

13 August 2001

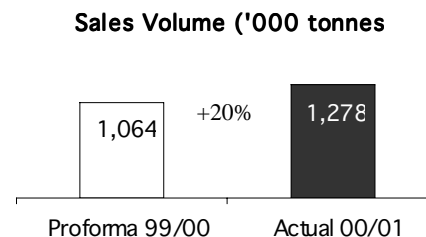
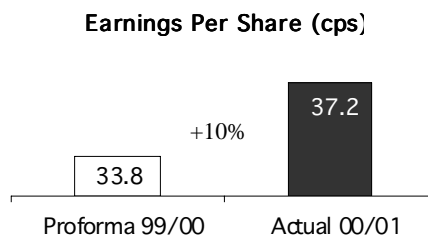
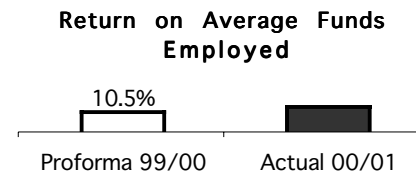
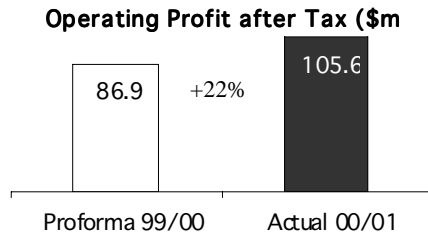
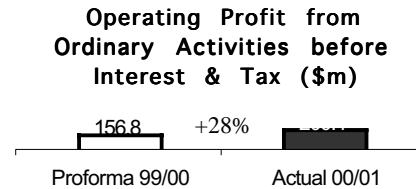
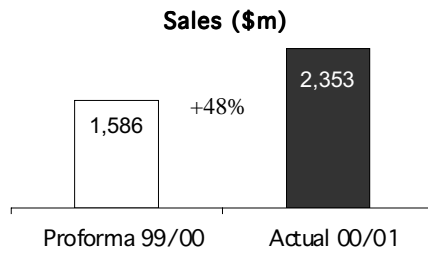
**Statement to Australian Stock Exchange and News Media****For year ended 30 June 2001****SUMMARY OF THE YEAR**

PaperlinX's first full year as a publicly listed company has been exciting and successful, achieving:

- ✓ Record sales of \$2,353 million, up 48% over prior year proforma;
- ✓ Operating profit from Ordinary Activities before interest and tax of \$200.4 million, up 28% over prior year proforma;
- ✓ Operating profit after tax of \$105.6 million, up 22% over prior year proforma;
- ✓ Return on average funds employed increased to 11.8%;
- ✓ In January 2001, acquisition of the 51.8% of shares in Spicers Paper Limited not previously owned;
- ✓ Acquisition of Coast Paper Canada in May 2001;
- ✓ Achieved ISO14001 environmental management accreditation at all paper manufacturing locations and plantations;
- ✓ Record paper production volume;
- ✓ A solid balance sheet;
- ✓ Results in line with prospectus;
- ✓ Declared a final fully franked dividend of 14 cents per share, making a total of 27 cents, fully franked, for the year.

Since the end of the financial year, PaperlinX has announced:

- ✓ The sale of Australian Paper Plantations;
- ✓ The restructure of its Australian merchanting business to achieve improved customer focus and greater operating efficiencies.



## FINANCIAL PROFILE

PaperlinX Limited commenced operations as a separate legal entity in April 2000. As outlined in the PaperlinX prospectus dated 25 February 2000 and in the Full Year Financial Report 2000, PaperlinX acquired a number of businesses from Amcor Limited effective 01 April 2000. For comparative purposes, "proforma" data was prepared and reported for 1999/2000 as if the businesses acquired from Amcor had been in place for the full year from 01 July 1999 to 30 June 2000. This "proforma 1999/2000" data is used for comparative purposes in this report. In the Australian Stock Exchange Appendix 4B (attached) the prior year data is in the Statutory Format which excludes the businesses acquired from Amcor for the period 01 July 1999 to 31 March 2000.

In these accounts for the year ended 30 June 2001, PaperlinX has equity accounted its 41.8% of Spicers Paper Limited for the period 01 July 2000 to 31 December 2000, and following the acquisition of the remaining 58.2%, consolidated 100% of Spicers Paper Limited for the period 01 January 2001 to 30 June 2001.

The Coast Paper Group in Canada was acquired effective 01 May 2001 and is consolidated for the period 01 May 2001 to 30 June 2001.

Note: All currency in this report is in Australian dollars.

## REVIEW OF THE YEAR

		PaperlinX Limited & Controlled Entities		
		Actual 2000/01	Proforma <sup>(2)</sup> 1999/00	% Increase 2001 vs 2000
Sales	\$m	2,352.8	1,586.2	48.3
Profit from Ordinary Activities before interest & income tax <sup>(1)</sup>	\$m	200.4	156.8	27.8
Profit from Ordinary Activities before income tax	\$m	157.5	120.5	30.7
Profit from Ordinary Activities after income tax <sup>(1)</sup>	\$m	105.6	86.9	21.5
<b>Key Ratios</b>				
Profit from Ordinary Activities before interest and income tax to average funds employed <sup>(1)</sup>	%	11.8	10.5	-
Return on average shareholders equity	%	9.7	9.2	-
Net interest cover (times)	x	4.7	4.3	-
Earnings per share <sup>(1)</sup>	cps	37.2	33.8	10.1

(1) Before significant items

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

PaperlinX has achieved excellent results with profit after income tax for the year to June 2001 delivering the prospectus forecast (excluding the benefit in the year of the inclusion of Spicers Paper) and 21.5% above the prior year proforma results. Earnings per share increased 10%.

Profit before interest and tax of \$200.4 million was 27.8% up on the prior year proforma results. Excellent results were achieved in all segments of the business, with record sales volumes and record paper production.

PaperlinX's results for its first full year as a publicly listed company reflects strong performances from all segments of the business. In particular, the Communication Papers business performed well through higher sales volumes and by recovering the higher cost of imported pulp through selling price increases.

Performance in the first half of the financial year was driven by strong demand in Australia, in part from the introduction of the GST and the Olympics. Demand in the second half of the year was softer, in most major end user markets. However, despite the softer trading conditions, PaperlinX's businesses performed well, assisted by strong market shares and key brands in Australia and New Zealand. During the year all of PaperlinX's paper manufacturing mills achieved ISO14001 accreditation, the international standard on environmental management systems.

The results also reflect the strategic acquisitions of the Spicers Paper Group (from 01/01/01) and Coast Paper Canada (from 01/05/01).

In January 2001, PaperlinX acquired the 58.2% of shares in Spicers Paper Limited it did not already own. The acquisition of Spicers Paper will yield significant synergy benefits. The corporate offices have been combined, our New Zealand merchants were restructured in May 2001 and on 08 August 2001 the restructure of the Australian merchants was announced, placing PaperlinX on track to realise not only the anticipated level of operating efficiencies but also improved customer focus.

On 01 May 2001 PaperlinX took the first step in developing further the Spicers North American paper merchanting business by acquiring Coast Paper, a major and successful Canadian paper distributor. Coast Paper provided a logical additional regional North American dimension, and also enhanced supplier alliances and other synergy benefits.

On 31 July 2001, PaperlinX announced the sale of Australian Paper Plantations to Hancock Victorian Plantations. The sale is the result of a strategic review of PaperlinX's assets. A long term agreement for the supply of plantation fibre to PaperlinX's Maryvale Mill is included in the transaction. It is planned to redeploy the funds to higher returning investments.

## **DIVIDEND**

Directors have declared a final dividend of 14 cents per share, fully franked at the rate of 30 cents in the dollar. Combined with the interim dividend of 13 cents, total dividend for the year is 27 cents per share, which is as forecast in the prospectus.

The company will mail the final dividend on 28 September 2001 to shareholders recorded on the record date of 07 September 2001 as being entitled to the dividend.

## OPERATIONS

The following table shows, for PaperlinX Limited and controlled entities, Operating Profit from Ordinary Activities before income tax, sales revenue, and assets by industry and geographic segments for the twelve months to 30 June 2001 and proforma for the twelve months to 30 June 2000.

	<u>Operating Profit before Income Tax</u>		<u>Sales Revenue</u>		<u>Total Assets</u>	
	2000/01 <sup>(3)</sup>	Proforma <sup>(2)</sup> 1999/2000	2000/01 <sup>(3)</sup>	Proforma <sup>(2)</sup> 1999/2000	2000/01 <sup>(3)</sup>	Proforma <sup>(2)</sup> 1999/2000
	<u>\$m</u>	<u>\$m</u>	<u>\$m</u>	<u>\$m</u>	<u>\$m</u>	<u>\$m</u>
<b><u>Industry Segments</u></b>						
Merchanting <sup>(1)</sup>	43.8	19.5	1,442.2	619.2	1,096.9	221.7
Communication Papers <sup>(1)</sup>	97.2	65.8	794.0	701.1	893.6	945.7
Packaging Papers <sup>(1)</sup>	53.5	60.4	275.4	310.4	309.2	315.9
Investments and Other <sup>(1)(2)</sup>	5.9	11.1	425.4	382.6	409.5	495.4
Operating profit from Ordinary Activities before interest & income tax <sup>(1)</sup>	200.4	156.8				
Net Interest	(42.9)	(36.3)				
Inter-segment Sales			(584.2)	(427.1)		
Total:	157.5	120.5	2,352.8	1,586.2	2,709.2	1,978.7
<b><u>Geographic Segments</u></b>						
Australia <sup>(1)</sup>	180.6	152.1	1,682.8	1,406.7	2,134.9	1,901.4
New Zealand <sup>(1)</sup>	6.5	1.6	151.4	75.6	96.3	39.4
North America <sup>(1)</sup>	10.1	0.2	425.7	72.0	383.4	19.9
Europe <sup>(1)</sup>	0.3	0.6	31.8	31.2	8.0	8.4
Asia <sup>(1)</sup>	2.9	2.3	61.1	0.7	86.6	9.6
Operating profit from Ordinary Activities before interest & income tax	200.4	156.8				
Net Interest	(42.9)	(36.3)				
Total:	157.5	120.5	2,352.8	1,586.2	2,709.2	1,978.7

<sup>(1)</sup> profit before interest and income tax;

<sup>(2)</sup> proforma is as if the businesses acquired from Amcor on 17/04/00 were owned for the period 01/07/99 to 30/06/00;

<sup>(3)</sup> includes Spicers Paper Ltd from 01/01/01 and Coast Paper Canada from 01/05/01.

## PAPER MERCHANTING

Sales	\$1,442 million
Profit before Interest & Tax	\$43.8 million

The size and geographic structure of PaperlinX's merchants changed substantially during the year with the addition from January 2001 of the Spicers Paper merchants in Australia, New Zealand, United States of America and Asia, and the inclusion of Coast Paper Canada from May 2001. Sales more than doubled to \$1.4 billion with profit before interest and tax increasing to \$43.8 million. The merchanting business sells approximately one million tonnes of paper per year.

The year was characterised by two distinct halves. The first half reflected strong demand and rising selling prices driven by increased international paper prices and the devaluation of the Australian dollar. Weaker economic conditions were experienced in the second half resulting in softer demand, stronger competition and lower pricing for some products.

During the year the Australian merchants rationalised their logistics and warehousing functions involving a new professional management group and consolidated a number of warehouses and delivery fleets. The resultant cost reductions are being achieved while ensuring a focus on high growth market segments and improving customer satisfaction.

An e-commerce system ("e-centrix plus"), which is integrated into the group's computer systems was launched, enabling customers to trade electronically over the internet.

Integration of the Spicers merchants with PaperlinX's merchants was implemented in New Zealand in May 2001, and structural changes were recently announced for Australia. These initiatives ensure that we achieve the benefits from enhanced customer focus as well as operational benefits from the acquisition of Spicers, and will have a positive impact on the 2001/02 results.

## COMMUNICATION PAPERS

Sales	\$794 million
Profit before Interest & Tax	\$97.2 million

PaperlinX's Australian Paper manufactures a wide range of communication papers used in printing, publishing, office and home.

The communications paper business had an excellent year increasing sales by 13% to \$794 million and profit before interest and tax rose 48% to \$97.2 million. Solid gains were made in sales of product from paper machines where there has been substantial investment in recent years, particularly copy paper from Maryvale 5 machine and coated papers from Tasmania. A significant focus on improving coated paper quality and volume has delivered strong results.

A major cost impact in the 1999/2000 year was the rapidly rising cost of imported pulp, one of the key raw materials used in paper manufacture. These higher costs have been recovered this year through higher paper selling prices, enabled by higher international paper prices.

New products launched during the year included a range of REFLEX™ Unijet high quality colour copy papers expanding REFLEX's copy paper market leadership in Australasia.

Following a sharp fall in pulp prices in the second half of 2000/01, international paper prices weakened with some price reductions occurring. PaperlinX' focus is to ensure we maintain market leadership especially with our major brands, and for continual improvement in paper production productivity and cost.

### **PACKAGING PAPERS**

Sales	\$275 million
Profit before Interest & Tax	\$53.5 million

Australian Paper manufactures packaging papers used in corrugated boxes, paper bags, cement bags and food paper sacks. The packaging papers business performed strongly in difficult market conditions.

In the first half of the year, domestic and export demand was robust, with good export selling prices. Weakening economic conditions impacted the second half, especially in Australia, as did lower selling prices in Asia.

As previously reported, the 1999/2000 year included a one time sale of inventory to Amcor of 22,000 tonnes. Profit is in line with the prospectus forecast for Packaging Papers.

17% of Packaging Paper sales were outside of Australasia. As mentioned in the half year report, Asian prices softened and remain so, impacted by the uncertainty of the strength of the USA economy.

The results for the second six months were affected by a major mechanical failure of a key part of the Maryvale 2 machine which is used to make sack and bag papers. The overall impact has been minimised.

## **INVESTMENTS & OTHER**

### **Spicers Paper**

From 01 January 2001 Spicers has been integrated with PaperlinX's merchanting businesses.

### **Trading**

PaperlinX's international trading businesses faced difficult conditions, with the impact of fluctuating exchange rates, tight supply of product in the first half of the year, and the global deterioration in economic conditions. Despite these challenging conditions, sales and earnings were at record levels.

Pacific Paper Marketing (PPM), PaperlinX's international paper trading business, increased sales volumes to a record level of 401,000 tonnes, through more than 40 countries, with sales predominantly in the Americas, New Zealand, Asia, Australia and the UK.

Amtrade, PaperlinX's raw material trading business, was unable to fully pass on the impact of the lower Australian dollar to Australian customers in the first half of the year. The more stable currency in the second half has enabled margins to be largely restored. Despite the challenging conditions, Amtrade's sales increased over the prior year.

### **Plantations**

On 31 July 2001 PaperlinX announced it had sold APP to Hancock Victorian Plantations for \$152 million. The sale resulted from the strategic review of PaperlinX's assets. A long term supply agreement forms part of the sale. PaperlinX believes it does not need to own the plantations to ensure long term supply and will redeploy the sale proceeds in higher returning investments.

## FINANCIAL POSITION

PaperlinX has a strong balance sheet and sound key ratios at 30 June 2001. All financial ratios are within prudent levels to demonstrate the financial strength of the company. The balance sheet will be further strengthened by the sale of Edwards Dunlop and Commonwealth Paper (as part of the ACCC undertaking when acquiring Spicers Paper), and the sale of plantations.

A summarised PaperlinX group statement of Financial Position is as follows:

		<u>June 2001</u>	<u>June 2000</u>
Current Assets	\$m	1,206.5	609.9
Non current assets	\$m	1,502.7	1,368.8
<b>Total Assets</b>	<b>\$m</b>	<b>2,709.2</b>	<b>1,978.7</b>
Current Liabilities	\$m	808.1	281.2
Non Current Liabilities	\$m	723.4	750.3
<b>Total Liabilities</b>	<b>\$m</b>	<b>1,531.5</b>	<b>1,031.5</b>
Shareholders Equity	\$m	1,177.7	947.2
<b><u>Key Balance Sheet Ratios</u></b>			
Net Debt	\$m	690.7	547.5
Net debt to net debt and shareholders equity	%	37.0	36.6
Net debt to shareholders equity	%	58.6	57.8
Net tangible assets per share	\$	2.99	3.54

## STATEMENT OF FINANCIAL PERFORMANCE

<b>PAPERLINX LIMITED AND CONTROLLED ENTITIES</b>			
12 months ended 30 June			
	Actual 2000/01	Proforma 1999/00	Statutory 1999/00
	<u>\$m</u>	<u>\$m</u>	<u>\$m</u>
NET SALES	2,352.8	1,586.2	1,570.3
Profit from Ordinary Activities before depreciation, amortisation, interest, significant items and income tax	263.7	206.8	177.9
Depreciation and amortisation	(63.3)	(50.0)	(44.8)
Net Interest Expense	(42.9)	(36.3)	(26.5)
Operating profit from Ordinary Activities before significant items and income tax	157.5	120.5	106.6
Income tax expense on Operating profit	(51.9)	(33.6)	(35.5)
Operating profit after tax and before significant items and including outside equity interests	105.6	86.9	71.1
Significant items before income tax	0	(0.4)	(0.4)
Income tax benefit on significant items	0	25.0	15.2
<b>OPERATING PROFIT/(LOSS) AFTER SIGNIFICANT ITEMS</b>	<b>105.6</b>	<b>111.5</b>	<b>85.9</b>

## OUTLOOK

PaperlinX has delivered on the forecast results as outlined in the prospectus and the results also reflect the benefit of the acquisition of Spicers Paper. With the acquisition of Spicers Paper and Coast Paper Canada and the divestment of plantations, the group is well placed strategically to pursue the international expansion of the merchanting business.

Integration of Spicers Paper with PaperlinX is well advanced, with corporate and New Zealand restructure largely complete and the Australian restructure recently announced and planned to be complete by December 2001. The resulting operational efficiency benefits will enhance earnings growth over this next year. In the short term, the divestment of plantations will enable the proceeds to be redeployed into the international expansion of the merchanting business. As our international expansion progresses, a larger proportion of PaperlinX's earnings will be generated outside of Australia which will reduce the group's franking capability.

Globally, economic conditions are in a state of flux with no clear signs over the next twelve months. However, PaperlinX is confident it can maintain and build on its excellent performance by focussing on strengthening customer relationships, growing its business through sound market positioning, achieving sales and earnings growth and synergies from acquisitions, pursuing cost and efficiency initiatives and maintaining sound financial fundamentals.

## ANNUAL GENERAL MEETING

<p>The second Annual General Meeting of PaperlinX Limited will be held at the Wentworth Hotel, 61-101 Phillip Street, Sydney at 11:00am on Thursday 25 October 2001.</p>
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