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**UPDATE IN RELATION TO MARKET CONDITIONS IN EUROPE AND  
COMMENCEMENT OF STRATEGIC REVIEW**

During the past month there have been several material market developments in Europe and as a consequence, the Board of PaperlinX Limited has adopted a more cautious stance on the outlook for Europe and is commencing a strategic review in relation to Paper Associates Pty Ltd, the holding company for PaperlinX's European, Asian (excluding Australia and New Zealand) and Canadian operations.

PaperlinX continues to diversify and grow its operations beyond paper merchanting into visual technology solutions, packaging and most recently 3D printing, which continue to demonstrate promising prospects for the Company.

Overall paper consumption in Europe fell more than expected in the first half and strategic market moves by some suppliers and competitors are causing further pressure on market pricing. Due to the structural issues in the European market, we expect these issues to continue until there is further industry restructuring and further reduction in capacity by the major mill groups.

It is against this backdrop in Europe that the PaperlinX Board has engaged Moelis and Company and Deloitte (Europe) to conduct a strategic review of Paper Associates Pty Ltd to evaluate the changing market landscape and options for its various businesses with an emphasis on strategy, market outlook, efficient capital utilisation and strategic options. The Board expects that this review will be concluded prior to the end of March 2015 and will update the market accordingly.

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