

PRESS RELEASE

Wednesday, 26 June 2002

PAPERLINX EXPANDS INTO EUROPE

PaperlinX today announced that it has signed an unconditional agreement to acquire UK based Bunzl Fine Paper from Bunzl plc, effective 1 July 2002 for £138 million (A\$365 million), excluding costs.

The acquisition of Bunzl Fine Paper is expected to result in a number of significant benefits and opportunities for PaperlinX:

- The acquisition is consistent with PaperlinX's strategy of developing its position as a leading international paper merchant and distributor, and reinforces PaperlinX's position internationally;
- Bunzl Fine Paper is one of the leading fine paper merchants and distributors in the UK and Ireland with around 14% share of the market;
- The acquisition provides PaperlinX with the opportunity to participate in the ongoing rationalisation of the paper merchant industry throughout the UK and continental Europe;
- Bunzl Fine Paper is expected to be immediately earnings per share accretive both pre and post amortisation. It is targeted to achieve PaperlinX's criteria of 15% EBIT return on funds employed by year three;
- The funding arrangements will result in a strong balance sheet which gives PaperlinX the capacity to consider further acquisitions in North America and Europe; and
- Following the acquisition of Bunzl Fine Paper, PaperlinX will have annualised sales revenues of approximately A\$4 billion per annum, and employ around 5,000 people in 12 countries.

Bunzl Fine Paper Acquisition

Bunzl Fine Paper, with annual sales of around 340,000 tonnes of fine paper, generating revenue of £320 million (A\$846 million), is a leading fine paper merchant and distributor throughout the UK and Ireland with around 14% share of the market. It is headquartered in London and operates from 32 locations throughout the United Kingdom and Ireland, employing approximately 1,000 people.

Ian Wightwick, PaperlinX's Managing Director, stated, "Bunzl Fine Paper is a first class business in its own right, and provides PaperlinX with a strong platform from which we can participate in the ongoing paper merchant rationalisation throughout the UK and continental Europe." He added, "This acquisition is consistent with our strategy of developing a leading international position in paper merchanting and distribution supported by strong alliances with the world's leading fine paper manufacturers."

The total cost of the acquisition is £138 million plus costs of £4.5 million (total cost around \$A377 million). The purchase price includes £38 million (\$A100 million) of goodwill plus costs. Payments will be £120 million (\$A317 million) on closing, and £10 million (\$A26 million) and £8 million (\$A22 million) will be paid on the first and second anniversaries respectively of the transaction. PaperlinX have been advised in this transaction by UBS Warburg.

Commenting on the terms of the acquisition, Ian Wightwick said, "We believe we have paid a fair price for a very good business. The EBIT multiple for this acquisition, based on the average earnings of the last three years, is 8.3 times. The acquisition is expected to be immediately earnings per share accretive both pre and post amortisation. We are targeting to achieve 15% EBIT return on funds employed by year three. Our funding arrangements will result in a strong balance sheet, which gives us flexibility to consider further acquisitions in North America and Europe. Overall, we believe this acquisition will produce the best long term returns for our shareholders."

Funding

The acquisition will be funded from a combination of existing bank lines and an issue of new shares. An institutional placement is being undertaken today via a book build process to raise approximately A\$125 million. The institutional placement is fully underwritten. A trading halt in PaperlinX shares has been granted by the Australian Stock Exchange for Wednesday 26th June while the equity placement is undertaken. It is expected that trading in PaperlinX shares will recommence on Thursday 27th June with an announcement made in relation to the outcome of the placement.

PaperlinX have also announced the intention to allow eligible Australian and New Zealand registered shareholders to subscribe for up to A\$3,000 worth of shares at the institutional placement price through a share purchase plan (SPP), without incurring brokerage or stamp duty. The overall amount under the SPP will be capped at A\$50 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 not be eligible to participate in the final dividend for the Financial Year ending 30th June, 2002. "The share purchase plan gives eligible shareholders, particularly our loyal smaller investors, the opportunity to participate in the equity raising at the same price as institutions." Mr Wightwick said.

PaperlinX current trading and dividend

With regard to the trading conditions and the timing of this acquisition, Ian Wightwick added, "Against a background of the global recession in commercial activity, reduced advertising and promotional discretionary spending has created challenging conditions for paper merchants. Although current trading conditions remain subdued, we expect earnings per share for the year to 30 June, 2002 to be at a similar level to last year, despite the dilutive effects of divestments made throughout the year. However, with

strengthening economies in our major markets, together with PaperlinX's recent Australian restructuring and North American expansion, plus the acquisition of Bunzl Fine Paper, PaperlinX is extremely well placed to reap significant benefits. The timing of the acquisition is good."

The Directors of PaperlinX expect that the final dividend for the current financial year will be at a similar level to last year at 14 cents per share. As previously indicated, it is expected that the final dividend will be less than fully franked. The decision on this dividend will be announced with the full year results on 13 August 2002.

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Note:

Currencies have been converted at 2.6445 Australian dollars to 1.0 British pound

Further information:

For a copy of the management presentation slides relating to this announcement, please go to Investor Information at www.paperlinx.com.au.

Disclaimer:

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