

**ASX RELEASE**

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**SALE OF AUSTRALIAN PAPER MANUFACTURING OPERATIONS**

PaperlinX Limited ("PaperlinX") has today agreed to sell its Australian manufacturing business, Australian Paper, for a total consideration of \$700+ million to Nippon Paper Group, Inc ("Nippon Paper"). The sale consists of \$600 million in cash, with 10% payable on signing, and a range of other considerations which includes assumed liabilities and an earn-out that will allow PaperlinX to participate in positive earnings growth of the divested operations over the next three years.

PaperlinX Chairman, David Meiklejohn said, "This divestment is a major step in the transformation of PaperlinX and substantially strengthens our financial profile at a time of volatility and uncertainty in global economic markets. The Board believes this transaction is in the best interests of the company and its shareholders."

PaperlinX Managing Director, Tom Park said, "We are already the global leader in paper merchandising and distribution and the sale of manufacturing assets allows us to sharpen our focus on these core operations. It will also be a positive for Australian Paper and its employees as they become a part of a significant international paper manufacturer with all of the opportunities that brings."

Cash proceeds from the sale will be applied to reduce debt.

As a direct result of this transaction PaperlinX will record a write down of approximately \$600 million<sup>(1)</sup> in relation to the sale. The announcement of the company's interim results will be delayed until 27 February to allow the accounts to be adjusted for changes related to the transaction.

Australian Paper's major asset is the Maryvale paper mill. The sale to Nippon Paper will exclude the two Tasmanian mills at Burnie and Wesley Vale. A detailed review of these operations will be completed over the next few months. Potential outcomes of the review include retention of the existing business model, partial closure, closure or sale.

Nippon Paper is a key player in the Japanese paper market and has a long term strategic commitment to paper manufacturing in the Asia Pacific region.

“The sale of Australian Paper to Nippon Paper establishes its position as an important part of an international paper manufacturer and creates opportunities that would not exist as a stand-alone domestic manufacturing entity. PaperlinX and Nippon Paper will maintain a long term alliance for the distribution of paper in Australia”, said Mr Park.

The completion of this sale is expected by mid 2009, subject to various conditions and approvals.

As previously announced, PaperlinX’s lenders have agreed to waivers or extensions of covenant measurement dates past 31 December 2008. This agreement was not conditional on the sale of Australian Paper.

The sale of Australian Paper is, however, conditional on the approval of our lenders.

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**Editors Note:**

PaperlinX is the world’s leading fine paper merchant, with businesses in Australia, New Zealand, Asia, North America and Europe. Through its Australian Paper division, it is also the only Australasian producer of high quality communication papers including Reflex, Australia’s leading copy paper, and a major Australian producer of high performance packaging and industrial papers.

Nippon Paper is a substantial Japanese based paper manufacturer with sales of around US\$12 billion and a market capitalisation of US\$3.2 billion. They have around 13,500 employees and produce 7.7 million tons of paper and paperboard, putting them in the top 10 paper companies in the world. They already have some forestry activities in Australia.

(1) Final level of write down is subject to review and has the potential to vary from the level indicated