

	Profit before Income Tax		Sales Revenue		Total Assets	Sales Tonnes
	Proforma \$m	Statutory \$m	Proforma \$m	Statutory \$m	Actual \$m	Actual '000
<u>Industry Segments</u>						
Communication Papers						
- Merchanting ⁽¹⁾	19.5	19.5	619.2	619.2	221.7	327.7
- Australian Paper ⁽¹⁾	65.8	65.8	701.1	701.1	945.7	477.3
Packaging Papers ⁽¹⁾	60.4	60.4	310.4	310.4	315.9	373.5
Investments and Other ^{(1) (2)}	11.1	(12.6)	382.6	317.4	495.4	
Profit before interest & income tax ⁽¹⁾	156.8	133.1				
Net Interest	(36.3)	(26.5)				
Inter-segment Sales			(427.1)	(377.8)		(213.3)
Profit before income tax before abnormals	120.5	106.6	1586.2	1,570.3	1,978.7	965.2
<u>Geographic Segments</u>						
Australia ⁽¹⁾	152.1	128.4	1,406.7	1,390.8	1,901.4	
New Zealand ⁽¹⁾	1.6	1.6	75.6	75.6	39.4	
North America ⁽¹⁾	0.2	0.2	72.0	72.0	19.9	
Europe ⁽¹⁾	0.6	0.6	31.2	31.2	8.4	
Asia ⁽¹⁾	2.3	2.3	0.7	0.7	9.6	
Profit before interest & income tax	156.8	133.1				
Net Interest	(36.3)	(26.5)				
Profit before income tax before abnormals	120.5	106.6	1,586.2	1,570.3	1,978.7	

(1) profit before interest and income tax

(2) as detailed on page 2 of this news release, statutory includes specific businesses for the period 01/04/00 to 30/06/00 only. The difference between statutory and proforma is nine months earnings for Plantations, Spicers, Tasmanian assets and public company costs.

REVIEW OF THE YEAR

PaperlinX achieved excellent results in its initial period of operation as a new publicly listed company, with sales and profit ahead of prospectus forecasts.

The results reflect PaperlinX's strong position as Australia's leading integrated distributor and manufacturer of communication and packaging papers, including brand leaders such as REFLEX™, the leading office paper brand in Australia and New Zealand.

Sound operating performances were achieved by all our main businesses, the paper merchanting businesses in Australia and New Zealand, the international trading and Australian forestry activities, and the paper mills at Maryvale in Victoria, Wesley Vale and Burnie in Tasmania and Shoalhaven in New South Wales.

PaperlinX is achieving increased benefits from the substantial capital investment program of recent years, particularly the new fine paper machine (M5) at Maryvale mill, and the upgraded coated paper facilities at Wesley Vale.

Pulp and paper production reached a record level of 1,346,000 tonnes, with records set for pine pulp, eucalypt pulp, the new Maryvale 5 machine, the three Maryvale packaging papers machines and the upgraded Wesley Vale coated operation.

COMMUNICATION PAPERS

Merchanting

PaperlinX's merchants achieved a record year in sales of \$619million and profit before interest and income tax of \$19.5million. Sales volumes increased by 10% over the prior year to 327,700 tonnes, with major gains in publishing papers, coated papers for color printing and cut-size office papers. Tomasetti Paper House, Paper HouseXpress, Dalton Fine Paper and Dalton Fine Paper New Zealand all achieved prospectus forecasts, exceeding the previous year's performances.

Earnings reflected strong demand and the continuing improvements being achieved through the ongoing program of cost reductions from rationalised infrastructure, tight cost controls and initiatives in selling value added services.

PaperlinX's merchanting business is continuing to focus on enhancing value added services to its customers and improving its overall cost structure and productivity.

Australian Paper

PaperlinX's pulp and paper manufacturing and sales is conducted by Australian Paper. Australian Paper's communication paper business grew substantially through the benefits of new and upgraded production capacity to achieve record sales volumes of 477,300 tonnes, at a sales value of \$701million.

Significant increases in the cost of the internationally purchased proportion of Australian Paper's pulp needs, one of the main raw materials used in paper manufacture, were not fully recovered in higher paper selling prices, resulting in earnings being slightly below the prospectus forecast. Profit before interest and income tax was \$65.8million.

Historically, paper selling prices have risen as imported pulp costs increase. In the past year there has been a lag between increases in pulp costs and paper selling prices. Following the selling price increases in June 2000 this relativity has been restored.

The new Maryvale 5 paper machine exceeded performance expectations, producing 149,000 tonnes in its first full year of operation. Maryvale 5's current running rate now exceeds the design rate of 160,000 tonnes per annum.

In April 2000, New Impress, a high quality, double coated publishing paper produced at our Tasmanian mills was launched to displace imported paper. Customer acceptance has been very positive.

The two fastest growing segments of the paper industry are copy and coated papers which are marketed by Australian Paper and manufactured on our new and upgraded paper machines.

PACKAGING PAPERS

PaperlinX's packaging papers business, conducted by Australian Paper, achieved record sales due to strong domestic and international demand. Sales of \$310million and profit before interest and income tax of \$60.4million exceeded the prospectus forecast, reflecting demand and strong export selling prices.

Domestic and export sales of linerboards, sack and bag papers were a record 373,500 tonnes. The strong markets resulted in a reduction in stock levels.

International demand for packaging grades has been strong, resulting in higher prices for our exports. Export sales account for more than 10% of packaging paper sales volume.

Domestic demand for packaging products is expected to increase, influenced by the growth in Internet shopping and the need for secure packaging for home delivery.

INVESTMENTS & OTHER

Trading

PaperlinX's international trading business had an excellent year. Both Pacific Paper Marketing (PPM), our paper trading business and Amtrade, our raw materials trading business, achieved record sales and profits.

PPM achieved sales of 390,000 tonnes of paper in over 40 countries, predominantly in Asia, the Americas, Australia and New Zealand. Amtrade recorded sales of \$167million in Australia, New Zealand, Europe and China.

The trading businesses continue to expand their product range and geographic coverage through new representative offices and strategic alliances with suppliers and customers.

Plantations

Australian Paper Plantations (APP) achieved external sales of \$21million, which was in line with prospectus forecasts. A record 367,000 cubic metres of plantation sawlogs were supplied to local sawmillers. During the year APP planted 2,660 hectares of new pine and eucalypt plantations and harvested 1,790 hectares, an overall increase in our plantation estate of 870 hectares. APP achieved ISO14001 accreditation for their environmental management system.

Spicers Paper – 42% owned

Spicers has separately reported a profit after tax and before abnormals of \$26.1million, an improvement of 49% over the previous year. PaperlinX has included \$2.5million in the PaperlinX and controlled entities' result representing the period since it acquired the investment in Spicers.

FINANCIAL

A summarised PaperlinX group balance sheet as at 30 June 2000 is:

		<u>June 2000</u>
Current Assets	\$m	609.9
Non current assets	\$m	1,368.8
Total Assets	\$m	<u>1,978.7</u>
Current Liabilities	\$m	283.9
Non Current Liabilities	\$m	747.6
Total Liabilities	\$m	<u>1,031.5</u>
Shareholders Equity	\$m	<u><u>947.2</u></u>

Key Balance Sheet Ratios

Net Debt	\$m	547.5
Net debt to net debt and shareholders equity	%	36.6
Net debt to shareholders equity	%	57.8
Net tangible assets per share	\$	3.54

SUMMARY OF RESULTS

PAPERLINX LIMITED AND CONTROLLED ENTITIES

12 months ended 30 June 2000

	Proforma	
	Actual	Statutory
	<u>\$m</u>	<u>\$m</u>
NET SALES	1,586.2	1,570.3
Operating profit from trading before depreciation, interest, dividends and income tax	206.6	177.7
Depreciation and amortisation	(50.0)	(44.8)
Net Interest	(36.3)	(26.5)
Operating profit before dividends and income tax	<u>120.3</u>	<u>106.4</u>
Dividends received	0.2	0.2
Operating profit before income tax	<u>120.5</u>	<u>106.6</u>
Income tax expense	(33.6)	(35.5)
Net operating profit including outside equity interests	<u>86.9</u>	<u>71.1</u>
Proportion attributable to outside equity interests	0	0
NET OPERATING PROFIT BEFORE ABNORMAL ITEMS	<u>86.9</u>	<u>71.1</u>
Abnormal items after income tax	24.6	14.8
NET OPERATING PROFIT/(LOSS) AFTER ABNORMAL ITEMS	111.5	85.9

OUTLOOK

As outlined in this report, PaperlinX's results have been most encouraging. The Company is confident the group can maintain and build on this performance, based on the strong market positions of its main paper products, the good operating performances of its merchanting and trading businesses, the recent completion of a major capital investment program and its sound balance sheet.

ANNUAL GENERAL MEETING

The first Annual General Meeting of PaperlinX Limited will be held in the John Batman Theatre, Level 3, Melbourne Exhibition Centre, corner Spencer and Flinders Streets, Melbourne at 11:00am on Tuesday 31 October 2000.