

**ASX RELEASE**

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**MARKET UPDATE**

The timing of the completion of the sale of Australian Paper to Nippon Paper will result in a delay in the release of audited accounts for PaperlinX Ltd ("PaperlinX") for the year ended 30 June 2009 until August 31.

Based on preliminary and unaudited management accounts, indications are:

- PaperlinX now expects full year divisional Earnings before Interest and Tax (reported EBIT before Corporate and significant items) to be in the order of 50% lower than in the prior year, compared with previous guidance of 30% to 35% lower. This result includes the profit on sale of Netherlands properties booked in June; various restructuring activities that occurred through the year to further reduce the cost base going into the new financial year, and is before consideration of any impairment reviews.
- The results for Paper Manufacturing (comprising 11 months for the business sold, with completion accounts yet to be finalised, and 12 months for the Tasmanian operations) were negatively impacted in recent months by the stronger A\$ and softer pricing across many export grades.
- Merchating expenses show a significant favourable variance versus the prior year and prior expectations through successfully targeted cost reduction programmes across all regions, but are insufficient to mitigate the worse than expected market driven volume weakness seen in the last six weeks of the year in Europe and North America.
- In this environment, PaperlinX made strong progress on working capital reductions and cash management in the second half, and now expects that net debt at 30 June 2009 will be around \$220 - \$250 million; 30% lower than previous guidance of \$327 million.

As previously announced, reported EBIT before significant items for 2009 will be further reduced by around \$95 million in costs relating to ongoing corporate overheads, previously announced FX losses and bank/note holder charges, consultants' costs for lenders and related waiver fees and will also include a loss on sale adjustment of approximately \$(150) million.

PaperlinX also recorded an impairment in the carrying value of the fixed assets of Australian Paper of \$(567.5) million in its interim results.

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

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