

CROSS RELEASE PXUPA

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Completion of Strategic Review and CEO's Departure

PaperlinX announced today that it has entered into the following agreements:

- to sell its operations in Slovakia, Hungary, Slovenia, Croatia and Serbia to the Heinzl Group for €19.6m. The sale price represents a multiple of approximately 10x EBITDA and is A\$2m above book value. Net proceeds after debt and transaction costs are expected to be approximately €17.5m (A\$21m);
- to sell its loss-making operations in South Africa to local management. Net proceeds of ZAR50m (A\$6m) will include A\$3m repayment of parent company funding and A\$3m purchase consideration for the shares, representing a loss of approximately A\$2m against book value.

Commenting on these transactions, PaperlinX CEO, **Toby Marchant** said:

“After the sale of five smaller European businesses and the consistently loss-making South African business announced today, our remaining businesses all operate in sizable markets with significant market positions. All have growth opportunities in diversified products and are the focus of the previously announced restructuring activities. We can now direct our limited resources to these challenges and opportunities whilst at the same time ensuring that we have sufficient liquidity both regionally and for the Group.”

This announcement will bring to a conclusion the Strategic Review that began some twelve months ago. Together with the announcement on June 26th, the Strategic Review has accomplished several critically important goals:

1. significantly improved group liquidity through asset sales at good prices given the current economic environment;

2. reduced organisational complexity to allow focus on those geographies where we hold a significant market share and/or there exists scope to drive growth through diversified products;
3. developed a comprehensive restructuring program to right size all operations; and
4. substantially reduced corporate overhead expenses.

Richard Barfield, recently appointed Chief Financial Officer, added:

“The disposals in Eastern Europe and South Africa are expected to close over the next 3 months, subject to competition clearance for both transactions and exchange control clearance for South Africa. The additional liquidity generated will further reinforce our ability to improve financing arrangements and margins in Europe, as well as providing additional funding to support accelerated restructuring and diversification.”

CEO, **Toby Marchant** concluded:

“We have reached a major turning point in the transformation of PaperlinX, and the Board and I have agreed that it is an opportune moment for me to step down as Chief Executive. I will therefore be leaving the Company at the end of July. I am doing so knowing that we have taken major strides towards dealing with our significant legacy issues, in the midst of exceptionally hostile conditions, and that we are now on the right path. This is entirely thanks to the excellent people in PaperlinX who have shown extraordinary courage and determination in overcoming the challenges of the last few years.”

Commenting on today’s announcements, the Chairman of PaperlinX, **Harry Boon**, said:

“I would like to sincerely thank Toby for his tireless dedication over 15 years to PaperlinX and its predecessors. Most recently, Toby successfully led our team through a lengthy and complex Strategic Review during exceptionally difficult circumstances.”

“Having secured sufficient near-term liquidity for the group, we are now able to focus on the timely delivery of the previously announced restructuring programme and to seek additional opportunities for cost reduction and growth in diversified products.”

“We are pleased to announce that Dave Allen has accepted the role of Interim Chief Executive. Dave is currently Executive Vice President of PaperlinX with responsibility for the UK, Ireland and Canada. Dave joined PaperlinX in 2004 and was previously Managing Director of the Robert Horne Group in the UK. We have initiated a search for a permanent CEO, and will review both external and internal candidates. We have every confidence that Dave Allen and Richard Barfield will drive the restructuring programme during the search process.”

In accordance with the terms of Mr Marchant’s employment contract and the limits imposed by the Corporations Act, Mr Marchant will receive a termination payment of 12 months total fixed remuneration in lieu of notice, plus statutory entitlements such as outstanding annual leave.

Additional Matters:

1. In response to the ongoing difficult trading conditions and losses, Directors voluntarily cut their fees by 15% from 1 April 2012. Most senior managers in UK, Europe and Australian Corporate also recently took a temporary pay cut of approximately 7.5% on a voluntary basis.
2. Due to the technical operation of the Company's constitution relating to director shareholding requirements and its potential conflict with insider trading provisions of the Corporations Act, Mr. McConnell ceased as a director in December 2011 (for purposes of the constitution but not for purposes of the Corporations Act). The Board formally re-appointed him as a director for purposes of the constitution in April 2012 to fill a casual vacancy. Mr. McConnell has continued at all times to act as a director of the Company notwithstanding the conflicting treatment under the constitution and the Corporations Act, and is regarded by the Board (and for purposes of the Corporations Act) as a director of the Company for the entire period since his initial appointment in August 2011.

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