

**CROSS RELEASE PXUPA**

**PaperlinX Limited**  
ABN 70 005 146 350  
307 Ferntree Gully Road  
Mt Waverley Victoria 3149  
Australia  
Tel: +61 3 8540 2211  
Fax: +61 3 8540 2255

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**MARKET UPDATE**

PaperlinX advises that trading and general economic conditions in our key European, United Kingdom and North American markets remain weak. Volumes are significantly below last year and below our expectations in Europe and the United Kingdom. Despite these market conditions the Company is maintaining market share in Europe, the United Kingdom and North America and has implemented some price increases in these markets.

The already depressed Australian print market is being further impacted by the high Australian dollar and this coupled with the Company's strategy of not pursuing riskier, lower margin business is impacting results in Australia.

Although the Company is continuing with its business restructuring program to remove costs and better align businesses to the new market conditions, there is an unavoidable time lag between implementation and benefits flowing through to financial performance.

Accordingly, with market conditions and other key factors remaining relatively uncertain and difficult to predict, PaperlinX expects to report a full year statutory loss after tax for the 2011 financial year in the range of \$23M to \$30M, (inclusive of an estimated non cash valuation loss for a foreign currency option of some \$A14M after tax). This compares to a statutory loss after tax of \$225M for 2010. Underlying earnings after tax for the 2011 financial year are expected to be a loss after tax in the range of \$7M to \$14M, after adjusting for the impact of the foreign currency option and discontinued operations. This compares to an underlying loss after tax of \$28M for 2010. Possible implications for impairment valuations at 30 June 2011 will be considered.

PaperlinX also advises that the maturity date of the Company's largest borrowing facility (in Europe) has been extended from May 2012 to September 2013.

***For further information, please contact:***

James Orr  
Executive General Manager  
Corporate Affairs  
PaperlinX Limited  
Ph : +61 (3) 8540 2264