

18 June 2003

**PRESS RELEASE**  
(not for release in the United States)

## **PAPERLINX TO TAKE MAJOR STRATEGIC STEP IN EUROPE**

PaperlinX today announced another major step in its strategy to develop a leading international fine paper merchanting business by signing a Heads of Agreement to acquire the Paper Merchanting Division of Buhrmann NV for €746 million (A\$1.3 billion) on a debt free basis. Commenting on the signing, Ian Wightwick, Managing Director of PaperlinX said, "This is an exciting and unique opportunity for PaperlinX which follows on from our successful acquisitions of Bunzl Fine Paper (now The Paper Company) in the UK and Ireland and Coast Paper and Papier Turgeon in Canada. Buhrmann's Paper Merchanting Division is the leading European paper merchant and the acquisition is targeted to deliver strong earnings per share growth for our shareholders and result in PaperlinX having sales over A\$9 billion per annum."

Mr Wightwick added, "The addition of Buhrmann's Paper Merchanting Division to PaperlinX will be a major strategic initiative, in line with our stated strategy to develop a leading international fine paper merchanting business. This is an excellent move, and follows a great deal of analysis, over a long period of time, of the opportunities available to us to grow the business. This acquisition creates the first multi-continent fine paper merchant with operations across Australasia, Asia, Europe and North America."

Highlights of the transaction are:

- Buhrmann's Paper Merchanting Division is Europe's largest fine paper merchant with operations in 22 countries, employing over 5,000 people
- Annual sales are approximately €3 billion (A\$5.4 billion), comprising 2.4 million tonnes of paper
- Estimated to increase PaperlinX's earnings per share by between 5% to 10% in the first full year based on estimated 2003 results.
- Earnings per share estimated to increase by at least 40% on 2003 earnings in year 3
- Estimated 15% return on funds invested by the end of year 3
- Purchase price multiple of 7.5 times the average EBITA earnings of Buhrmann's Paper Merchanting Division over the last three years. This compares favourably to other recent transactions in the sector.

Completion of the transaction is subject to completion of due diligence, negotiation of a sale & purchase agreement, completion of works council consultation procedures, Buhrmann NV shareholders' approval, regulatory approvals and other conditions. Estimated completion date is the end of August 2003.

### **About Buhrmann's Paper Merchanting Division**

Buhrmann's Paper Merchanting Division has a network of operating companies servicing customers throughout Europe, on the West Coast of the USA and in South East Asia and South Africa. Its philosophy of operating locally focussed operations, as part of an international business, is consistent with PaperlinX's Merchanting philosophy.

The product range sold by Buhrmann's Paper Merchanting Division is similar to PaperlinX's merchants, focussed on coated, uncoated and cut size papers for customers in the commercial print, office and display business segments.

Commenting on the proposed acquisition, Mr. Wightwick said, "Buhrmann's Paper Merchanting Division has been consistently profitable through the current economic downturn and is currently undergoing a restructuring and profit improvement plan which will strengthen the business and position it well to benefit from an improvement in demand."

"In Europe, both Buhrmann's Paper Merchanting Division and The Paper Company have strong management teams. PaperlinX and Buhrmann's Paper Merchanting Division will continue the cultures of both companies in concentrating on the many thousands of customers in each region with strong personal representation support, as well as superior customer service. The trading entities in each region are valued for their wide choice of products at competitive prices."

"In terms of paper suppliers, the combination of PaperlinX and Buhrmann's Paper Merchanting Division offers a unique international network of distribution facilities and competent selling resources to most efficiently and cost effectively take products to market."

### **The New PaperlinX**

At the completion of the transaction PaperlinX will generate annual sales in excess of A\$9 billion. Over 55% of earnings before interest and tax will be from paper merchanting and, overall, around 50% of earnings before interest and tax will be derived outside of Australia. Funds invested will be in excess of A\$3 billion. The group will employ 10,000 people worldwide and will be

Australasia's leading fine paper and packaging paper manufacturer and the world's only multi-continent fine paper merchant operating substantial businesses in 26 countries. PaperlinX's merchanting businesses will sell 4 million tonnes of paper each year to a wide range of customers around the world.

### **Funding**

Due to PaperlinX's strong balance sheet, 75% of the acquisition funding will be from debt with 25% provided from an issue of new shares. An institutional placement is being undertaken today via a book build process to raise approximately A\$230 million. The institutional placement is fully underwritten. A trading halt in PaperlinX shares has been granted by the Australian Stock Exchange for 18 June while the institutional placement is undertaken. It is expected that trading in PaperlinX shares will recommence on 19 June with an announcement made in relation to the outcome of the placement.

PaperlinX will also offer eligible Australian and New Zealand registered shareholders the opportunity to subscribe for up to A\$5,000 worth of shares at the institutional placement price through a share purchase plan ("SPP"), without incurring brokerage or stamp duty. The overall amount raised under the SPP is expected to be around A\$120 million. Further details of the SPP will be announced following the institutional placement.

The new shares issued under the institutional placement and the SPP will be eligible to participate in the final dividend for the Financial Year ending 30<sup>th</sup> June, 2003. "The share purchase plan gives eligible shareholders, particularly our loyal investors, the opportunity to participate in the equity raising at the same price as institutions.", Mr Wightwick said.

The company also plans to activate its Dividend Reinvestment Plan.

### **Dividend**

"The acquisition and its funding is not anticipated to impact the amount of the final dividend payment for the current financial year, which is expected to be 14 cents per share, franked to approximately 50%." PaperlinX Chairman, Mr David Meiklejohn said, "When the estimated strong EPS growth eventuates, the Board will consider increases in the dividend rate. As the proportion of PaperlinX's earnings outside of Australia increases, it has the inevitable impact of reducing the level of dividend franking. However, we believe that estimated earnings per share growth as a result of this acquisition will more than compensate."

**Conclusion**

Mr Wightwick concluded, "The acquisition of Buhrmann's Paper Merchanting Division will be a significant strategic step and an excellent opportunity for PaperlinX to further drive its strategy of maintaining its Australian paper manufacturing business and building the leading international fine paper merchant. It complements our existing businesses, diversifies our earnings base, delivers enhanced shareholder value, and positions PaperlinX strongly for the future."

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For a copy of the management presentation slides relating to this announcement, please go to Investor Information at [www.paperlinx.com.au](http://www.paperlinx.com.au) from 10:00am.

A live web cast of the media presentation by management will also be available at 10:00am on 18 June 2003 at [www.paperlinx.com.au](http://www.paperlinx.com.au).

**Note:** Currencies have been converted at €0.56 to the Australian dollar

**Forward looking Statements:**

Certain statements in this release relate to the future, including forward looking statements relating to PaperlinX's financial position and strategy. These forward looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual results, performance or achievements of PaperlinX to be materially different from future results, performance or achievements expressed or implied by such statements. Neither PaperlinX nor any other person gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statements in this document will actually occur and you are cautioned not to place undue reliance on such forward looking statements.

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**Editors Note:**

PaperlinX is a leading international paper merchant, with businesses in Australia, New Zealand, Asia, North America, the United Kingdom and Ireland. Through its Australian Paper division, it is also the only Australasian producer of high quality communication papers, and a major producer of high performance packaging and industrial papers.