



# Final Results 2001 / 2002

August 2002

# Economic Background

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- Global economic slowdown
- Continuing weak business confidence
- Corporate collapses and investor confidence crisis
- Discretionary expenditure on promotion and advertising cut back
- Reduced demand for fine papers with consequent strong competition and adverse impact on margins
- Lower paper price volatility, low pulp prices


# Result Summary 2001 / 2002

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- ✓ Strong and solid results in this period of weakness
- ✓ Rationalisation and cost reductions achieved
- ✓ Benefits of business mix remain obvious
- ✓ Good returns to shareholders, total return 29.5%
- ✓ Well positioned to take advantage of future economic recovery
- ✓ Clear strategic growth plan continues to be implemented

# Financial Highlights 2001 / 2002

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- ✓ Revenue of \$2,961m  26%
- ✓ Profit before tax of \$177m  12%
- ✓ Net profit after tax of \$123m  16%
- ✓ Return on average funds employed of 12.7%
- ✓ Earnings per share of 38.2 cents  2.7% on higher capital base

# Financial Highlights 2001 / 2002

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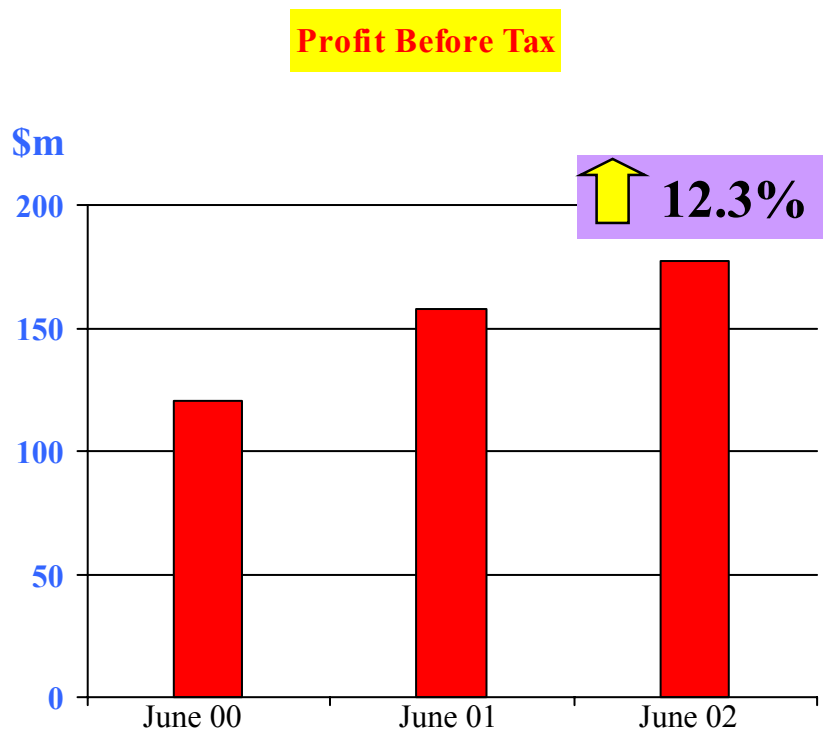
- ✓ Final dividend of 14 cents per share, 75% franked, bringing the total for the year to 27 cents per share
- ✓ Share price up 19%, market capitalisation up 20% and share market liquidity significantly improved

# Operational Highlights 2001 / 2002

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- ✓ Major restructuring of Australian paper merchants
- ✓ Restructuring of Spicers stationery and envelope businesses
- ✓ Acquisition of L.P. Turgeon (Quebec, Canada)
- ✓ US\$100m long term note issue
- ✓ Announcement of acquisition of Bunzl Fine Paper (UK)
- ✓ Sale of Australian Paper Plantations
- ✓ Sale of Amtrade Chemical trading business
- ✓ Sale of Edwards Dunlop Paper and Commonwealth Paper Company

# Key Results - Operating Earnings



June 00*:	\$120.5 million
June 01:	\$157.5 million
June 02:	\$176.9 million

*\*proforma*

## Key Variances:

- Benefits from lower imported pulp costs and stable paper selling price
- Weaker Global and Australian economies dampened demand
- Lower domestic demand for Australian Paper products increased exports
- Impact of acquisitions and divestments

# Key Financial Statistics

		June 2002	June 2001		
Profit before interest, income tax, depreciation and amortisation	\$m	285.9	263.7	↑	8%
Profit before interest and income tax	\$m	213.1	200.4	↑	6%
Profit after tax, before goodwill amortisation	\$m	133.3	110.3	↑	21%
Profit after tax	\$m	123	105.6	↑	16%
Earnings per share, before goodwill amortisation	cps	41.4	38.9	↑	6%
Earnings per share	cps	38.2	37.2	↑	2.7%
Return on average shareholders equity	%	10.2	9.7		
Net Interest cover	X	5.9	4.7		
PBITA / Average funds employed	%	13.3	12.1		
PBIT / Average funds employed	%	12.7	11.8		

# Financial Summary

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		<b><u>June</u></b> <b><u>2002</u></b>	<b><u>June</u></b> <b><u>2001</u></b>
Dividend	cps	27.0	27.0
Dividend franking	%	87	100
Capital Expenditure (excluding acquisitions)	\$m	66	49
Capital Expenditure (including acquisitions)	\$m	90	373
Net tangible assets per share	\$	3.11	2.99
Shareholders Equity (30 June)	\$m	1,213	1,178
Net Debt	\$m	332	691
Net Debt / Equity	%	27.3	58.6
Net Debt / Net Debt & Equity	%	21.5	37.0
Cash Flow from Operations	\$m	339.4	197.3

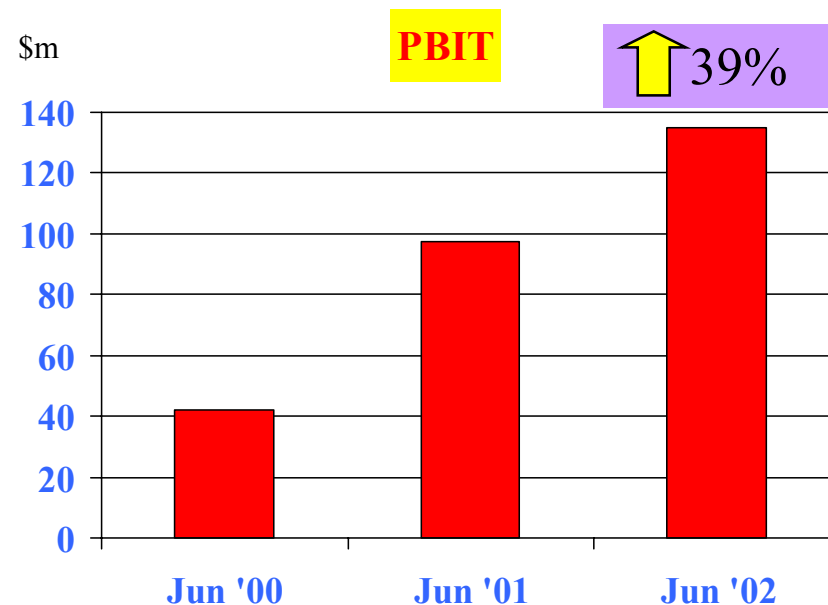
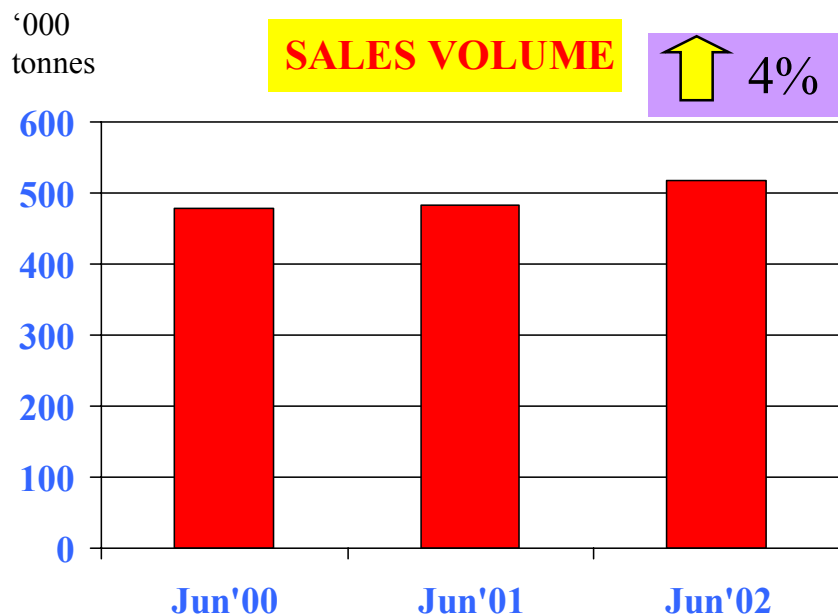
# Other / Financial

		12 months <u>Jun 02</u>	12 months <u>Jun 01</u>	Change <u>%</u>
Sales Revenue	\$m	260	469	(45)
Profit before Interest & Tax	\$m	(23)	7	-

- Divested during period
  - Australian Paper Plantations (30/8/2001)
  - Edwards Dunlop and Commonwealth Paper (13/9/2001)
  - Amtrade Australia and New Zealand (15/10/2001)
  - Amtrade UK (31/12/2001)
- Retained Spicers Stationery and Envelopes
- Corporate Costs

# Australian Paper - Communication Papers

		12 months <u>Jun 02</u>	12 months <u>June 01</u>	Change <u>%</u>
Sales Revenue	\$m	828	794	4
Profit before Interest & Tax	\$m	135	97	39
Sales Volume	'000 tonnes	518	482	7
- Australia / New Zealand	%	80	91	



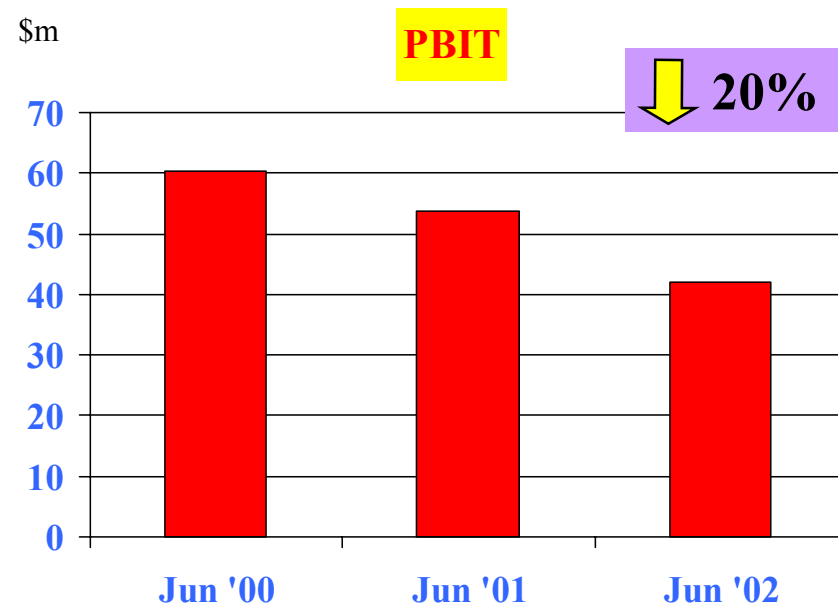
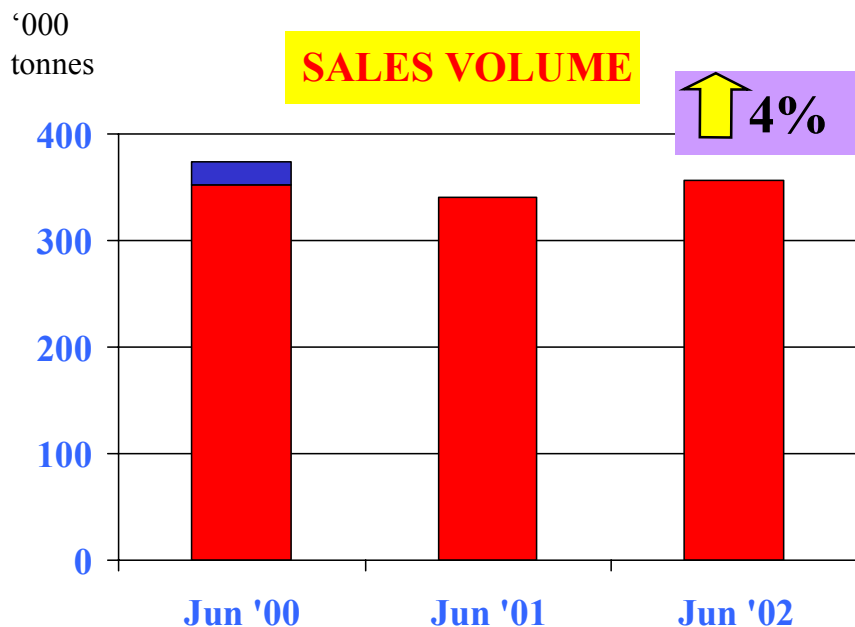
# Australian Paper - Communication Papers

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- Stable paper selling prices in Australia
- Imported pulp costs at cyclical lows in first half, rising late in second half
- Record production levels
- Higher export levels maintained profitably through the year
- Strong focus on operational excellence
- Leverage flexible and responsive service strength

# Australian Paper - Packaging Papers

		12 months <u>Jun '02</u>	12 months <u>Jun '01</u>	Change <u>%</u>
Sales Revenue	\$m	285	275	4
Profit before Interest & Tax	\$m	43	54	(20)
Sales Volume	'000 tonnes	357	341	5
- Australia / New Zealand	%	77	83	



■ One-off sale of inventory

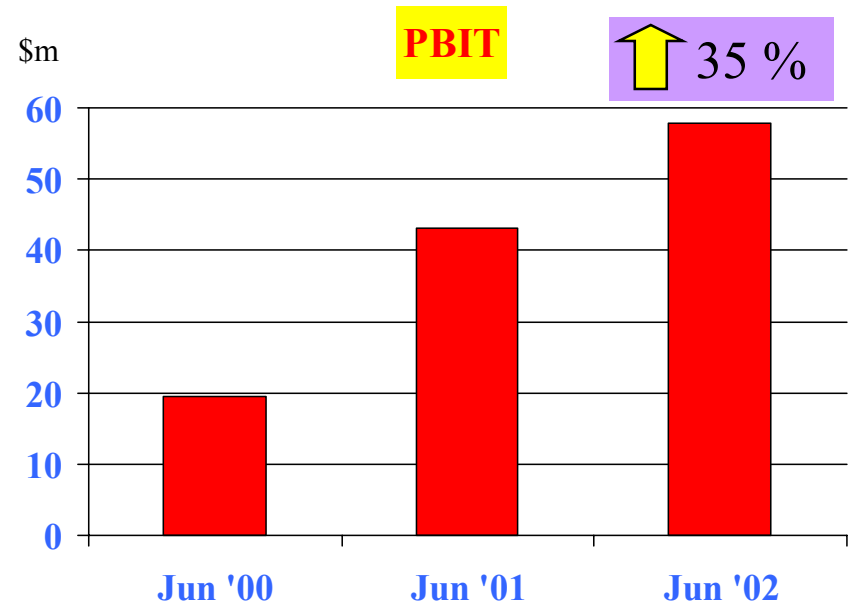
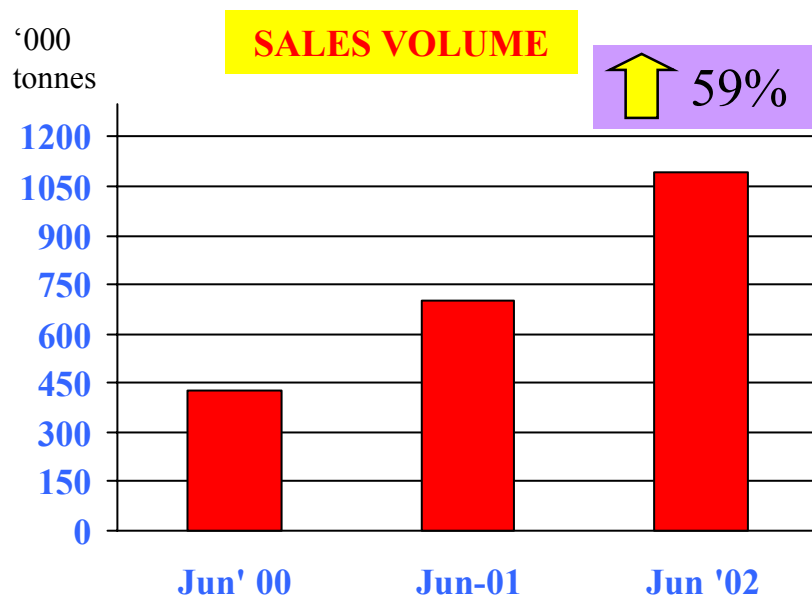
# Australian Paper - Packaging Papers

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- Amcor volumes down first half due to strike and lower market demand
- Higher export volume continues
- Lower export selling prices due to competitive Asian market condition
- Product mix improved in second half
- Maryvale number 2 paper machine back to full production

# Paper Merchanting and Distribution

		12 months <u>Jun 02</u>	12 months <u>Jun 01</u>	Change <u>%</u>
Sales Revenue	\$m	2,220	1,399	59
Profit before Interest & Tax	\$m	58	43	35
Sales Volume	'000 tonnes	1,090	705	55



# Merchanting and Paper Trading

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## Australia

- Revenue up reflecting acquisition of Spicers Paper
- Major restructuring of Australian Merchants completed in first half
- Adverse impact of lower levels of demand and highly competitive market
- Margins impacted by product mix
- It appears we are at the bottom of economic cycle

# Merchanting and Paper Trading

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## New Zealand

- Slowing economic conditions and demand in second half
- Strong competitive position
- Full year benefits of restructuring in May 2001

## Asia

- Weak economic conditions
- Focus on costs and productivity improves returns

# Merchanting and Paper Trading

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## North America

- Weaker economic conditions and demand persisted
- Increased volume and market share in a difficult market
- Margins under pressure from weaker prices, mitigated by productivity gains and cost reductions
- Greenfield in Kansas
- Acquisition of L.P.Turgeon (Quebec, Canada)

## Strategy

# Australian Paper - Paper Manufacturing Strategy

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- Maintain position as Australia's leading paper manufacturer
  - White communication papers (excluding newsprint)
  - High performance brown packaging papers
- Further product and machine optimisation
- Enhanced production efficiency
- Drive assets hard
- Maximise supply to Australia and New Zealand
- Export excess production

# Paper Merchanting Strategy

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- Grow merchanting in selected regions
- Optimise returns from existing businesses
- Leading edge logistics and demand planning
- Deepen key supplier alliances

# Paper Merchants Strategy

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## North America

- Grow business in selected regions - organic, greenfield, acquisition

## Australia & New Zealand

- Maintain market position
- Maximise synergies

## Asia

- Low key strategic development in regions with best medium to longer term opportunities
- Continue to drive down costs of current operations to improve productivity and returns

# Paper Merchanting Strategy

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## Europe - Bunzl Fine Paper

- Fair price for a good business
- Excellent returns despite weak economic environment
- Excellent management team
- Well structured with strong logistics systems
- Close cultural fit
- Opportunities for growth - organic and acquisition
- Platform to establish pan-European presence

# Strategy - Summary

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- Consolidate on strong Australasian merchanting and manufacturing position
- Grow international merchanting
  - pursue North American growth opportunities
  - pursue European growth opportunities
  - improve Asian profits
- Develop key global supplier alliances
- Leverage on key strengths
  - leading edge logistics
  - e-commerce systems
  - customer relationship management

# Business Outlook

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- Full year of benefits from Australian merchant restructuring
- Bunzl Fine Paper integration
- Growth of international merchants
- Imported pulp cost increases to be balanced by paper selling prices
- Increase in paper selling prices announced in July-September quarter
- Further Australian Paper operational gains
- Upside dependent on pace of strengthening economies over next 6 - 12 months
- Well positioned for future growth and economic recovery

# Management Contacts

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- Managing Director - Ian Wightwick
  - Phone (613) 8540 2222
  - Fax (613) 8540 2255
  - email: [ian.wightwick@paperlinx.com.au](mailto:ian.wightwick@paperlinx.com.au)
- Chief Financial Officer - Darryl Abotomey
  - Phone (613) 8540 2305
  - Fax (613) 8540 2255
  - email: [darryl.abotomey@paperlinx.com.au](mailto:darryl.abotomey@paperlinx.com.au)
- EGM Corporate and Investor Relations - David Shirer
  - Phone (613) 8540 2302
  - Fax (613) 8540 2291
  - email: [david.shirer@paperlinx.com.au](mailto:david.shirer@paperlinx.com.au)

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PaperlinX Limited  
307 Ferntree Gully Rd, Mt Waverley, Victoria 3149, Australia  
ABN 70 005 146 350