

**PRESS RELEASE**

23 May, 2003

**Uncertainty Slows Growth**

PaperlinX expects to report earnings around 5% ahead of the prior year, despite the low level of confidence that has dampened economic activity and demand for printing, publishing and office papers. Commenting on earnings, PaperlinX Managing Director, Ian Wightwick said, "While earnings growth will end the year slower than seen in the six months to December 2002, and below the expectations of market observers, we are pleased that we still expect to produce improved earnings for the Group in such a difficult market."

Mr Wightwick added, "As noted in recent downward profit revisions by some analysts, and contrary to the earlier expectations of industry observers, demand for printing, publishing and office papers has not firmed as we move into the traditionally strong fourth quarter of the current fiscal year. The inevitable consequence of lower demand is increased competition, lower selling prices and reduced profit. In addition, international prices for imported pulp have increased, with these higher costs yet to be recovered in domestic selling prices. The higher Australian dollar, while mitigating some of these pulp cost increases, is also impacting the translation of overseas earnings and reducing export competitiveness."

"This weaker demand environment has impacted pricing and profit margins. However, under these challenging circumstances, all of our businesses are performing creditably and we expect to finish the year with increased market shares in most of our markets. We are particularly pleased with the contribution from the strong performances of our recent acquisitions in the UK and Canada, which continue to perform to our expectation. Having foreseen a continuation of the depressed trading conditions, PaperlinX has embarked upon a major profit

improvement programme to substantially reduce costs in order that the Group will continue to generate returns for its shareholders well above its cost of capital. All of our businesses are focussed on improving margins, particularly focussing on recovering cost increases. We are also continuing to improve systems, enabling better management of inventory and reducing working capital.”

Commenting on the outlook, Mr. Wightwick said, “In the near term there remains a great deal of general uncertainty. This has led to a distinct lack of economic confidence, impacting advertising and promotional expenditure. However, we, along with most international pulp and paper companies, expect demand to pick up as economies improve. We are well positioned to take advantage of any improvements in economic activity and we continue to look to the future with confidence.”

Mr Wightwick concluded, “PaperlinX produces solid cash flow, retains a strong balance sheet and continues to look at opportunities in paper merchandising and distribution businesses in Europe and North America to grow our already substantial international market position.”

**ENDS**

For further information please contact:

Mr Ian Wightwick  
Managing Director  
PaperlinX Limited  
Ph: +61 (0)3 8540 2222

Mr Darryl Abotomey  
Chief Financial Officer  
PaperlinX Limited  
Ph: +61 3 8540 2305  
Ph: +61 (0)419 838 059

Mr David Shirer  
Executive General Manager  
Corporate & Investor Relations  
PaperlinX Limited  
Ph: +61 3 8540 2302  
Ph: +61 (0) 407 512 521

**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. PaperlinX is listed on the Australian Stock Exchange under the symbol “PPX”.