MANAGING DIRECTOR'S ADDRESS

PAPERLINX LIMITED
ANNUAL GENERAL MEETING OF SHAREHOLDERS
THURSDAY, OCTOBER 23, 2003 AT 11.00 AM

PaperlinX has come a long way since listing on the Australian Stock Exchange in April 2000. We have followed a strategy that is simple, clear, straightforward and, above all, consistent. This PaperlinX strategy is to capitalise on opportunities to grow in key markets as one of the world's major paper merchants, and to continue to sustain our strong and profitable regional Australian Paper manufacturing business.

This strategy has delivered significant value to our shareholders over that period, and today I will review where that strategy has positioned our company, and how the acquisition of the paper merchanting division of Buhrmann creates the new PaperlinX going forward.

In terms of shareholder value, we have grown significantly, and successfully, since listing by any measure you may choose to use. We have increased sales revenues, volumes and profits. Market capitalisation and share price have also both increased. And, significantly, we have grown in importance to both our customers and suppliers.

As a separate company, PaperlinX started primarily as an Australian paper manufacturing business, with a small investment in paper merchanting.

Paper manufacturing internationally has seen both significant consolidation worldwide. Importantly for Australian Paper there has been substantial investment in the Asian region.

Within this global scene our position in manufacturing through Australian Paper is very strong as a competitive regional manufacturer, with high quality products, strong brands and sound management. We will continue to develop our Australian Paper manufacturing business, primarily focussed on the Australian and New Zealand markets.

Paper merchanting and distribution is a very different business to paper manufacturing. Paper makers aim for long runs, usually monthly, of a small range of products which they deliver in large order quantities.

On the other hand, the customers of a paper merchant are primarily the tens of thousands of general printers and stationery suppliers who want to be able to choose from many different brands of papers from a wide range of manufacturers, in small quantities and with same day or next day delivery. They do not know from one day to the next what they will be printing, or on what paper it will be printed.

A merchant must therefore be able to predict demand, have stock on hand and operate a highly efficient logistics and supply chain system. This high service focus is the business of a paper merchant together with strong relationships with both suppliers and customers.

PaperlinX's strategy has been to grow in the key North American and European markets. We stress the maintenance of strong local relationships with the tens of thousands of customers, and growing our relevance to both regional and international paper manufacturing suppliers. PaperlinX has rapidly become one of the world's leading paper merchants, now with businesses in Asia, Australasia, Europe and North America and, in fact, we will be operating in 29 countries.

Soon after listing, we acquired the balance of Spicers Paper, a listed Australian paper merchant with businesses in Asia, Australia, New Zealand and the West Coast of the USA.

In Australia and New Zealand, we merged and rationalised our merchanting businesses.

In Asia, we have re-focussed our businesses to improve returns.

In North America, we have grown our businesses through greenfield expansion in the USA and acquired Coast Paper and Papier Turgeon in Canada to give us coverage on the West Coast of the USA and right across Canada.

Our UK and Ireland acquisition completed on the 1st July last year, The Paper Company (formerly Bunzl Fine Paper) has been very successful. It is an excellent company with a strong management team and is now well and truly integrated within PaperlinX.

All of this has created the company that is described in detail in the 2003 Annual Report.

PaperlinX's growth by acquisition in paper merchanting has come from a carefully developed strategy, thoroughly evaluated and endorsed by our Board of Directors, and implemented by an experienced team using a strict set of acquisition criteria.

We have not given in to short term expediency at the cost of long term value creation, and have walked from a number of companies offered for sale, but which did not meet our criteria. We are not looking to acquire businesses that need fixing!

We seek low risk, profitable companies with good local management. We thoroughly research past performance, and taking into account the competitive environment together with the predicted level of regional economic activity, we develop a model of the business going forward.

We obviously seek businesses that operate on our familiar, tried and proven, model of stockist merchants with strong supplier relationships and a wide range of customers.

As well run businesses, the companies we acquire typically have good logistics and systems, however, we have the experience and knowledge within our organisation to take the best of what we have across the Group to maximise the opportunities for all of our companies.

Finally, the business must be capable of increasing earnings per share in the first full year and of providing a 15% EBIT to funds employed by the end of year 3. For example, our return on investment at The Paper Company exceeded 12% in the first year of ownership, in line with our expectations.

Acquiring a business well is only the first step to being successful. The next step of integration is critical for success. We spend a lot of time planning the integration of any new acquisition before settlement. For example, with the Buhrmann's Paper Merchanting Division acquisition, we already have detailed plans in place that begin on day one. This will be a major focus for management over the next quarter and beyond as we integrate our most recent acquisition in Europe.

One of the questions we are frequently asked is, "How can we run businesses in many different countries from Australia? What are the risks and how do we manage them?"

As I have already outlined, paper merchanting is a very local business when it comes to customer relationships. It must be managed regionally with experienced people who know the local culture and markets. We encourage local autonomy, flexibility and responsiveness. But within strict PaperlinX policies and procedures!

We ensure that the right framework is in place for our businesses to be able to operate, with appropriate performance indicators, financial controls, management incentives, human resource policies, and safety and environment policies.

We monitor closely the performance of all our businesses, with a significant amount of attention paid to working capital management, one of the most critical parameters in paper merchanting.

We have excellent people in all our businesses, and that is the key to doing well.

I would like to conclude today with some comments on the future. PaperlinX is close to completing its acquisition of Buhrmann's Paper Merchanting Division, the European division of which is to be named PaperlinX Europe. We have received all competition authority approvals, and Buhrmann have received shareholder approval. Pending final documentation and completion of pre-closing actions, settlement is planned for a week's time, on 31st October 2003.

This is a major step for PaperlinX. This acquisition creates the world's leading multi-region paper merchant, apart from doubling our employee numbers and trebling our sales revenue.

We believe that we have achieved a very good deal for our shareholders. We are buying Europe's leading paper merchant at a low point in the economic cycle, and at a price that we believe will allow us to achieve all of our financial targets. These include achieving strong growth in earnings per share in year three and a 15% EBIT to funds employed by the end of year 3.

PaperlinX Europe will be the leading paper merchant in Europe, supplying many different brands of quality papers to over 80,000 customers.

It has the leading market share. Importantly, it operates the same business model as our existing paper merchants. While economic conditions in Europe currently remain weak, there are some early signs of strengthening demand. Even if markets remain flat, PaperlinX Europe is expected to continue to perform profitably and compared more than favourably relative to its competitors. It is well positioned for any pick up in demand.

Not surprisingly, this acquisition fits with PaperlinX's acquisition criteria. The supplier fit is excellent. It has strong brands. The business has good management. They also have a number of programmes in place that will improve profit, independent of any economic improvement.

In conclusion, we have grown PaperlinX in line with the company's consistently stated strategic vision. We have moved from a position where sales revenue was dominated by Australia and manufacturing to where we have a spread of exposures, with most of our revenue now coming from paper merchanting.

Paper manufacturing margins are, of course, higher than for paper merchanting, however, both provide strong earnings capable of exceeding our weighted average cost of capital, ie increasing shareholder value.

This has been an exciting year for PaperlinX. Certainly, the tough economic conditions globally together with the rapidly strengthening Australian dollar have had a significant impact. However, we look forward to the future. The integration of Buhrmann's Paper Merchanting Division will be the focus and highlight in this current year.

In the future, PaperlinX will grow its merchanting businesses further, particularly in North America and Central and Eastern Europe, but only at the right time, and following the same discipline we have shown in the past. We have a sound company and we have a strong management team, with well developed succession plans in all areas.

In summary, PaperlinX is well positioned to continue to provide good returns to our shareholders.

Ian M Wightwick
23 October, 2003