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PAPERLINX SELLS ITALIAN BUSINESS AND FUNDS RESTRUCTURING

PaperlinX announced today that it has agreed to sell its Italian business, Polyedra, to Lecta, the European Paper manufacturer for €45 million. The purchase price represents over 90% of book value and, after transaction costs and repayment of related debt in Italy, is expected to release approximately €13m (A\$17m) in net proceeds. Polyedra contributed EBITDA of €4m in the 12 month period ending December 2011. The sale is expected to close within 90 days, subject to regulatory approvals and a final value audit.

PaperlinX CEO, Toby Marchant, said, "We achieved fair value in today's market from a strategic investor and, importantly, generated a substantial portion of the A\$20m cash required to immediately implement the restructuring of Continental Europe and Corporate Head Office."

The multi phase restructuring of PaperlinX's business was a headline issue in the Interim Results announcement on February 23rd. The company expects savings of A\$61m by FY14 from the ongoing restructuring programme.

"Given the continued uncertainty of world paper markets, aggressive cost reduction is our most important initiative for the next two years. Every 1% reduction in our cost to sales ratio represents some A\$40m. We are aiming for a 3% total cost reduction, half of which will be generated from the current plans by FY14", said Marchant.

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