

25 February 2016 ASX Announcement

### Colorpak Scheme Booklet registered with ASIC

The Australian Securities and Investments Commission today registered the Scheme Booklet in relation to the proposed acquisition of Colorpak Ltd ("Colorpak") by Graphic Packaging International, Inc. ("Graphic Packaging International") via a Scheme of Arrangement ("Scheme").

A copy of the Scheme Booklet, which includes the Independent Experts Report, a notice of Scheme meeting and a copy of the proxy form for the Scheme meeting, is attached to this announcement and is available on Colorpak's website www.colorpak.com.au. Copies of the Scheme Booklet will be sent to Colorpak shareholders on or about 3 March 2016.

Colorpak Directors continue to unanimously recommend shareholders vote in favour of the Scheme and will vote the shareholdings they control in favour of the Scheme in the absence of a superior proposal.

#### For further information, please contact:

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Colorpak Limited ABN 56 107 485 898

# SCHEME BOOKLET

For a scheme of arrangement between Colorpak Limited and its shareholders in relation to the proposed acquisition of Colorpak Limited by Graphic Packaging International, Inc through its wholly-owned subsidiary Graphic Packaging International Australia Pty Limited.

# **VOTE IN FAVOUR**

Your Directors unanimously recommend that you should vote in favour of the Scheme, in the absence of a Superior Proposal.

This is an important document and requires your immediate attention.

You should read it in its entirety before deciding whether or not to vote in favour of the Scheme.

If you are in any doubt about how to deal with this document, you should contact your broker or financial, taxation or legal adviser immediately.



Legal Adviser



#### Nature of this document

This Scheme Booklet provides Colorpak Shareholders with information about the proposed acquisition of Colorpak by GPI through its wholly-owned subsidiary GPI Australia. If you have sold all of your Colorpak Shares, please ignore this booklet.

#### **Defined terms**

A number of defined terms are used in this Scheme Booklet. These terms are explained in section 9 of this Scheme Booklet.

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Scheme Booklet are subject to the effect of rounding. Accordingly their actual calculations may differ from the calculations set out in this booklet.

#### No investment advice

The information contained in this Scheme Booklet does not constitute financial product advice and has been prepared without reference to your own investment objectives, financial situation, taxation position and particular needs. It is important that you read this Scheme Booklet in its entirety before making any investment decision and any decision as to whether or not to vote in favour of the Scheme. If you are in any doubt in relation to these matters, you should consult your financial, legal, taxation or other professional adviser.

#### Not an offer

This Scheme Booklet does not constitute or contain an offer to Colorpak Shareholders, or a solicitation of an offer from Colorpak Shareholders, in any jurisdiction.

#### Foreign jurisdictions

The release, publication or distribution of this Scheme Booklet in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons outside of Australia who come into possession of this Scheme Booklet should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations.

This Scheme Booklet has been prepared in accordance with Australian law and the information contained in this Scheme Booklet may not be the same as that which would have been disclosed if this Scheme Booklet had been prepared in accordance with the laws and regulations outside Australia.

#### Regulatory information

This document is the explanatory statement for the scheme of arrangement between Colorpak and the holders of its fully paid ordinary shares as at the Scheme Record Date for the purposes of section 412(1) of the Corporations Act. A copy of the proposed Scheme is included in this booklet as Annexure B.

A copy of this Scheme Booklet was provided to ASIC for examination in accordance with section 411(2)(b) of the Corporations Act and was lodged with ASIC for registration under section 412(6) of the Corporations Act. It was then registered by ASIC under section 412(6) of the Corporations Act before being sent to Colorpak Shareholders.

ASIC has been requested to provide a statement, in accordance with section 411(17)(b) of the Corporations Act, that ASIC has no objection to the Scheme. If ASIC provides that statement, it will be produced to the Court at the time of the Court hearing to approve the Scheme. Neither ASIC nor any of its officers takes any responsibility for the contents of this Scheme Booklet.

A copy of this Scheme Booklet has been provided to ASX. Neither ASX nor any of its officers takes any responsibility for the contents of this Scheme Booklet.

#### Notice of Scheme Meeting

The Notice of Meeting is set out in Annexure D.

#### Notice of Second Court Hearing

At the Second Court Hearing, the Court will consider whether to approve the Scheme following the vote at the Scheme Meeting.

Any Colorpak Shareholder may appear at the Second Court Hearing, expected to be held at 10.00am on Friday, 8 April 2016 at the Supreme Court of Victoria, 210 William Street, Melbourne.

Any Colorpak Shareholder who wishes to oppose approval of the Scheme at the Second Court Hearing may do so by filing with the Court and serving on Colorpak a notice of appearance in the prescribed form together with any affidavit that the Colorpak Shareholder proposes to rely on.

# Important notice associated with the Court order under section 411(1) of the Corporations Act

The fact that under section 411(1) of the Corporations Act the Court has ordered that a meeting be convened and has directed that an explanatory statement accompany the notice of meeting does not mean that the Court:

- has formed any view as to the merits of the proposed scheme or as to how members should vote (on this matter members must reach their own decision); or
- has prepared, or is responsible for, the content of the explanatory statement.

#### Disclaimer as to forward-looking statements

This Scheme Booklet contains both historical and forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements.

All forward-looking statements in this Scheme Booklet reflect views only as at the date of this Scheme Booklet, and generally may be identified by the use of forward-looking words such as "believe", "aim", "expect", "anticipate", "intending", "foreseeing", "likely", "should", "planned", "may", "estimate", "potential", or other similar words. Similarly, statements that describe Colorpak's or GPI's objectives, plans, goals or expectations are or may be forward-looking statements.

The statements contained in this Scheme Booklet about the impact that the Scheme may have on the results of Colorpak's operations and the advantages and disadvantages anticipated to result from the Scheme, are also forward-looking statements.

These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to differ materially from the anticipated results, performance or achievements, expressed, projected or implied by these forward-looking statements.

The operations and financial performance of Colorpak are subject to various risks, including those summarised in this Scheme Booklet, which may be beyond the control of Colorpak and/or GPI. Colorpak Shareholders should note that the historical financial performance of Colorpak is no assurance of future financial performance of Colorpak (whether the Scheme is implemented or not). Those risks and uncertainties include factors and risks specific to the industry in which Colorpak operates as well as general economic conditions, prevailing exchange rates and interest rates and conditions in the financial markets. As a result, the actual results of operations and earnings of Colorpak following implementation of the Scheme, as well as the actual advantages of the Scheme, may differ significantly from those that are anticipated in respect of timing, amount or nature and may never be achieved.

The forward-looking statements included in this Scheme Booklet are made only as of the date of this Scheme Booklet.

Any forward-looking statements included in the Colorpak Information have been made on reasonable grounds. Although Colorpak believes that the views reflected in any forward-looking statements included in the Colorpak Information have been made on a reasonable basis, no assurance can be given that such views will prove to have been correct.

Any forward-looking statements included in the GPI Information have been made on reasonable grounds. Although GPI believes that the views reflected in any forward-looking statements included in the GPI Information have been made on a reasonable basis, no assurance can be given that such views will prove to have been correct.

None of Colorpak, GPI, GPI Australia, Colorpak's officers, GPI's officers, GPI Australia's officers, any persons named in this Scheme Booklet with their consent or any person involved in the preparation of this Scheme Booklet makes any representation or warranty (express or implied) as to the likelihood of fulfilment of any forward-looking statement, or any events or results expressed or implied in any forward-looking statement, except to the extent required by law. You are cautioned not to place undue reliance on any forward-looking statement.

You should review all of the information in this Scheme Booklet carefully. Section 1.1 sets out the reasons why you should vote in favour of the Scheme and section 1.2 sets out the reasons why you may wish to vote against the Scheme.

All subsequent written and oral forward-looking statements attributable to Colorpak, GPI, GPI Australia or any person acting on their behalf are qualified by this cautionary statement.

Subject to any continuing obligations under relevant laws or the listing rules of a relevant exchange, Colorpak, GPI and GPI Australia do not give any undertaking to update or revise any such statements after the date of this Scheme Booklet, to reflect any change in expectations in relation thereto or any change in events, conditions or circumstances on which any such statement is based.

#### Responsibility statement

Colorpak has been solely responsible for preparing the Colorpak Information. The information concerning Colorpak and the intentions, views and opinions of Colorpak and the Colorpak Directors contained in this Scheme Booklet has been prepared by Colorpak and the Colorpak Directors and is the responsibility of Colorpak. GPI and GPI's directors and officers, do not assume any responsibility for the accuracy or completeness of any such Colorpak Information.

GPI is solely responsible for the GPI Information contained in the Scheme Booklet (and the information derived from the GPI Information), other than any information provided by Colorpak to GPI regarding the Colorpak Group contained in or used in the preparation of, the information regarding the merged GPI-Colorpak entity following implementation of the Scheme. Colorpak and the Colorpak Directors and officers, do not assume any responsibility for the accuracy or completeness of any such GPI Information.

BDO Corporate Finance (East Coast) Pty Ltd has prepared the Independent Expert's Report in relation to the Scheme and takes responsibility for that report. The Independent Expert's Report is set out in Annexure A.

Link Market Services Limited has had no involvement in the preparation of any part of this Scheme Booklet other than being named as the Colorpak Registry. Link Market Services Limited has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of this Scheme Booklet.

#### Privacy

Colorpak, GPI and GPI Australia may collect personal information in the process of implementing the Scheme. Such information may include the name, contact details and shareholdings of Colorpak Shareholders and the name of persons appointed by those persons to act as a proxy, attorney or corporate representative at the Scheme Meeting. The primary purpose of the collection of personal information is to assist Colorpak and GPI to conduct the Scheme Meeting and implement the Scheme. Personal information of the type described above may be disclosed to the Colorpak Registry, print and mail service providers, authorised securities brokers, Related Bodies Corporate of Colorpak and GPI, and Colorpak and GPI's advisers and service providers. Colorpak Shareholders have certain rights to access personal information that has been collected. Colorpak Shareholders should contact the Colorpak Registry in the first instance, if they wish to access their personal information. Colorpak Shareholders who appoint a named person to act as their proxy, attorney or corporate representative should ensure that they inform that person of these matters.

#### Date of this Scheme Booklet

This Scheme Booklet is dated 1 March 2016.

## **CONTENTS**

1. Key considerations relevant to your vote	6
2. Frequently asked questions	9
3. How to vote	12
4. Overview of the Scheme	13
5. Information about Colorpak	16
6. Information about GPI	24
7. Taxation implications	27
8. Additional information	30
9. Glossary and interpretation	35
<b>Annexure A</b> – Independent Expert's Report	40
Annexure B - Scheme	93
Annexure C - Deed Poll	104
Annexure D - Notice of Meeting	115
Corporate Directory	118

## **KEY DATES**

First Court Date	Wednesday, 24 February 2016
Date of this Scheme Booklet	Tuesday, 1 March 2016
Latest date and time for receipt of Proxy Forms or powers of attorney for the Scheme Meeting	10.00am (AEST) on Tuesday, 5 April 2016
Time and date for determining eligibility to vote at the Scheme Meeting	7.00pm (AEST) on Tuesday, 5 April 2016
Scheme Meeting to be held at Level 42, 101 Collins Street, Melbourne VIC 3000	10.00am (AEST) on Thursday, 7 April 2016

If the Scheme is approved by Colorpak Shareholders	
Special Dividend determined (if the Colorpak Board decides to determine the Special Dividend)	Thursday, 7 April 2016
Second Court Date for approval of the Scheme	Friday, 8 April 2016
Effective Date	Tuesday, 12 April 2016
Court order lodged with ASIC and announcement to ASX	
Last day of trading in Colorpak Shares – Colorpak Shares suspended from trading on ASX from close of trading	
Dividends Record Date	7.00pm (AEST) on Thursday, 14 April 2016
Dividends Payment Date	Thursday, 21 April 2016
Scheme Record Date for determining entitlements to Scheme Consideration	7.00pm (AEST) on Friday, 22 April 2016
Implementation Date	Friday, 29 April 2016
Payment of Scheme Consideration to Scheme Shareholders	

All dates following the date of the Scheme Meeting are indicative only and, among other things, are subject to all necessary approvals from the Court and any other Regulatory Authority. Any changes to the above timetable (which may include an earlier or later date for the Second Court Hearing) will be announced through ASX and notified on Colorpak's website at www.colorpak.com.au/asx-announcements.

All references to time in this Scheme Booklet are references to AEST, unless otherwise stated. Any obligation to do an act by a specified time in an Australian time zone must be done at the corresponding time in any other jurisdiction.

## LETTER FROM THE CHAIRMAN OF COLORPAK

1 March 2016

Dear fellow Colorpak Limited Shareholder

On 12 January 2016, Colorpak announced that it had entered into a Scheme Implementation Deed with GPI under which GPI, through a wholly-owned subsidiary, will acquire all Colorpak Shares by way of a scheme of arrangement, subject to Colorpak Shareholder approval and other conditions precedent.

If the Scheme is approved and implemented, Colorpak Shareholders will receive total cash payments of \$0.68 per Colorpak Share, which is currently expected to comprise:

- a fully franked Interim Dividend of \$0.0125 per Colorpak Share in respect of the half year ending 31 December 2015; and
- a fully franked Special Dividend of up to \$0.0975 per Colorpak Share to be determined by the Colorpak Board; and
- cash per Colorpak Share equal to \$0.68 less the dividends determined above, currently expected to be \$0.57.

Your Directors consider that the proposal is compelling for Colorpak Shareholders and recognises the inherent value of the business.

GPI regards the proposed acquisition of Colorpak as an important step in expanding its integrated supply chain in Australia and New Zealand.

Your Directors unanimously recommend that you vote in favour of the Scheme and intend to vote the Colorpak Shares they hold or control in favour of the Scheme, in the absence of a Superior Proposal.

Your Directors' reasons for this are set out in section 1.1 and include:

- the proposed cash payments under the Scheme of \$0.68 per Colorpak Share represent a premium of:
  - 25.9% to the closing share price on 11 January 2016;
  - 26.9% to the 30 day volume weighted average price to the market close on 11 January 2016; and
  - 31.5% to the 90 day volume weighted average price to the market close on 11 January 2016;
- the Independent Expert (BDO) has concluded that the Scheme is fair and reasonable and in the best interests of Colorpak Shareholders, in the absence of a Superior Proposal;
- · Colorpak Shareholders may receive value of up to \$0.727 per Colorpak Share depending on each shareholders' ability to utilise up to \$0.047 per share of franking credits expected to be attached to the proposed dividends;
- the proposed consideration represents an attractive premium to Colorpak's recent trading prices on the ASX and compares favourably to precedent transactions;
- the cash offer provides an opportunity to achieve certainty of value for your Colorpak Shares instead of being subject to a relatively illiquid market in Colorpak Shares on the ASX;
- · the Scheme is likely to deliver higher value and greater certainty to Colorpak Shareholders than other strategic alternatives available to Colorpak as a stand alone entity;
- key Colorpak Shareholders (including the top five shareholders) representing 63% of total issued shares have already indicated that they intend to vote for the Scheme in the absence of a superior proposal being announced. This includes Colorpak's founding Commins family and other key shareholders as set out in section 1.1;
- · GPI is a natural owner of Colorpak as Colorpak has partnered with GPI for over a decade in providing beverage packaging solutions to customers in Australia and New Zealand;
- · Colorpak's share price is likely to fall below the offer price if the Scheme does not proceed; and
- no Superior Proposal has emerged or is considered likely to emerge.

Your vote is important and I encourage you to vote by attending the Scheme Meeting, completing the Proxy Form accompanying the Scheme Booklet or lodging electronic proxies online by accessing the investor voting system at www.linkmarketservices.com.au (for which shareholders will need their Security Reference Number or Holder Identification Number). The Scheme Meeting is to be held at 10.00am (AEST) on Thursday, 7 April 2016 at Level 42, 101 Collins Street, Melbourne VIC 3000.

This Scheme Booklet sets out important information regarding the Scheme, including the reasons for your Directors' recommendation and the Independent Expert's Report. It also sets out some of the reasons why you may wish to vote against the Scheme. The Scheme is also subject to a number of conditions which are summarised in section 8.3(b) of this Scheme Booklet.

Please read this document carefully as it will assist you in making an informed decision on how to vote. I would also encourage you to seek independent financial and taxation advice before making any investment decision in relation to your Colorpak Shares.

If you require any further information, please call the Shareholder Information Line on 1800 622 202.

Yours sincerely

Geoff Willis AM Chairman, Colorpak Limited

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## 1. KEY CONSIDERATIONS RELEVANT TO YOUR VOTE

#### 1.1 Why you should vote in favour of the Scheme

The Scheme has a number of advantages and disadvantages which may affect Colorpak Shareholders in different ways depending on their individual circumstances. Colorpak Shareholders should seek professional advice on their particular circumstances, as appropriate.

Section 1.1 provides a summary of some of the reasons why the Colorpak Board considers that Colorpak Shareholders should vote in favour of the Scheme. This section should be read in conjunction with section 1.2, which sets out reasons why Colorpak Shareholders may wish to vote against the Scheme. You should read this Scheme Booklet in full, including the Independent Expert's Report, before deciding how to vote at the Scheme Meeting. While the Colorpak Directors acknowledge that some Colorpak Shareholders may have reasons to vote against the Scheme, they believe the advantages of the Scheme significantly outweigh the disadvantages.



Your Directors unanimously recommend that you should vote in favour of the Scheme at the 7 April 2016 Scheme Meeting, in the absence of a Superior Proposal

In reaching their recommendation, your Directors have assessed the Scheme having regard to the reasons to vote in favour of, or against, the Scheme, as set out in this Scheme Booklet.

In the absence of a Superior Proposal, each of your Directors intends to vote all Colorpak Shares held or controlled by them in favour of the Scheme. The interests of Colorpak Directors are set out in section 8.1.



The Independent Expert has concluded that the Scheme is fair and reasonable and, therefore, is in your best interests

Your Directors appointed BDO to prepare an Independent Expert's Report, including an opinion as to whether the Scheme is in the best interests of Colorpak Shareholders.

BDO has concluded that the Scheme is fair and reasonable, and therefore that the Scheme is in the best interests of Colorpak Shareholders, in the absence of a Superior Proposal.

The basis for this conclusion is that the \$0.68 cash payments per Colorpak Share payable in relation to the Scheme, including the Interim Dividend and Special Dividend (if any), is above the valuation range (as concluded by the Independent Expert) of \$0.64 to \$0.74 per Colorpak Share.

A complete copy of the Independent Expert's Report is included as Annexure A of this Scheme Booklet and your Directors encourage you to read this report in full.



You may receive value of up to \$0.727 per Colorpak Share depending on your ability to utilise the \$0.047 of franking credits expected to be attached to the proposed dividends

If the Scheme is approved and implemented, Colorpak Shareholders who are shareholders on the Dividends Record Date and Scheme Record Date will receive total cash payments of \$0.68 per Colorpak Share, which is currently expected to comprise:

- an Interim Dividend of \$0.0125 per Colorpak Share in respect of the half year ending 31 December 2015; and
- a Special Dividend of up to \$0.0975 per Colorpak Share to be determined by the Colorpak Board; and
- cash per Colorpak Share equal to \$0.68 less the dividends determined above, currently expected to be \$0.57.

Both dividends are expected to be fully franked allowing Colorpak Shareholders to capture up to \$0.047 per share value of franking credits depending on their ability to utilise the franking credits.

Shareholders able to fully utilise the franking credits will receive \$0.727 per Colorpak Share value through the Scheme.

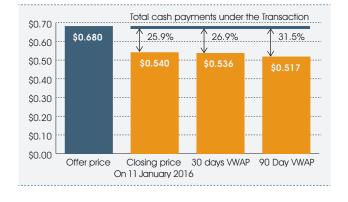
Shareholders will receive the Interim Dividend regardless of whether the Scheme is implemented. However, Shareholders will not receive the Special Dividend if the requisite shareholder and Court approvals for the Scheme are not obtained.



The \$0.68 cash payments per Colorpak Share represent an attractive premium to Colorpak's share price prior to the announcement of the Scheme

The proposed cash payments under the Scheme of \$0.68 per Colorpak Share represent a premium of:

- 25.9% to the closing share price on 11 January 2016;
- 26.9% to the 30 day volume weighted average price to the market close on 11 January 2016; and
- 31.5% to the 90 day volume weighted average price to the market close on 11 January 2016.



## Key Colorpak Shareholders are supportive of the

Colorpak Shareholders that hold 55.6m shares (representing 63.0% of the total issued shares) have already confirmed to Colorpak that they intend to vote in favour of the Scheme, subject to no superior proposal being announced.

These include Colorpak's top five shareholders being:

- · Colorpak's founding Commins family 32% (whose interests are held by Carton Services Pty Ltd for 24.9% and Blue Drive Pty Ltd for 7.1%);
- Bennamon Pty Ltd 14.9%;
- · Investors Mutual Limited 8.2%; and
- Argo Investments Ltd 6%.

Another top 10 shareholder in GT Lingard Holdings Pty Ltd (2.0%) has also confirmed its support on the same basis.

These shareholders have consented to the inclusion of this statement in respect of the shares they respectively hold. Carton Services Pty Ltd and Blue Drive Pty Ltd are not associates for the purposes of Chapter 6 of the Corporations Act. Alex Commins has a relevant interest in the shares held by Blue Drive Pty Ltd (see section 8.1 for the shares in which the Directors have a relevant interest).



#### ✓ GPI is a natural owner of Colorpak

Your Directors believe that GPI is an excellent strategic fit with Colorpak and therefore a natural owner of the business.

As a global packaging company with existing operations in Australia and New Zealand, GPI has a range of potential benefits it can derive from acquiring Colorpak that Colorpak cannot access as a stand-alone entity.

Further, GPI knows Colorpak well having worked together for over a decade, including having regular contact with Colorpak on customer and supply related matters. GPI currently represents approximately 15% of Colorpak's revenue and 22% of board purchases annually. Although these customer and supply relationships have been in place for many years they are not documented under formal contracts.



#### The Transaction delivers certainty of cash proceeds instead of Colorpak Shareholders being subject to a relatively illiquid market on ASX

The cash consideration enables Colorpak Shareholders to achieve certainty of value for their Colorpak Shares and not be subject to the relative illiquidity of trade in Colorpak Shares on the ASX. For example, in the year prior to announcement of the Scheme, Colorpak Shares did not trade at all on 68 trading days and less than \$20,000 of shares were traded on 190 trading

Further, there are no longer any equity analysts writing regular research on Colorpak which also limits the interest in trading of Colorpak Shares.

If the Scheme is not implemented, Colorpak Shares will continue to remain listed on the ASX and be subject to the volatility, general stock market conditions and demand and supply of Colorpak Shares.

#### Colorpak's share price is likely to fall if the Scheme is not implemented

If the Scheme is not implemented and no Superior Proposal emerges, your Directors consider it likely that the market price of Colorpak Shares will fall below current trading levels and the level of the \$0.68 cash payments per Colorpak Share.

Your Directors believe GPI's willingness to offer a premium to the price at which Colorpak Shares traded on the ASX before the announcement of entry into the Scheme Implementation Deed by Colorpak and GPI is driven, at least in part, by potential synergy benefits GPI may capture as a result of acquiring Colorpak.

#### If the Scheme is not implemented the Directors therefore believe the share price will fall.

Your Directors also believe Colorpak is unlikely to trade near the \$0.68 of cash payments per Colorpak Share which Colorpak Shareholders will have access to pursuant to the Scheme on the basis of reported financial performance in its current outlook. The decline in Colorpak's share price from a calendar year 2015 high of \$0.69 in January 2015 to a calendar year 2015 low of \$0.39 in June 2015 and then trading range of approximately \$0.43 to \$0.55 between 1 July 2015 and immediately prior to the announcement of entry into the Scheme Implementation Deed by Colorpak and GPI coincided with the announcement of underlying financial results for the financial year ending 30 June 2015 that were below the previous periods.





Your Directors believe that the Scheme is likely to deliver higher value and greater certainty to Colorpak Shareholders than other strategic alternatives available to Colorpak as a stand-alone entity

Your Directors remain positive about the outlook for Colorpak, as an independent ASX-listed company, including the capacity to deliver initiatives to deliver growth for Colorpak Shareholders into the future. The folding carton industry in Australia and New Zealand is, however, highly competitive and your Director's believe Colorpak will be better placed to compete in this market as part of GPI than it will be if it remains a stand-alone business.

If the Scheme does not proceed, Colorpak and its Shareholders will continue to be exposed to these industry pressures and risks, many of which are outside Colorpak's control as well as other specific risks inherent in Colorpak's business, including those summarised in more detail in section 5.6.

The Scheme removes these risks and uncertainties for Colorpak Shareholders and allows Colorpak Shareholders to fully realise their investment in Colorpak at a price that your Directors consider is attractive. If the Scheme is approved and implemented, these risks and uncertainties will be assumed by GPI, as the sole shareholder of Colorpak following implementation of the Scheme.

#### Since the announcement of the Scheme, no Superior Proposal has emerged

Since the announcement of Colorpak's entry into the Scheme Implementation Deed with GPI and up to the date of this Scheme Booklet, no Superior Proposal has emerged.

Although Colorpak held preliminary discussions with another interested party for the potential acquisition of Colorpak prior to engaging with GPI, since the announcement of entry into the Scheme Implementation Deed, your Directors have not become aware of any Superior Proposal and have no basis for believing that a Superior Proposal will be received.



#### No brokerage costs on the disposal of your Colorpak Shares under the Scheme

Colorpak Shareholders will not be required to pay any brokerage costs on the disposal of their Colorpak Shares under the Scheme.

#### 1.2 Why you may wish to vote against the Scheme

Although the Scheme is recommended by your Directors and the Independent Expert has concluded that the Scheme is in the best interests of Colorpak Shareholders (in each case in the absence of a Superior Proposal), factors which may lead you to consider voting against the Scheme include the following:

You may disagree with the Colorpak Directors' recommendation and/or the Independent Expert's conclusion

Despite the view of your Directors and the Independent Expert, you may believe that the Scheme is not in the best interests of Colorpak Shareholders or not in your individual interest. You are not obliged to accept the Directors' recommendation or the views of the Independent Expert.

You may prefer to participate in the future financial performance of the Colorpak business

If the Scheme is implemented, you will cease to be a Colorpak Shareholder. This will mean that you will not participate in the future financial performance of Colorpak or in the future prospects of its ongoing business. However, as with all investments in securities, there can be no guarantee as to Colorpak's future performance.

#### You may consider that there is potential for a Superior Proposal to emerge

It is possible that, if Colorpak were to continue as an independent entity, a corporate control proposal for Colorpak may materialise in the future, such as a takeover bid with a higher value than the total cash payments of \$0.68 per Colorpak Share that Colorpak Shareholders can access if the Scheme is implemented. However, as at the date of this Scheme Booklet, your Directors have not received or become aware of any Superior Proposal and have no basis for believing that a Superior Proposal will be received. The Colorpak Directors believe that the possibility of a Superior Proposal emerging is low as substantial time has passed since the announcement of Colorpak's entry into the Scheme Implementation Deed with GPI, and up to the date of this Scheme Booklet, no Superior Proposal has been received.

#### The tax consequences of the Scheme for you may not suit your financial position

Implementation of the Scheme may trigger taxation consequences for Colorpak Shareholders. A general guide to the taxation implications of the Scheme is set out in section 7. This guide is expressed in general terms only and Colorpak Shareholders should seek professional taxation advice regarding the tax consequences applicable to their own circumstances.

#### 1.3 Additional Considerations

#### Colorpak Shareholders may sell their shares on the ASX at any time prior to suspension of Colorpak Shares from trading

Colorpak Shareholders may sell their shares on the ASX at any time prior to the close of trading on the Effective Date (expected to be Tuesday, 12 April 2016) if they do not wish to hold them and participate in the Transaction (noting normal brokerage expenses would be incurred on the sale).

#### The Transaction may be implemented even if you do not vote at the Scheme Meeting or vote against the Scheme

If the resolution to approve the Scheme is approved by the requisite majorities of Colorpak Shareholders then, subject to the other conditions precedent being satisfied or waived (as applicable), the Scheme will be implemented and binding on all Colorpak Shareholders, including those who did not vote or voted against the resolution at the Scheme Meeting.

## 2. FREQUENTLY ASKED QUESTIONS

Question	Answer	More Information
What is the Scheme?	The Scheme is a scheme of arrangement between Colorpak and Colorpak Shareholders as at the Scheme Record Date. The Scheme will give effect to the acquisition of Colorpak by GPI through its whollyowned subsidiary GPI Australia.	Section 4 contains an overview of the Scheme and a copy of the Scheme is contained in Annexure B.
	A scheme of arrangement is a statutory procedure that is commonly used to enable one company to acquire another company.	
	If the Scheme is approved and implemented, Colorpak Shareholders on the Register:	
	• at the Scheme Record Date, will receive a cash payment of \$0.68 less the Interim Dividend and Special Dividend, currently expected to be \$0.57 per Colorpak Share, on the Implementation Date; and	
	<ul> <li>at the Dividends Record Date, will receive an Interim Dividend of \$0.0125 per Colorpak Share and a Special Dividend of up to \$0.0975 per Colorpak Share, both of which are expected to be fully franked, on the Dividends Payment Date.</li> </ul>	
What do the Colorpak Directors recommend	Your Directors unanimously recommend that all Colorpak Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal.	of some of the reasons why the
and how do they intend to vote?	Each Colorpak Director who holds or controls Colorpak Shares intends to vote all Colorpak Shares held or controlled by them in favour of the Scheme, in the absence of a Superior Proposal.	Colorpak Board considers that Colorpak Shareholders should vote in favour of the Scheme.
What is the opinion of the Independent Expert?	The Independent Expert has concluded that the Scheme is fair and reasonable and, therefore, is in the best interests of Colorpak Shareholders, in the absence of a Superior Proposal.	A copy of the Independent Expert's Report is contained in Annexure A.
Who is GPI?	Section 6 contains further details about GPI and related group companies.	Section 6 contains further details about GPI and related group companies.
Will I receive any	Colorpak proposes to pay the:	N/A
further dividends from Colorpak?	<ul> <li>Interim Dividend for the half-year ended 31 December 2015 of an amount of \$0.0125; and</li> </ul>	
	Special Dividend of an amount of \$0.0975,	
	per Colorpak Share, both of which are expected to be fully franked, on the Dividends Payment Date. $ \\$	
	In order for a Colorpak Shareholder to receive the benefit of franking credits in respect of the Interim Dividend and Special Dividend, certain requirements will need to be satisfied as set out in section 7. These include requiring Colorpak Shareholders to be on the Register no later than 7 March 2016 and remain on the register until the Dividends Payment Date in order to be entitled to a tax offset for the franking credits in respect of the dividends.	
	In addition, in order to determine a Special Dividend, Colorpak requires a waiver from National Australia Bank Limited. The Colorpak Board expects that National Australia Bank Limited will provide the waiver required for the purposes of the Special Dividend. If the Special Dividend is less than \$0.0975 or not determined, the franking credits available to Colorpak Shareholders in respect of the Special Dividend are also likely to be reduced.	
	Except for the Interim Dividend and Special Dividend, no further dividends will be paid if the Scheme is implemented.	

Question	Answer	More Information
Am I entitled to vote at the Scheme Meeting?	Each Colorpak Shareholder who is registered on the Register at 7.00pm (AEST) on Tuesday, 5 April 2016 is entitled to attend and vote at the Scheme Meeting.	The Notice of Meeting contained in Annexure D sets out further details on your entitlement to vote.
How do I vote if I am not able to attend the Scheme Meeting?	If you would like to vote but cannot attend the Scheme Meeting in person, you can vote by appointing a proxy or attorney to attend and vote on your behalf. You can also lodge electronic proxies online by accessing the investor voting system at www.linkmarketservices.com.au (for which shareholders will need their Security Reference Number or Holder Identification Number).	The Notice of Meeting contained in Annexure D sets out further details on how to vote at the Scheme Meeting.
When will the result of the Scheme Meeting be known?	The result of the Scheme Meeting will be available shortly after the conclusion of the meeting and will be announced to ASX once available. Even if the Scheme Resolution is passed by the Scheme Meeting, the Scheme is subject to approval of the Court.	N/A
What happens to my Colorpak Shares if I do not vote, or if I vote against the Scheme, and the Scheme becomes Effective?	If you do not vote, or vote against the Scheme, and the Scheme becomes Effective, any Colorpak Shares held by you on the Scheme Record Date (currently expected to be Friday, 22 April 2016) will be transferred to GPI and you will receive the Scheme Consideration, notwithstanding that you may not have voted or voted against the Scheme.	N/A
When will I be paid?	Payment of the Scheme Consideration is expected to be made on or about Friday, 29 April 2016.  Payment of the Interior Dividend and Special Dividend are both	Section 4.1 sets out further details on the Scheme Consideration.
	Payment of the Interim Dividend and Special Dividend are both expected to be made on Thursday, 21 April 2016.	
How will I be paid?	All payments will be made by direct deposit into your nominated bank account, as advised to the Colorpak Registry as at the Scheme Record Date.	Section 4.1 sets out further details on the Scheme Consideration.
	If you have not nominated a bank account, payment will be by Australian dollar cheque sent to you by post to your registered address as shown on the Register.	
What happens if the Scheme does not proceed?	If the Scheme is not approved at the Scheme Meeting, or another condition to the Scheme is not satisfied or waived (where capable of waiver), then the Scheme will not be implemented.	Section 4.3 sets out further details on what happens if the Scheme does not proceed.
	If the Scheme is not implemented, Scheme Shareholders will not receive the Scheme Consideration but will retain their Colorpak Shares. In these circumstances, Colorpak will, in the absence of another proposal, continue to operate as a stand-alone company listed on ASX.	
	Colorpak Shareholders will receive the Interim Dividend regardless of whether the Scheme is implemented.	
What do I do if I oppose	If you, as a Colorpak Shareholder, oppose the Scheme, you should:	N/A
the Scheme?	<ul> <li>call the Shareholder Information Line on 1800 622 202 and obtain further information;</li> </ul>	
	<ul> <li>attend the Scheme Meeting either in person or by proxy and vote against the Scheme Resolution; and/or</li> </ul>	
	<ul> <li>if Colorpak Shareholders pass the Scheme Resolution at the Scheme Meeting and you wish to appear and be heard at the Second Court Hearing to oppose the approval of the Scheme, lodge a notice of intention to appear at the Second Court Hearing, attend the hearing and indicate your opposition to the Scheme.</li> </ul>	
Where can I get further information?	For further information, you can call the Shareholder Information Line on 1800 622 202.	N/A

## 3. HOW TO VOTE

#### 3.1 Your vote is important

For the Scheme to proceed, it is necessary that sufficient Colorpak Shareholders vote in favour of the Scheme.

If you are registered as a Colorpak Shareholder at 7.00pm (AEST) on Tuesday, 5 April 2016, you will be entitled to vote on the Scheme.

#### 3.2 Notice of Meeting

The Scheme will be voted on by Colorpak Shareholders at a meeting to be held at Level 42, 101 Collins Street, Melbourne VIC 3000 on Thursday, 7 April 2016, commencing at 10.00am (AEST).

The Notice of Meeting is contained in Annexure D to this Scheme Booklet.

#### 3.3 Procedure

You may vote on the Scheme by attending the Scheme Meeting in person, by proxy, by attorney or, in the case of a corporation which is a Colorpak Shareholder, by corporate representative.

Information on how to vote using each of these methods is contained in the Notice of Meeting attached as Annexure D to this Scheme Booklet.

If you are in favour of the Scheme, you should vote in favour of

The Scheme will not proceed unless the Scheme is approved by Colorpak Shareholders.

#### 3.4 Voting entitlement

Each Colorpak Shareholder who is registered on the Register at 7.00pm (AEST) on Tuesday, 5 April 2016 is entitled to attend and vote at the Scheme Meeting, in person, by proxy, by attorney or, in the case of a corporation which is a Colorpak Shareholder, by its representative appointed in accordance with the Corporations Act.

Information on entitlements to vote, including if you are a joint holder of Colorpak Shares, is contained in the Notice of Meeting which is attached as Annexure D to this Scheme Booklet.

## 4. OVERVIEW OF THE SCHEME

#### 4.1 Scheme Consideration and dividends

If the Scheme is approved and implemented, Colorpak Shareholders will receive total cash payments of \$0.68 per Colorpak Share, currently expected to comprise:

- \$0.0125 fully franked Interim Dividend in cash for every Colorpak Share held as at the Dividends Record Date;
- up to \$0.0975 fully franked Special Dividend in cash for every Colorpak Share held as at the Dividends Record Date; and
- cash per Colorpak Share equal to \$0.68 less the dividends determined above, currently expected to be \$0.57, for every Colorpak Share held as at the Scheme Record Date.

Payments will be made by direct deposit into your nominated bank account, as advised to the Colorpak Registry as at the Scheme Record Date and Dividends Record Date as applicable. If you have not nominated a bank account, payment will be by Australian dollar cheque.

Payment of the Scheme Consideration will be made on the Implementation Date, currently expected to be Friday, 29 April 2016.

Payment of the Interim Dividend and Special Dividend will be made on the Dividends Payment Date, currently expected to be Thursday, 21 April 2016.

If a Colorpak Shareholder does not have a registered address, or Colorpak considers the shareholder is not known at its registered address and no bank account has been nominated, payments due to the Colorpak Shareholder will be held by Colorpak until claimed or applied under the relevant laws dealing with unclaimed money.

If the requisite majorities (as outlined below in section 4.2(a)) do not approve the Scheme Resolution, Colorpak Shareholders will nevertheless receive the Interim Dividend if they are on the Share Register at the Dividends Record Date.

#### 4.2 Key steps in the Scheme

#### (a) Scheme approval requirements

The Scheme will only become Effective and be implemented if it is:

- agreed to by the requisite majorities of Colorpak Shareholders at the Scheme Meeting to be held on Thursday, 7 April 2016; and
- approved by the Court at the Second Court Hearing.

Agreement by Colorpak Shareholders requires the Scheme Resolution to be agreed by:

- a majority in number (more than 50%) of Colorpak Shareholders present and entitled to vote at the Scheme Meeting (either in person or by proxy); and
- at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting by Colorpak Shareholders present and entitled to vote at the Scheme Meeting (either in person or by proxy).

The Court has the power to waive the first requirement. In the event that:

- the Scheme is agreed to by the requisite majorities of Colorpak Shareholders at the Scheme Meeting; and
- all other conditions (except Court approval of the Scheme) have been satisfied or waived (where capable of waiver),

then Colorpak will apply to the Court for orders approving the

Each Colorpak Shareholder has the right to appear at the Second Court Hearing.

#### (b) Effective Date

If the Court approves the Scheme and all other conditions have been satisfied or waived, where capable of waiver, the Scheme will become Effective on the date when a copy of the Court order approving the Scheme is lodged with ASIC. Colorpak will, on the Scheme becoming Effective, give notice of that event to ASX.

Colorpak intends to apply to ASX for Colorpak Shares to be suspended from official quotation on ASX from close of trading on the date the Scheme becomes Effective.

#### (c) Scheme Record Date

Colorpak Shareholders on the Register on the Scheme Record Date (currently expected to be 7.00pm (AEST) on Friday, 22 April 2016) will be entitled to receive the Scheme Consideration in respect of the Colorpak Shares they hold as at the Scheme Record Date.

- (1) Dealings on or prior to the Scheme Record Date For the purpose of determining which Colorpak Shareholders are eligible to participate in the Scheme, dealings in Colorpak Shares will be recognised only if:
  - in the case of dealings of the type to be effected using CHESS, the transferee is registered on the Register as the holder of the relevant Colorpak Shares as at 7.00pm on the Scheme Record Date (currently expected to be on Friday, 22 April 2016); and
  - in all other cases, registrable transmission applications or transfers in respect of those dealings are received by the Colorpak Registry on or before the Scheme Record Date (and no subsequent transmission application or transfer indicating disposal of the relevant Colorpak Shares is received by the Colorpak Registry prior to the Scheme Record Date).

For the purposes of determining entitlements under the Scheme, Colorpak will not accept for registration or recognise any transfer or transmission applications in respect of Colorpak Shares received after the Scheme Record Date.

(2) Dealings after the Scheme Record Date

For the purpose of determining entitlements to the Scheme Consideration, Colorpak must maintain the Register in its form as at the Scheme Record Date (currently expected to be Friday, 22 April 2016) until the Scheme Consideration has been paid to the Scheme Shareholders. The Register in this form will solely determine entitlements to the Scheme Consideration.

After the Scheme Record Date:

- all statements of holding for Colorpak Shares will cease to have effect as documents relating to title in respect of such Colorpak Shares; and
- each entry on the Register will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of the Colorpak Shares relating to that entry.

#### (d) Dividends Record Date and Dividends Payment Date

If the requisite majorities (as outlined above in section 4.2(a)) approve the Scheme Resolution, Colorpak will announce the record date to determine those Colorpak Shareholders who are eligible to receive the Interim Dividend and Special Dividend. The Dividends Record Date is currently expected to be 7.00pm (AEST) on Thursday, 14 April 2016.

On the Dividends Payment Date, which is currently expected to be Thursday, 21 April 2016, Colorpak will pay the Interim Dividend and Special Dividend to Colorpak Shareholders that are shareholders on the Dividends Record Date.

Colorpak intends to use cash generated from operations up to the Dividends Payment Date, together with its existing facilities with National Australia Bank Limited, to fund the Interim Dividend and Special Dividend. National Australia Bank Limited has confirmed that it is supportive of the use by Colorpak of the capacity under the existing facility extended to Colorpak for the purposes of paying the Interim Dividend and Special Dividend. Colorpak will continue to work with National Australia Bank Limited in relation to any waivers that may be required.

Under the facility agreement entered into with National Australia Bank Limited, Colorpak would require a waiver from National Australia Bank Limited in order to determine a dividend that would (together with any other dividend declared in the previous 12 months) exceed 70% of the consolidated net profit after tax of the Colorpak Group in the 12 months prior to determination of the dividend. National Australia Bank Limited has not yet provided the waiver required for the Board to determine a Special Dividend of \$0.0975 per Colorpak Share. Colorpak cannot declare a Special Dividend unless National Australia Bank Limited agrees to waive this restriction under the facility agreement. This restriction does not prevent the payment of the Interim

In the event that National Australia Bank Limited does not provide necessary waivers, the Board can determine the Special Dividend to be less than \$0.0975 or not declare a Special Dividend, in which case the Scheme Consideration provides for an adjustment to increase the cash paid by GPI under the Scheme by the amount of the reduction in the Special Dividend. If the Special Dividend is less than \$0.0975, the franking credits available to Shareholders in respect of the Special Dividend are also likely to be reduced. The Colorpak Board expects that National Australia Bank Limited will provide the waivers required to use the existing facility for the purposes of the Special Dividend.

Colorpak's Board intends to vary the terms of the Colorpak Dividend Reinvestment Plan so that it does not apply in respect of the Interim Dividend or Special Dividend. Those Colorpak Shareholders entitled to be paid the Interim Dividend or Special Dividend that have previously elected to participate in the Colorpak Dividend Reinvestment Plan will receive cash payment in respect of these dividends.

#### (e) Implementation Date

By the Business Day before the Implementation Date, GPI must pay into a trust account nominated by Colorpak the aggregate Scheme Consideration payable to Scheme Shareholders.

On the Implementation Date, which is currently expected to be Friday, 29 April 2016, Colorpak will pay the Scheme Consideration received from GPI to Scheme Shareholders.

Immediately after the Scheme Consideration is sent to Scheme Shareholders, the Scheme Shares will be transferred to GPI without Scheme Shareholders needing to take any further action.

#### (f) Deed Poll

GPI and GPI Australia have executed the Deed Poll pursuant to which GPI Australia has undertaken in favour of each Scheme Shareholder to provide each Scheme Shareholder with the Scheme Consideration to which they are entitled under the Scheme, subject to the Scheme becoming Effective. GPI has guaranteed GPI Australia's performance of its obligations under the Deed Poll.

A copy of the Deed Poll is contained in Annexure C.

#### 4.3 If the Scheme does not become Effective

If the Scheme does not proceed, Colorpak Shareholders will continue to hold their Colorpak Shares.

In the absence of any Superior Proposal to the Scheme, Colorpak will continue as a stand-alone entity. Colorpak Shareholders will be exposed to the risks relating to Colorpak's business, as set out in section 5.6, which are existing risks that Colorpak Shareholders are currently exposed to.

In the absence of a similar or Superior Proposal to the Scheme, it is likely that the price at which Colorpak Shares trade will fall.

Depending on the reasons why the Scheme does not proceed, Colorpak may be liable to pay the Colorpak Break Fee.

Information on the Colorpak Break Fee is set out in section 8.3(d).

Prior to the Scheme Meeting, transaction costs will have been incurred, or will be committed, by Colorpak in relation to the Scheme. Those transaction costs have either already been paid, or will be payable by Colorpak regardless of whether or not the Scheme is implemented. If the Scheme does proceed, additional costs will be incurred.

If the Scheme does not proceed, Colorpak Shareholders will receive the Interim Dividend regardless of whether the Scheme is implemented.

Colorpak has incurred costs in respect of the Scheme prior to the date of this Scheme Booklet, including in relation to due diligence and the conduct of negotiations with GPI and in preparation of this Scheme Booklet. If the Scheme does not proceed, Colorpak will have incurred these costs without Colorpak Shareholders receiving the benefit of the cash payments associated with the Scheme.

In order to present the Scheme to Colorpak's Shareholders, Colorpak has experienced disruption to its business whilst facilitating the due diligence required by, and during negotiations with, GPI. Colorpak's management team, with oversight by the Colorpak Board, has increased its workload to minimise the disruption to Colorpak caused by the Transaction. If the Scheme does not proceed, Colorpak will have experienced these disruptions without Colorpak Shareholders receiving the benefit of the cash payments associated with the Scheme.

#### 4.4 Warranties by Colorpak Shareholders

The Scheme provides that each Scheme Shareholder is taken to have warranted to Colorpak on the Implementation Date, and appointed and authorised Colorpak as its attorney and agent to warrant to GPI, that all their Colorpak Shares (including any rights and entitlements attaching to those shares) which are transferred under the Scheme will, at the date of transfer, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the Personal Property Securities Act 2009 (Cth)) and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind, and that they have full power and capacity to transfer their Colorpak Shares to GPI together with any rights and entitlements attaching to those shares.

#### 4.5 Delisting of Colorpak

On a date after the Implementation Date to be determined by GPI, Colorpak will apply:

- for termination of the official quotation of Colorpak Shares on the ASX: and
- to have itself removed from the official list of the ASX.

## 5. INFORMATION ABOUT COLORPAK

#### 5.1 Background

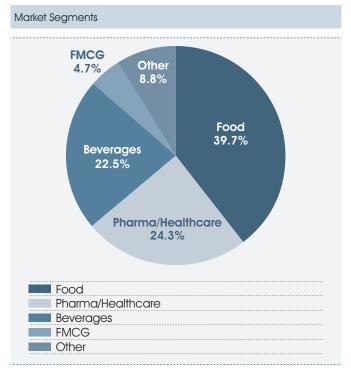
Colorpak is an ASX listed packaging company that produces a wide range of packaging products. It was listed on the  $\ensuremath{\mathsf{ASX}}$ in 2004 and has been the long term reputational leader of its sector. The Company's earliest activity can be traced back to 1922 where it began as a tiny enterprise constructing hand stitched boxes in the Melbourne suburb of South Yarra under the name of PT Huggins and Co.

Colorpak's modern history started in 1985 under the stewardship of Walter Commins where it grew its operations organically by being a high-end specialist, supporting its growth through strategic investments in the worlds' 'best of breed' technology. This was further augmented by targeted acquisitions of competitors to strengthen its market presence in its areas of core competency.

Currently, Colorpak has approximately 562 employees and operates from three sites located in Melbourne, Sydney and Auckland, New Zealand. Its head office is located at the Melbourne site in the suburb of Braeside.

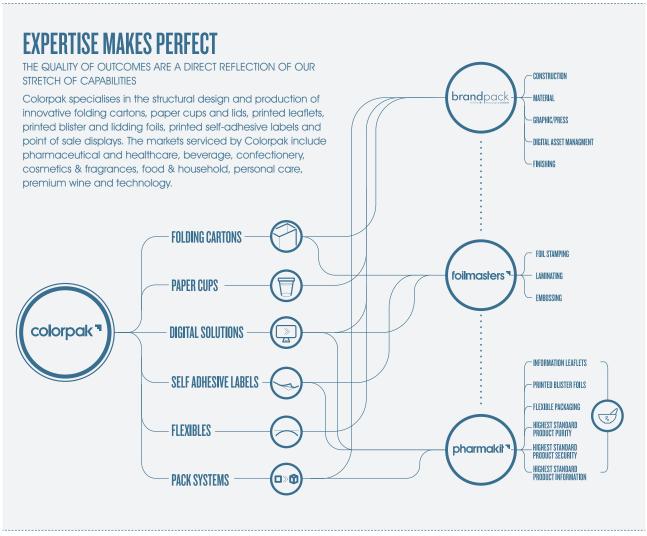
Colorpak's products cater for a diverse range of end-user markets, from high quality premium branded products (pharmaceutical, healthcare, cosmetics and fragrances, personal care, premium wine and technology) to fast moving consumer goods (beverage, confectioneries, food, and everyday consumer products).

Specifically, market segments by revenue for Colorpak for FY15 are represented in the chart below:



The Company provides the following specialist packaging products and services:

- · folding cartons;
- · self-adhesive labels & leaflets;
- foil and multi-laminate flexible printing;
- embellishments (foil stamping and embossing);
- structural and graphic design and in-house die making;
- digital printing on multiple substrates;
- waterless printing; and
- digital pre-press.



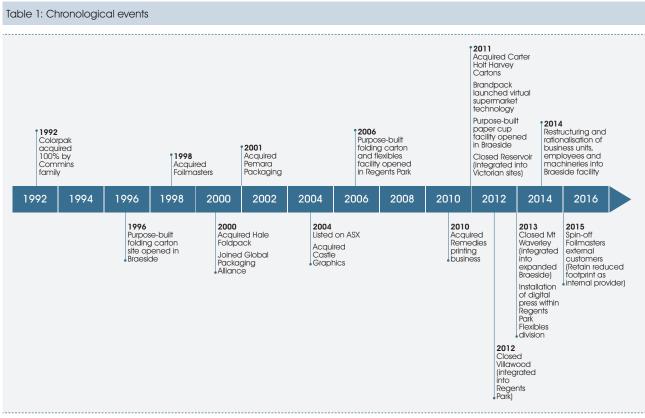
Source: Colorpak Annual Report, 2014

Colorpak's top twenty customers represent circa 55% of FY15 revenues. Its largest customer, which is GPI (or its subsidiary), represents circa 14.6% of FY15 revenues. The average length of its relationship with its top twenty customers is greater than ten years. Over many years of focussed growth both organically and acquisitively, Colorpak has the largest market position in folding carton production in the Australian pharmaceutical/healthcare sector. The Company has also been the local strategic partner of GPI, the global leader in beverage packaging solutions. Colorpak's revenue stream over many years of concentrated effort is best described as diversified, defensive, and extensive.

Colorpak is a solutions driven business. Early customer engagement with new and existing customers enables the business to provide the best outcome for their products, and enables the Colorpak management to best assess the investment direction to efficiently service those needs.

Colorpak was one of the founding members fifteen years ago of the Global Packaging Alliance (GPA), a group of likeminded folding carton specialists from around the globe who collaborate to provide seamless packaging solutions, benchmarks and standards to their common and or local customers. The GPA has member companies in Germany, USA, Australia (exclusively Colorpak), Brazil, India, Mexico, Russia, and South Africa.

Chronological events in the growth of Colorpak are illustrated below:



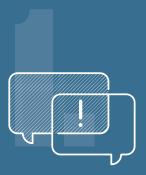
Source: Colorpak management

#### 5.2 Overview of operations

An overview of Colorpak's production process is illustrated below:

## FROM IMAGINATION TO REALITY

COLORPAK TAKES A TACTICAL APPROACH TO EVERY PACKAGING SOLUTION BRIEF, WITH OUR PROCESS CATERED TO BEST FIT EVERY CHALLENGE AT HAND.



# STAYING AHEAD -----

Colorpak collaborate with our customers early in the production process to determine the size, shape, colour, design, stocks and finishes – all key elements to great packaging.



## ONE-STOP-SHOP .....

With our head office located in Melbourne and purpose-built manufacturing facilities in Melbourne, Sydney and Auckland, Colorpak has the capacity to best service major accounts from both local and international



# .....

approval and project life cycle by utilising a virtual sample centre of our customers entire product range that's always up to date with the latest artwork. Web based project lead times are achieved.



## STATE OF THE .....

From offset printed cartons or tubs through to flexo foils or digital prints for short runs, customers needs, timeframe and budget.



## IMPECCABLE FINISH -----

finishes, embellishments and custom die-cuts with precision from the flat sheet. All managed by an experienced and friendly team of packaging professionals.



## DISTRIBUTION

Being a member of the Global Packaging Alliance, Colorpak provides local, regional, interstate and global packaging and distribution solutions that save our customers money and time.

#### 5.3 Colorpak Board and senior management

#### (a) Board

The Colorpak Board is comprised of the following members:

Name	Position
Geoff Willis	Chairman
Alex Commins	Managing Director
lan Wightwick	Non-Executive Director
David Heaney	Non-Executive Director
Neil Kearney	Non-Executive Director
Stephen Nicholls	Company Secretary

#### (b) Executive team

Key members of Colorpak's executive team, include:

Name	Position
Alex Commins	Managing Director
Sid Troiani	Chief Financial Officer
David Johnson	General Manager, Northern Region
Cate Cleary	National IR, HR and OH&S Manager
Peter Allison	General Manager, Brandpack
Garth Pickett	General Manager, New Zealand
Brad Rowe	Manufacturing Manager, Southern Region

#### 5.4 Colorpak Directors' intentions

The Corporations Regulations require a statement by the Colorpak Directors of their intentions regarding Colorpak's business. If the Scheme is implemented, the Colorpak Board is to be reconstituted. It is for the reconstituted Colorpak Board to determine its intentions as to:

- the continuation of the business of Colorpak;
- · any major changes, if any, to be made to the business of Colorpak; and
- the future employment of the present employees of Colorpak.

If the Scheme is implemented, GPI will have 100% ownership and control of Colorpak. The current intentions of GPI with respect to these matters are set out in section 6.6.

If the Scheme is not implemented, the Colorpak Directors intend to continue to operate in the ordinary course of the business.

#### 5.5 Material changes to Colorpak's financial position since 31 December 2015

Historical financial information relating to Colorpak is set out in sections 3.7.1 (statements of financial performance) and 3.7.3 (statement of financial position) of the Independent Expert's Report which forms Annexure A to this Scheme Booklet.

A copy of the Colorpak Half Year (1H16) Financial Report is also available free of charge on Colorpak's website at www.colorpak.com.au/asx-announcements and from the ASX website at www.asx.com.au or by contacting Colorpak on (03) 9586 4757.

#### Other than:

- · the accumulation of profits in the ordinary course of trading;
- as disclosed in this Scheme Booklet or as otherwise disclosed to ASX by Colorpak,

within the knowledge of the Colorpak Board, the financial position of Colorpak has not materially changed since 31 December 2015, being the date of the Colorpak Half Year (1H16) Financial Report.

Further information regarding Colorpak's financial performance is set out in the Independent Expert's Report which forms Annexure A to this Scheme Booklet

#### 5.6 Risks relating to Colorpak

The business activities of Colorpak are subject to risks and there are many factors which may impact the future performance of the Company. The Colorpak Board considers that it is appropriate for Colorpak Shareholders, in considering the Scheme, to be aware that there are a number of risk factors, general and specific, which could materially adversely affect the future operating and financial performance of Colorpak, the value of Colorpak Shares, and future dividends. These risks will only continue to be relevant to you if the Scheme does not proceed and you retain your existing investment in Colorpak.

These risks include, but are not limited to, the following:

#### (a) General risks

The market price of Colorpak Shares and future distributions made to Colorpak Shareholders are influenced by a number of factors in each of the countries and regions in which Colorpak operates, including:

- changes in investor sentiment and overall performance of the Australian and international stock markets;
- trading in Colorpak Shares may not be liquid and there is no guarantee in respect of profitability, dividends, return of capital, or the price at which they may trade on the ASX following the Scheme;
- general economic conditions (both domestically and internationally) and changes in general business, industry cycles (eg changes to alternate packaging materials, Australian businesses meeting their procurement needs from offshore suppliers and changes to supply chain lead times) and economic conditions including inflation, interest rates, exchange rates, commodity rates, employment levels and consumer demand;
- changes in government fiscal, monetary and regulatory policies, including foreign investment;
- government or political intervention in export and import markets (including sanction controls) and the disruptions this causes to supply and demand dynamics;
- natural disasters and catastrophes, whether on a global, regional or local scale; and
- accounting standards which affect the financial performance and position reported by Colorpak.

#### (b) Colorpak specific risks

Risks that are specific to Colorpak's operations include the following:

#### (1) Customer relationships

Colorpak's financial results could be affected by the loss of customers, or any change in the terms of business with customers. This risk is partly mitigated by the longevity of Colorpak's relationships with its customers and the fact that Colorpak's largest customer only accounted for approximately circa 14.6% of FY15 revenues.

In this context, it is important to note that GPI is currently Colorpak's largest customer. In addition, GPI is an important supplier to Colorpak. Although the relationship with GPI has been in place for many years, the contractual arrangements are not formally documented. Furthermore, Colorpak cannot guarantee whether GPI will remain a customer or supplier should the Scheme be unsuccessful.

Certain other customer relationships are governed by informal arrangements such as an order by order basis subject to standard terms. Even where there is a binding written contract, in some of these arrangements the customer may be under no obligation to continue to purchase consistent with previous order volumes or to purchase at set volumes from Colorpak. This may create uncertainty in respect of the future level of the overall volume of Colorpak's production.

Certain risks are also inherent with such customer arrangements, such as the failure to perform by either party, the possibility of performance of these contracts by Colorpak becoming uneconomical or the occurrence of force majeure events. Such developments in these arrangements may adversely affect Colorpak's ability to conduct its business, or to maintain its profitability.

#### (2) Customer behaviour and consumer preferences

Colorpak's customers may alter their sourcing behaviour, such that they may seek to insource their packaging needs by producing their packaging internally rather than contracting with Colorpak or they may seek offshore supply to achieve a better price or other terms of trade. In addition, Colorpak and its customers service end user markets in the consumer sector. Demand for Colorpak's products is impacted by unpredictable changes in consumer preferences, which can result in some of Colorpak's existing product range becoming obsolete or new products not meeting sales or margin expectations. Changes in product demand by end consumers (including those affected by seasonality, weather, tastes, trends and broader economic conditions) may also alter the demand for the products produced by Colorpak's customers.

#### (3) Competition risk

Increased competition could result in price reductions, reduced operating margins and loss of market share. Any of these occurrences could adversely affect Colorpak's operating and financial performance.

Competitors (including overseas manufacturers) may have different quality, price and operational structures to Colorpak or may price uneconomically, which could lead to a deterioration in Colorpak's sales and profitability.

Competitors may also develop products or services that compete with Colorpak, supersede or supplant products or services of Colorpak, or are more competitively priced than Colorpak's products or services.

Colorpak's competitive position may therefore deteriorate as a result of factors including actions by existing competitors, the entry of new competitors, a failure by Colorpak to continue to successfully position itself to meet changing market conditions, or customer demands and technology. Any deterioration in Colorpak's competitive position may result in a decline in sales revenue and margins, which may have a material adverse effect on Colorpak's future financial performance and position.

#### (4) Reliance on key personnel

Colorpak is reliant on the expertise, knowledge and specialist skills of certain key employees and contractors. Colorpak's growth and profitability may be limited if a significant number of its key personnel leave. Colorpak may also be adversely affected by the inability to attract and/or retain new suitably qualified personnel or by increased compensation costs associated with attracting and retaining key personnel.

#### (5) Raw material and other inputs

Colorpak relies on various procurement relationships for the supply of raw materials and other inputs. This includes the supply of paperboard, which is supplied by local producers and imports through local paper merchants. Risks associated with Colorpak's supply of raw materials and other inputs to its end products include, that the availability of such inputs may be inconsistent or result in shortages, the price of such inputs may be subject to fluctuations or increases over time, suppliers may preference other purchasers, or suppliers may not be willing or able to perform their obligations to Colorpak. Any of the above factors, individually or in combination, may have a material adverse effect on Colorpak's future financial performance and position.

#### (6) Employment costs

Colorpak currently has a number of individual workplace agreements, collective enterprise agreements and collective employment agreements in place covering its employees. The terms of such agreements may be renegotiated from time to time. In addition, Colorpak's ability to meet its labour needs while controlling costs associated with hiring and training new employees is subject to external factors such as unemployment rates, prevailing wage legislation and changing demographics. Changes that adversely impact Colorpak's labour costs could materially adversely affect Colorpak's future financial performance and position.

#### (7) Industrial relations

There is a risk that employees of the Colorpak Group or employees of the Colorpak Group's contractors could take industrial action, which could disrupt Colorpak's operation, or make compensation and working condition demands that would increase Colorpak's operating expenses. Sustained industrial action by employees could reduce Colorpak's sales revenue, increase costs or damage the Company's reputation.

#### (8) Product liability risks

Colorpak maintains an internal risk management process and also follows quality assurance procedures in relation to manufacturing and distribution of its products. However, these may not be sufficient or complied with in all circumstances. Product and other liability claims may be successfully made or asserted against Colorpak in respect of the products it supplies. In the event of an uninsured loss or a loss in excess of Colorpak's insured limits, Colorpak could suffer damage to its reputation and/or lose all or a portion of its production volume. Any material loss not covered by insurance could adversely affect Colorpak's business, financial condition and results of operations.

#### (9) Adverse incidents and key site factors

Colorpak operates three manufacturing sites in Victoria, New South Wales and New Zealand. Circumstances may arise which preclude manufacturing plants from operating, including a natural disaster, technology failure or industrial disruption.

Colorpak's operations involve the use of heavy machinery and hazardous materials, with resulting risk to both property and personnel. An incident may occur that results in serious injury or death, damage to property, contamination of the environment or other business interruption. Damage to property, plant and equipment may also occur from time to time caused by deliberate actions of third parties.

Colorpak also faces the risk of workplace injuries which may result in operational or industrial stoppages, workers' compensation claims or other claims under legislation or common law.

Where any such incidents occur, Colorpak's financial performance may be negatively impacted.

#### (10) Environmental

Environmental laws and regulations commonly provide that failure to comply, or the existence of an offending condition on a person's property regardless of the cause, may result in orders being made or proceedings being taken to rectify the breach, or to cease operations pending rectification or altogether (if rectification is not possible), and for penalties and costs. This may in time cause some of Colorpak's operations to cease or be restricted, or may require the carrying out of remedial work or the installation of additional equipment at cost. There may also be requirements that third parties, which suffer loss or damage by reason of any breach, be compensated or indemnified.

Further, if a breach of environmental laws or regulations is established, then the person in breach may also be exposed to criminal prosecution and penalty.

#### (11) Reputational damage

Colorpak's reputation could be adversely impacted by a number of factors including failure to provide customers with the quality of service or products they expect and adverse media coverage. A significant decline in Colorpak's reputation or the value associated with Colorpak's brands could have an adverse effect on Colorpak's future financial performance and position.

#### (12) Regulatory changes

Colorpak is required to comply with a range of laws and regulations. Regulatory areas which are of particular significance to Colorpak include employment, occupational health and safety, property and environmental, customs, international trade, competition and taxation. Changes or non-compliance with these laws and regulations may have a material adverse effect on Colorpak's costs, business model and competitive environment and therefore Colorpak's financial performance.

#### (13) Litigation and disputes

As with any company, Colorpak is exposed to the risks of claims and litigation (either as the complainant or as the defendant) which may have a material adverse effect on the financial position of Colorpak. An adverse outcome in litigation or the cost of initiating or responding to potential or actual claims of litigation may have a material adverse impact on financial performance.

#### (14) Financial markets

Colorpak may face risks relating to the cost and availability of funding, movements in interest rates and foreign currency exchange rates. There can be no assurance that any such equity or debt funding, if required, will be available to Colorpak on favourable terms or at all. If adequate funds are not available on acceptable terms, Colorpak may not be able to take advantage of opportunities, respond to competitive pressures, meet its debt finance obligations, or increase its profitability.

#### (15) Investment in equity capital

There are general risks associated with investments in equity capital. The trading price of Colorpak Shares may fluctuate with movements in equity markets in Australia and internationally. If the Scheme with GPI is unsuccessful, Colorpak Shares may experience a decline in price. No assurances are given around the price at which Colorpak Shares will trade. Generally, trading in Colorpak Shares has been relatively illiquid and if this continues the Colorpak share price may be volatile or result in Colorpak Shareholders not being able to sell their Colorpak Shares.

#### (16) Dividends

The payment of dividends on Colorpak Shares depends on a range of factors including the profitability of Colorpak, the availability of cash, capital requirements of the business and obligations under debt instruments. Any future dividend levels will be determined by the Colorpak Directors having regard to its operating results and financial position at the relevant time. There is no guarantee that existing levels of dividends paid will be maintained.

#### 5.7 Public information available for inspection

As a company listed on the ASX and a disclosing entity under the Corporations Act, Colorpak is subject to regular reporting and disclosure obligations. Broadly, these require Colorpak to announce price sensitive information as soon as it becomes aware of the information, subject to exceptions for certain confidential information. Colorpak's recent announcements are available from www.asx.com.au. Further announcements concerning developments at Colorpak will continue to be made available on this website after the date of this Scheme Booklet.

Colorpak is required to prepare and lodge with ASIC and ASX both annual and half-yearly financial statements accompanied by a statement and report from the Colorpak Directors and an audit or review report. Copies of these and other documents lodged with ASIC may be obtained from or inspected at an ASIC office and on the Colorpak website at www.colorpak.com.au/asx-announcements.

ASX maintains files containing publicly disclosed information about all companies listed on the ASX. Information disclosed to ASX by Colorpak is available on ASX's website at www.asx.com.au.

#### 5.8 Colorpak Shares

As at the date of this Scheme Booklet, Colorpak has on issue 88,202,525 Colorpak Shares.

## 6. INFORMATION ABOUT GPI

Information contained in this section 6 has been prepared by GPI. The information concerning GPI and members of the GPI Group and the intentions, views and opinions contained in this section 6 are the responsibility of GPI.

#### 6.1 Overview of GPI

Graphic Packaging Holding Company (Graphic Packaging) is a leading provider of packaging solutions headquartered in Atlanta, Georgia, United States. Graphic Packaging trades on the New York Stock Exchange (NYSE: GPK), with a market capitalisation as at 23 February 2016 of approximately US\$3,795 million (A\$5,291 million). GPI is a wholly-owned subsidiary of Graphic Packaging.

Graphic Packaging is a leading provider of paperboard packaging solutions to food, beverage and other consumer products companies. Graphic Packaging operates on a global basis and is one of the largest producers of folding cartons in the United States and holds leading market positions in coated unbleached kraft paperboard and coated-recycled paperboard.

Graphic Packaging's customers include many of the world's most widely recognised companies and brands with prominent market positions in beverage, food and other consumer products. Graphic Packaging strives to provide its customers with packaging solutions designed to deliver marketing and performance benefits at a competitive cost by capitalising on its low-cost paperboard mills and converting plants, its proprietary carton and packaging designs, and its commitment to quality and service.

Please see section 6.7 below for further details of the funding arrangements for the Scheme Consideration.

#### 6.2 Directors and management of GPI

#### (a) Board

The GPI Board is comprised of the following members:

Name	Position
David W. Scheible	Chairman
G. Andrea Botta	Director
David D. Campbell	Director
Paul D. Carrico	Director
Jeffrey H. Coors	Director
Michael P. Doss	Director
Harold R. Logan Jr.	Director
Robert A. Hagemann	Director
Philip R. Martens	Director
Lynn A. Wentworth	Director

#### (b) Executive team

Key members of GPI's executive team, includes:

Name	Position
Michael P. Doss	President & CEO
Carla J. Chaney	Senior VP, Human Resources
Deborah R. Frank	VP & Chief Accounting Officer
Alan R. Nichols	Senior VP, Mills Division
Stephen R. Scherger	Senior VP & CFO
Lauren S. Tashma	Senior VP, General Counsel & Secretary
Michael S. Ukropina	Senior VP, Consumer Packaging Division
Joseph P. Yost	Senior VP, Global Beverage & Europe

#### 6.3 Overview of GPI in Australia

The Australian business currently services a wide range of beverage customers. The business sells paperboard multi-packs to soft drink, beer, and the ready-to-drink (RTD) markets.

GPI Australia was incorporated on 20 November 1992, and has offices in both Victoria and New South Wales.

The entire issued share capital in GPI Australia is held by Graphic Packaging International Holding Company. Graphic Packaging International Holding Company is a subsidiary of GPI and, as mentioned above in section 6.1, GPI is a wholly-owned subsidiary of Graphic Packaging. The ultimate holding company of GPI Australia is Graphic Packaging.

#### 6.4 Directors and secretaries of GPI Australia

Name	Position
Lauren S. Tashma	Director and Secretary
Jeffrey Richard Smith	Director
Michael P. Doss	Director
Michael Philip Maughan	Secretary

#### 6.5 Rationale for proposed acquisition of Colorpak

Graphic Packaging is committed to growing its business in developed food and beverage end markets and optimising its global supply chain. While Graphic Packaging currently has a well-established presence in Australia, the acquisition of Colorpak and its three world class folding carton manufacturing facilities allows Graphic Packaging to expand its proven integrated supply chain in the Australian and New Zealand food, beverage and consumer product markets. This acquisition will broaden Graphic Packaging's customer base and offer current customers a wider range of products.

Graphic Packaging is attracted to strong, iconic brands and market leadership. Graphic Packaging intends to continue to grow the Company through both organic and capital-led growth initiatives.

#### 6.6 Intentions of GPI if the Scheme is implemented

The following statements of intention are based on the facts and information concerning Colorpak known by GPI as at the date of this Scheme Booklet. Any statements set out in this section 6.6 are current intentions and may vary as new information becomes available or circumstances change.

#### (a) Review of operations

If the Scheme is implemented, GPI intends to conduct a general review of Colorpak's assets, strategies, operations and organisation to evaluate Colorpak's performance, profitability and prospects. Such review will seek to determine any opportunities to improve the performance of the Colorpak business generally and realise any potential operational and financial synergies and future opportunities available to Colorpak.

GPI's focus will be to ensure that Colorpak continues to be a leading packaging company that delivers unique packaging solutions and that it continues to service its existing clients and explore new growth opportunities in Australia and New Zealand.

Final decisions will only be reached after any such review and in light of all material facts known to GPI and the circumstances at the relevant time.

#### (b) Directors and management

If the Scheme is implemented, GPI intends to replace the current non-executive members of the Colorpak Board with nominees of GPI (who are yet to be identified).

GPI recognises the knowledge and expertise of the Colorpak senior management team and accordingly Mr Alex Commins, the current Managing Director of Colorpak and Mr Sid Troiani the current Chief Financial Officer, will remain in critical leadership roles following implementation.

#### (c) Colorpak to be de-listed

If the Scheme is implemented, Colorpak will be de-listed from the ASX and its current corporate governance arrangements will cease to apply. Following de-listing, investors will no longer be able to acquire or trade in Colorpak Shares.

#### (d) Employees

GPI considers Colorpak's employees to be an integral part of the success of the Colorpak business. Any decisions about staffing will be made following completion of the general business review described in paragraph (a) above, and GPI does not have any definitive plans in relation to the staffing arrangements for Colorpak.

#### (e) Head office

If the Scheme is implemented, it is currently intended that Colorpak's head office will remain in Melbourne.

#### 6.7 Funding arrangements for Scheme Consideration

If the Scheme is approved and implemented, it is currently expected GPI Australia will pay \$0.57 in cash for every Colorpak Share held as at the Scheme Record Date. GPI Australia may be required to pay up to \$0.6675, if the Special Dividend is not determined. On the basis of the total issued share capital of Colorpak as at the date of this Scheme Booklet of 88,202,525 Colorpak Shares, this will require a total payment of up to \$58,875,185.44.

GPI Australia has access to \$58,875,185.44, to pay up to \$0.6675 in cash for every Colorpak Share held as at the Scheme Record Date, because:

- (a) as at 31 December 2015, GPI Group had substantially more than \$58,875,185.44 in cash and under credit facilities, and as at the date of this Scheme Booklet, that position had not materially changed. There are no relevant restrictions on the availability of funds to the GPI Group under the relevant credit facility; and
- (b) relevant members of the GPI Group, which have available cash and access to the credit facility, have agreed to subscribe for new shares in GPI Australia and/or lend money to GPI Australia. The total amount of the agreed subscriptions and loans, when added to GPI Australia's available cash reserves, equals \$50,275,439.25 (plus an amount to cover GPI Australia's transaction costs) in the expectation that a Special Dividend of \$0.0975 will be determined by the Colorpak Board. If a Special Dividend of less than \$0.0975 is declared by the Colorpak Board the relevant members of the GPI Group have agreed to subscribe for new shares in GPI Australia and/or lend money to GPI Australia required to allow GPI Australia to pay the Scheme Consideration.

Further details of these arrangements are as follows:

- (c) the following members of the GPI Group have an obligation to pay the amount of the subscriptions and loans:
  - (1) Graphic Packaging International, Inc.; and
  - (2) Graphic Packaging International Holding Company;
- (d) the only condition to these obligations to pay is that GPI Australia certifies to the subscribers and lenders that the Scheme has become Effective:
- (e) after GPI Australia has so certified, these members of the GPI Group must pay the amount of the subscriptions and loans so that GPI Australia receives these amounts within three Business Days:
- (f) the obligations to pay are denominated in Australian dollars; and
- (g) there is no obligation to repay amounts paid to subscribe for new shares in GPI Australia, and GPI Australia has no short term obligation to repay the loans.

#### 6.8 Interests in Colorpak Shares

#### (a) Interests in Colorpak Shares

- (1) As at the date of this Scheme Booklet, GPI and its Associates do not have any Relevant Interest in any Colorpak Shares or any voting power in Colorpak.
- (2) Except for the Scheme Consideration to be provided under the Scheme, during the period of four months before the date of this Scheme Booklet, GPI and its Associates have not provided or agreed to provide consideration for any Colorpak Shares under a purchase or other agreement.
- (3) During the four months before the date of this Scheme Booklet, GPI and its Associates have not given, or offered to give, or agreed to give, a benefit to another person where the benefit was likely to induce the other person, or an associate, to:
  - (A) vote in favour of the Scheme; or
  - (B) dispose of Colorpak Shares,
  - where the benefit was not offered to all Colorpak Shareholders.

#### (b) Benefits in connection with retirement from office

- (1) There is no payment or other benefit that is proposed to be made or given by GPI to any director, secretary or executive officer of Colorpak (or its Related Bodies Corporate) as compensation for the loss of or consideration for or in connection with his or her retirement from office in Colorpak or any of its Related Bodies Corporate in connection with the Scheme.
- (2) GPI will not be making any payment or giving any benefit to any current member of the Colorpak Board as compensation or consideration for, or otherwise in connection with, their resignation from the Colorpak Board, if the Scheme becomes Effective and the Colorpak Board is accordingly reconstituted.

### 6.9 Other material information

Except as set out in this section 6, there is no other information regarding GPI or its intentions regarding Colorpak, that is material to the making of a decision by a Colorpak Shareholder in relation to the Scheme, being information that is within the knowledge of any director of GPI as at the date of this Scheme Booklet, which has not been previously disclosed to Colorpak Shareholders

## 7. TAXATION IMPLICATIONS

#### 7.1 Introduction

The following is a general outline of the Australian income tax, Goods and Services Tax (GST) and stamp duty consequences of the Scheme for Colorpak Shareholders who participate in the Scheme. The comments set out below are relevant only to those Colorpak Shareholders who hold their Colorpak Shares on capital account and acquired, or have been deemed to acquire, their Colorpak Shares on or after 20 September 1985.

The outline does not address the Australian tax consequences for Colorpak Shareholders who:

- hold their Colorpak Shares for the purposes of speculation or a business of dealing in securities (eg as trading stock);
- acquired their Colorpak Shares pursuant to an employee share, option or rights plan; or
- are subject to the taxation of financial arrangements rules in Division 230 of Income Tax Assessment Act 1997 (Cth) in relation to gains and losses on their Colorpak Shares.

Colorpak Shareholders who are tax residents of a country other than Australia (whether or not they are also residents, or are temporary residents, of Australia for tax purposes) should take into account the tax consequences of the Scheme under the laws of their country of residence, as well as under Australian law.

The information contained in this section is based on the tax law at the date of the Scheme Booklet. The tax consequences outlined in this section may alter if there is a change in the tax law after the date of the Scheme Booklet.

The information contained in this section is general in nature and should not be relied upon by Colorpak Shareholders as tax advice. This section is not intended to be an authoritative or complete statement of the tax law applicable to the specific circumstances of every Colorpak Shareholder. Colorpak Shareholders should obtain their own independent professional advice on the tax consequences of receiving the Interim Dividend and Special Dividend and disposing of their Colorpak Shares under the Scheme.

#### 7.2 ATO Class Ruling

Colorpak has applied to the ATO requesting a class ruling to confirm the key taxation implications of the Scheme and the Interim Dividend and Special Dividend for Colorpak Shareholders as noted below (Class Ruling).

The Class Ruling has not been finalised as at the date of the Scheme Booklet.

When the final Class Ruling is published by the ATO, it will be available on the ATO website at www.law.ato.gov.au. It is anticipated that the Commissioner's views in the Class Ruling should be generally consistent with the commentary in this section. However, it is possible that the Commissioner may reach a different conclusion and this may impact on the tax outcomes to Colorpak Shareholders. Accordingly, it is important that this section be read in conjunction with the class ruling issued by the ATO.

#### 7.3 Australian resident shareholders

#### (a) Taxation consequences of the Interim Dividend and Special Dividend

Colorpak Shareholders who are Australian tax residents and who receive the Interim Dividend and Special Dividend should include the amount of the Interim Dividend and Special Dividend in their assessable income.

It is expected that the Interim Dividend and Special Dividend will be fully franked.

If certain requirements are met, the Colorpak Shareholders who receive the Interim Dividend and Special Dividend should be:

- (1) required to include the amount of the attached franking credits in their assessable income; and
- (2) entitled to a tax offset equal to the amount of the franking credits attached to the Interim Dividend and Special Dividend.

These requirements include:

- (1) the Colorpak Shareholder being a 'qualified person' in relation to the Interim Dividend and Special Dividend; and
- (2) whether certain dividend franking integrity measures do not apply.

In order for a Colorpak Shareholder to be a 'qualified person' they must hold their Colorpak Shares 'at-risk' for a continuous period of not less than 45 days (not including the day of the share's acquisition or disposal) during a prescribed period. Based on the proposed timetable for the Scheme, the prescribed period is expected to be from 8 March 2016 to 21 April 2016 (inclusive). Accordingly, to ensure a Colorpak Shareholder satisfies this requirement, the Colorpak Shareholder must be on the Register no later than 7 March 2016 in order to be entitled to a tax offset for the franking

The Class Ruling is expected to outline in further detail the ATO's views as to when a Colorpak Shareholder will satisfy the relevant holding period rule with respect to the Interim Dividend and Special Dividend.

However, the holding period rule does not apply to a Colorpak Shareholder in certain circumstances, including where the Colorpak Shareholder is an individual whose tax offset entitlement (on all shares and interests in shares held) does not exceed \$5,000 for the 30 June 2016 income year. However, this exemption should not apply to a dividend which is subject to the 'related payment' rule.

The holding period rule is subject to the related payment rule. The related payment rule operates where the Colorpak Shareholder is under an obligation to pass on the benefit of the Special Dividend and/or Interim Dividend to other persons. It is considered that the related payment rule is likely to apply in respect of the Special Dividend as the Special Dividend may be regarded as forming part of the entitlements arising to Colorpak Shareholders under the Scheme.

The Class Ruling request lodged by Colorpak seeks the ATO's confirmation that the other integrity provisions which may operate to prevent a Colorpak Shareholder from being entitled to a tax offset for the franking credits attached to the Interim Dividend and Special Dividend will not apply.

The extent to which the Colorpak Shareholders will be able to access the franking credit tax offset will depend on their status and specific circumstances, as outlined below. The discussion below assumes that the Colorpak Shareholders will satisfy the holding period and related payment rules outlined above.

Individuals and complying superannuation fund

Colorpak Shareholders that are individuals or complying superannuation funds should be entitled to a tax offset equal to the amount of the franking credits attached to the Interim Dividend and Special Dividend. Colorpak Shareholders that are individuals or complying superannuation funds that have franking credits in excess of their tax liability may be entitled to a refund for any franking credits in excess of their total tax liability.

#### **Companies**

Colorpak Shareholders that are companies should be entitled to a tax offset equal to the amount of the franking credits. As a result, companies should not pay any additional tax on the Interim Dividend and Special Dividend.

Colorpak Shareholders that are companies should also receive a credit to their franking account equal to the amount of the franking credits.

Where there are no beneficiaries that are presently entitled to the income of a trust, the trustee will bear the tax liability in respect of the Interim Dividend and Special Dividend and should be entitled to a tax offset equal to the franking credits attached to the Interim Dividend and Special Dividend.

Where beneficiaries are presently entitled to the income of a trust, the Interim Dividend and Special Dividend and attached franking credit benefits should flow through to those beneficiaries. The tax treatment of the Interim Dividend, Special Dividend and any franking credits to those beneficiaries will depend on the tax status of the beneficiaries.

#### (b) Taxation consequences of disposal

In the event that the Scheme is approved, the GPI Group will acquire 100% of the issued shares in Colorpak. The income tax implications for Australian tax resident shareholders are outlined below.

Capital Gains Tax (CGT) event

Under the Scheme, Colorpak Shareholders will dispose of their Colorpak Shares to the GPI Group. This disposal will constitute a CGT event A1 for Australian CGT purposes for Colorpak Shareholders.

The CGT event should happen on the Implementation Date, being the date on which the GPI Group acquires the Colorpak Shares under the Scheme.

Calculation of capital gain or capital loss

Colorpak Shareholders may make a capital gain on the disposal of Colorpak Shares to the extent that the capital proceeds from the disposal of the Colorpak Shares are more than the cost base of those Colorpak Shares. Conversely, Colorpak Shareholders will make a capital loss to the extent that the capital proceeds are less than their reduced cost base of those Colorpak Shares.

#### (1) Cost base

The cost base of the Colorpak Shares generally includes the cost of acquisition and certain nondeductible incidental costs of their acquisition and disposal (provided the costs have not previously been claimed as a tax deduction). The reduced cost base of the Colorpak Shares is usually determined in a similar, but not identical, manner.

If the Colorpak Shares were acquired at or before 11.45am on 21 September 1999, a Colorpak Shareholder who is an individual, a complying superannuation entity or the trustee of a trust may choose to adjust the cost base of their Colorpak Shares to include indexation by reference to changes in the consumer price index from the calendar quarter in which their Colorpak Shares were acquired until the quarter ended 30 September 1999. These Colorpak Shareholders can choose to apply either the cost base indexation or the CGT discount.

Colorpak Shareholders that are companies will include that indexation adjustment if their Colorpak Shares were acquired at or before 11.45am on 21 September 1999. Indexation adjustments are taken into account only for the purposes of calculating capital gains; they are ignored when calculating capital losses.

Where Colorpak Shares were acquired after 11.45am on 21 September 1999, it is not possible to index the cost base in Colorpak Shares.

#### (2) Capital proceeds

The capital proceeds received in respect of the disposal of each Colorpak Share should be \$0.57 per Colorpak Share, being the amount of the Scheme Consideration.

The Interim Dividend and the Special Dividend should not form part of the capital proceeds received in respect of the disposal of each Colorpak Share under the Scheme. In particular, the Scheme is not conditional on payment of the Interim Dividend or Special Dividend and the Interim Dividend and Special Dividend will be funded from Colorpak's own resources without any participation of the GPI Group. The Class Ruling issued by the ATO should confirm this position.

#### (3) Capital Gains Tax (CGT) discount

Individuals, complying superannuation entities or trustees that have held Colorpak Shares for at least 12 months but do not index the cost base of the Colorpak Shares (refer above) may be entitled to discount the amount of the capital gain (after application of capital losses) from the disposal of Colorpak Shares by 50% in the case of individuals and trustees or by 331/3% for complying superannuation entities.

For trustees, the ultimate availability of the CGT discount for beneficiaries of the trusts will depend on the tax profile of the beneficiaries.

Capital gains (prior to any CGT discount) and capital losses of a taxpayer in an income year are aggregated to determine whether there is a net capital gain. Any net capital gain is included in assessable income and is subject to income tax. Capital losses may not be deducted against other income for income tax purposes, but may be carried forward to offset against future capital gains (subject to satisfaction of loss recoupment tests for certain taxpayers).

Colorpak Shareholders should seek tax advice in relation to the operation of these rules.

#### 7.4 Non-resident shareholders

Colorpak Shareholders that are foreign residents for tax purposes should not be subject to tax in Australia in respect of the Interim Dividend and Special Dividend (provided they do not hold the Colorpak Shares through an Australian Permanent Establishment).

On the basis, and to the extent, that the Interim Dividend and Special Dividend will be fully franked, Colorpak Shareholders who are foreign residents for tax purposes should not be subject to any Australian dividend withholding tax.

Colorpak Shareholders who are foreign residents for income tax purposes and who do not carry on business in Australia at or through a permanent establishment should be exempt from CGT on the disposal of their Colorpak Shares.

A non-resident individual Colorpak Shareholder who has previously been a resident of Australia and chose to disregard a capital gain or loss on ceasing to be a resident should be subject to Australian CGT consequences on disposal of the Colorpak Shares as set out in section 7.3.

Foreign resident Colorpak Shareholders should obtain their own independent tax advice regarding the tax implications of the Scheme in Australia and in their country of residence.

#### 7.5 **GST**

Colorpak Shareholders should not be liable to GST in respect of a disposal of those Colorpak Shares, regardless of whether the Colorpak Shareholder is registered for GST.

In the event the Colorpak Shareholder is an Australian resident and is registered for GST, the disposal of the Colorpak Shares to an Australian subsidiary of GPI should be considered an input taxed financial supply.

In addition, no GST should be payable by Colorpak Shareholders in respect of the Special Dividend and Interim Dividend, as such transactions are considered outside the scope of GST.

Colorpak Shareholders may incur GST included in costs (such as adviser fees relating to their participation in the Scheme) that relate to the Scheme. Colorpak Shareholders that are registered for GST may be entitled to input tax credits or reduced input tax credits for such costs. This will depend on each Colorpak Shareholders individual circumstances.

Colorpak Shareholders should seek their own independent tax advice in relation to the GST implications of their participation in the Transaction.

#### 7.6 Stamp Duty

No stamp duty should be payable by the Colorpak Shareholders in respect of the disposal of their Colorpak Shares.

## 8. ADDITIONAL INFORMATION

#### 8.1 Interests of Colorpak Directors in Colorpak

As at the date of this Scheme Booklet, the number of Colorpak Shares held by or on behalf of the Colorpak Directors is as follows:

Director	Number of Colorpak Shares
Geoff Willis	283,813
Alex Commins	6,234,018
lan Wightwick	105,125
David Heaney	892,775
Neil Kearney	Nil

No Colorpak Director has acquired or disposed of a Relevant Interest in any Colorpak Shares in the 4 month period ending on the date immediately before the date of this Scheme Booklet.

#### 8.2 Interests of Colorpak Directors in GPI

No Colorpak Director has a Relevant Interest in any shares in GPI or any member of the GPI Group.

No Colorpak Director acquired or disposed of a Relevant Interest in any shares in GPI or any member of the GPI Group in the 4 month period ending on the date immediately before the date of this Scheme Booklet.

#### 8.3 Summary of Scheme Implementation Deed

#### (a) Summary of Scheme Implementation Deed

On 11 January 2016, Colorpak and GPI entered into a Scheme Implementation Deed under which Colorpak agreed to propose the Scheme. The Scheme Implementation Deed contains terms and conditions that are standard for these types of agreements, including in relation to the parties' obligations to implement the Scheme and Colorpak's obligation to conduct its business in the ordinary course during the Scheme process.

A summary of the key elements of the Scheme Implementation Deed is set out below. A full copy of the Scheme Implementation Deed was lodged with ASX on 12 January 2016 and can be obtained from www.asx.com.au or from www.colorpak.com.au/asx-announcements.

#### (b) Conditions

Implementation of the Scheme is subject to the following conditions which must be satisfied or waived (where capable of waiver) before the Scheme can be implemented:

• Consents and approvals: before 8.00am on the Second Court Date Colorpak receives from ASIC and ASX all consents, approvals, authorisations or other acts as are necessary or which Colorpak and GPI agree are desirable to implement the Scheme, none of which have been withdrawn, cancelled or revoked;

- No material adverse change: no material adverse change occurs or is announced or disclosed before 8.00am on the Second Court Date, being the occurrence of a matter which is announced or becomes known that (subject to certain exceptions):
  - has or could reasonably be expected to have the effect (whether individually or in aggregate) of diminishing net assets or reducing earnings before interest, tax, depreciation and amortisation of the Colorpak Group by 10% or more as compared against the most recent audited financial statements;
  - has the result that the business of the Colorpak Group is unable to be carried on in substantially the same manner as carried on historically; or
  - has the result that monetary obligations of a member of the Colorpak Group in respect of financial indebtedness totalling at least \$500,000 is capable of being required to be repaid before their stated maturity;
- No Prescribed Occurrence: no Prescribed Occurrence occurs before 8.00am on the Second Court Date:
- Colorpak warranties: the warranties given by Colorpak to GPI are true and correct in all material respects at the date of the Scheme Implementation Deed and 8.00am on the Second Court Date:
- **Shareholder approval:** Colorpak Shareholders approve the Scheme;
- Court approval: the Court approves the Scheme;
- **Independent Expert**: the Independent Expert concludes that the Scheme is in the best interests of Colorpak Shareholders on or before the date the Scheme Booklet is registered with ASIC and does not notify Colorpak of its withdrawal or qualification of this conclusion by 8.00am on the Second Court Date;
- Colorpak material breach: Colorpak does not breach any provision of the Scheme Implementation Deed to a material extent in the context of the Scheme taken as a whole before 8.00am on the Second Court Date; and
- Restraining orders: there is no restraint or prohibition (pending, preliminary or permanent), which remains in effect at 8.00am on the Second Court Date, that restrains the completion of the Scheme.

Full details of the conditions and the ability of Colorpak and GPI to rely on the various conditions and the provisions relating to satisfaction or waiver of these conditions are set out in clause 3 of the Scheme Implementation Deed. As at the date of this Scheme Booklet, Colorpak is not aware of any reason why the conditions will not be satisfied.

#### (C) Exclusivity

The Scheme Implementation Deed contains certain exclusivity arrangements in favour of GPI. These arrangements are in line with market practice in this regard and can be summarised as follows:

- No existing discussions: Colorpak warranted to GPI that it has not entered any agreement with a third party for the purpose of facilitating a Colorpak Competing Proposal and that it was not participating in any discussions with a third party that could reasonably be expected to lead to a Colorpak Competing Proposal or abandonment of the Transaction.
- No shop: Colorpak must not solicit any Colorpak Competing Proposal or any enquiries, proposals, discussions or negotiations with any third party in relation to a Colorpak Competing Proposal or to Colorpak not proceeding with the Transaction.
- No talk: Colorpak must not participate in discussions with any person or communicate any intention to do so in relation to (or which may reasonably be expected to lead to) a Colorpak Competing Proposal.
- No due diligence: except with the prior written consent of GPI, Colorpak must not allow any person (other than GPI) to undertake due diligence investigations or receive any non-public information in respect of Colorpak, in connection with the development or finalisation of a Colorpak Competing Proposal.
- **Notification:** if Colorpak is approached in relation to a Colorpak Competing Proposal, Colorpak must promptly notify GPI in writing. This notice must include all material details of the approach including the identity of the relevant person who made the approach and all known material terms and conditions of any proposed Colorpak Competing Proposal.

Upon being notified of a Colorpak Competing Proposal, GPI will have the right, but not the obligation, at any time during the period of three business days following receipt of details of the Colorpak Competing Proposal, to amend the terms of the Transaction (including altering the amount of consideration offered under the Transaction or proposing any other form of transaction). If GPI proposes a counterproposal, then the Colorpak Directors must review the counterproposal in good faith.

Colorpak must also provide GPI with a copy of any written materials or statements of any non-public information relating to Colorpak provided to third parties in connection with a person developing or finalising a Colorpak Competing Proposal, which has not previously been provided to GPI.

However, Colorpak is not required to comply with its obligations under the 'no talk' and 'no due diligence' provisions, as well as the obligation to notify GPI of the identity of persons that have approached Colorpak in relation to any proposed Colorpak Competing Proposal and the material terms of any such Colorpak Competing Proposal, in the Scheme Implementation Deed if the Colorpak Board determines that complying with those provisions would be likely to constitute a breach of the fiduciary or statutory duties owed by any Colorpak Director.

These exclusivity provisions are set out in full in clause 13 of the Scheme Implementation Deed.

#### (d) Colorpak Break Fee

In accordance with market practice, Colorpak has agreed to pay GPI a Break Fee of \$600,000 (exclusive of GST) (Colorpak **Break Fee**) in certain circumstances. Those circumstances

- Superior Proposal: a Superior Proposal is publicly announced prior to the End Date and, within nine months from the date of the public announcement of such Superior Proposal, the proponent of that Superior Proposal acquires control of Colorpak or the Colorpak Group;
- Colorpak Competing Proposal: a Colorpak Competing Proposal is publicly announced prior to the End Date and, within nine months from the date of the public announcement of such Colorpak Competing Proposal, the proponent of that Colorpak Competing Proposal acquires control of Colorpak or the Colorpak Group;
- Change of recommendation: at any time prior to the Second Court Date, a majority of the Colorpak Directors withdraw or adversely modify their recommendation of the Transaction, recommend a Colorpak Competing Proposal, does not recommend in the Scheme Booklet that Colorpak Shareholders approve the Scheme, or makes a public statement indicating that the Scheme is not or is no longer recommended, other than as a result
  - (1) the Independent Expert opining that the Scheme is not in the best interests of Colorpak Shareholders (other than as a result of a Colorpak Competing Proposal or Superior Proposal);
  - (2) any matter or thing giving Colorpak the right to terminate the Scheme Implementation Deed either as result of GPI materially breaching any of its material obligations under the Scheme Implementation Deed, or GPI breaching a GPI Warranty and failing to remedy it in accordance with the Scheme Implementation Deed or the breach was of a kind that would have affected Colorpak's decision to enter the agreement;
  - (3) failure of a condition precedent to receive from ASIC and ASX all consents necessary to implement the Scheme, other than as a result of Colorpak failing to use its reasonable endeavours to satisfy that condition as soon as reasonably practicable, or Colorpak failing to promptly apply for and progress all relevant Regulatory Approvals in respect of the Scheme;
- Material Breach: GPI terminates the Scheme Implementation Deed as a result of Colorpak being in material breach of any of its material obligations under the Scheme Implementation Deed; or
- Prescribed Occurrence: the Condition that no Prescribed Occurrence occur is breached or not satisfied prior to 8.00am on the Second Court Date and GPI terminates the Scheme Implementation Deed on the basis that a Condition is not capable of being fulfilled.

The Colorpak Break Fee will not be payable to GPI if the Scheme becomes Effective and it is only payable once. For the avoidance of doubt, the Colorpak Break Fee is not payable if the Scheme does not proceed merely by reason that the Scheme is not approved by Colorpak Shareholders

For full details of the Colorpak Break Fee, see clause 11 of the Scheme Implementation Deed.

#### (e) GPI Break Fee

GPI has agreed to pay Colorpak \$600,000 (exclusive of GST) (GPI Break Fee) if GPI is in material breach of any of its material obligations under the Scheme Implementation Deed giving rise to Colorpak terminating the Scheme Implementation Deed and GPI does not pay the Scheme Consideration in accordance with the terms and conditions of the Scheme Implementation Deed and the Deed Poll.

The GPI Break Fee will not be payable to Colorpak if the Scheme becomes Effective and it is only payable once. For full details of the GPI Break Fee, see clause 12 of the Scheme Implementation Deed.

#### (f) Termination

Either party can terminate the Scheme Implementation Deed:

- if the other party is in material breach of any of its material obligations under the Scheme Implementation Deed and fails to remedy that breach within five Business Days' notice or is incapable of being remedied before 8.00am on the Second Court Date:
- where any condition is not satisfied (or waived), is not capable of being fulfilled, or the Scheme does not become Effective by the End Date and the parties are unable to reach agreement to remedy the situation or alter the arrangements within five Business Days, either party may terminate the Scheme Implementation Deed within 10 Business Days from when they became aware of the particular circumstances; or
- if the other party breaches a representation or warranty given and either fails to remedy the breach within five Business Days' notice or where the breach cannot be remedied to the reasonable satisfaction of the nonbreaching party and the breach would have affected the party's decision to enter the Scheme.

Colorpak may also terminate the Scheme Implementation Deed if a majority of Colorpak Directors withdraw or adversely modify their recommendation of the Transaction or publicly recommend a Colorpak Competing Proposal, but only if either:

- the Independent Expert opines that the Scheme is not in the best interests of Colorpak Shareholders; or
- a majority of the Colorpak Directors determine, after compliance with the exclusivity provisions in the Scheme Implementation Deed, that it would be a breach of the directors' fiduciary or statutory obligations to pursue the Scheme.

GPI may also terminate the Scheme Implementation Deed if:

- a majority of the Colorpak Directors fail to recommend the Scheme, withdraw or adversely modify their recommendation of the Scheme, or make a public statement inconsistent with their recommendation; or
- if there is a Colorpak Competing Proposal through which a third party acquires a relevant interest in more than 15% of the issued shares of Colorpak.

#### 8.4 Colorpak executive incentive arrangements

As detailed in Colorpak's annual report for the year ended 30 June 2015, Colorpak operates a Senior Executive Incentive Scheme, comprising of a Performance Rights Plan and an Executive Incentive Plan. Incentives under the Senior Executive Incentive Scheme may take the form of entitlements to cash or shares, at the election of the Board.

As at the date of this Scheme Booklet, no securities have been issued pursuant to this Senior Executive Incentive Scheme.

The Short Term Incentive component of the Senior Executive Incentive Scheme conducted by Colorpak contains performance conditions including achievement of the 2016 Board approved budget. Pursuant to the Executive Incentive Plan Rules, conditions for payments can be waived or amended at the Colorpak Board's discretion, including in circumstances where a scheme of arrangement is implemented in relation to

In the event that the requisite majorities (as outlined in section 4.2(a)) approve the Scheme Resolution, the Board intends to determine cash payments to be made to participants under the Senior Executive Incentive Scheme which in total will not exceed more than \$750,000. The Board intends to waive conditions of the Short Term Incentives relevant to the amount of cash payments that the Board determines to make to participants under the Senior Executive Incentive Scheme, subject to the requisite majorities (as outlined in section 4.2(a)) approving the Scheme Resolution. Alex Commins is a participant under the Senior Executive Incentive Scheme and may therefore be entitled to a cash payment as part of the arrangements set out in this section 8.4.

#### 8.5 Benefits and agreements

#### (a) Benefits in connection with retirement from office

There is no payment or other benefit that is proposed to be made or given by GPI to any director, secretary or executive officer of Colorpak (or any of its Related Bodies Corporate) as compensation for the loss of, or consideration for or in connection with his or her retirement from, office in Colorpak (or any of its Related Bodies Corporate) in connection with the

#### (b) Agreements connected with or conditional on the Scheme

Other than as disclosed in section 8.4, there are no agreements or arrangements made between any Colorpak Director and any other person in connection with, or conditional on, the outcome of the Scheme.

GPI has agreed to release and not make any claim against each Colorpak Director in relation to the execution or delivery of the Scheme Implementation Deed to the extent that the Director has acted in good faith.

There is presently no agreement between Mr Commins (or his associates) and GPI (or its associates) in relation to changes to the terms of Mr Commins' employment with Colorpak following implementation of the Scheme.

#### (C) Interests of Colorpak Directors in contracts with GPI

None of the Colorpak Directors has any interest in any contract entered into by GPI.

#### (d) Benefits under the Scheme or from GPI

None of the Colorpak Directors has agreed to receive, or is entitled to receive, any benefit from GPI which is conditional on, or is related to, the Scheme, other than as set out in clause 8.4 or 8.5(b).

#### 8.6 ASIC relief

Paragraph 8302(h) of Part 3 of Schedule 8 of the Corporations Regulations requires an explanatory statement to set out whether, within the knowledge of the Colorpak Directors, the financial position of Colorpak has materially changed since the date of the last balance sheet laid before Colorpak Shareholders in accordance with sections 314 or 317 of the Corporations Act, being 30 June 2015. ASIC has granted Colorpak relief from this requirement so that this Scheme Booklet only need set out whether, within the knowledge of the Colorpak Directors, the financial position of Colorpak has materially changed since 31 December 2015 (being the last date of the period to which the financial statements for the half-year ended 31 December 2015 relate).

#### 8.7 Consents and disclosures

#### (a) Consents

This Scheme Booklet contains statements made by, or statements said to be based on statements made by:

- · GPI in respect of GPI Information only;
- BDO Corporate Finance (East Coast) Pty Ltd as the Independent Expert:
- Carton Services Pty Ltd;
- Blue Drive Pty Ltd;
- Bennamon Pty Ltd;
- Investors Mutual Limited;
- Argo Investments Ltd; and
- G T Lingard Holdings Pty Ltd.

Each of those persons named above, together with GPI Australia, has consented to the inclusion of each statement it has made in the form and context in which the statements appear and has not withdrawn that consent at the date of this Scheme Booklet.

The following parties have given and have not, before the time of registration of this Scheme Booklet with ASIC, withdrawn their consent to be named in this Scheme Booklet in the form and context in which they are named:

- Herbert Smith Freehills as legal adviser to Colorpak;
- Ernst & Young as tax adviser to Colorpak; and
- Link Market Services Limited as the Colorpak Registry.

#### (b) Disclosures and responsibility

Further, each person named in section 8.7(a):

- has not authorised or caused the issue of this Scheme Booklet:
- does not make, or purport to make, any statement in this Scheme Booklet or any statement on which a statement in this Scheme Booklet is based, other than:
  - GPI in respect of the GPI Information only;
  - BDO Corporate Finance (East Coast) Pty Ltd, in relation to its Independent Expert's Report;
  - Carton Services Pty Ltd in respect of its intention to vote its Colorpak Shares;
  - Blue Drive Pty Ltd in respect of its intention to vote its Colorpak Shares:
  - Bennamon Pty Ltd in respect of its intention to vote its Colorpak Shares;
  - Investors Mutual Limited in respect of its intention to vote its Colorpak Shares;
  - Argo Investments Ltd in respect of its intention to vote its Colorpak Shares; and
  - G T Lingard Holdings Pty Ltd in respect of its intention to vote its Colorpak Shares, and
- to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for, any part of this Scheme Booklet other than a reference to its name and the statement (if any) included in this Scheme Booklet with the consent of that party as specified in this section 8.7(b).

# 8.8 No unacceptable circumstances

The Colorpak Directors believe that the Scheme does not involve any circumstances in relation to the affairs of Colorpak that could reasonably be characterised as constituting 'unacceptable circumstances' for the purposes of section 657A of the Corporations Act.

# 8.9 Other information material to the making of a decision in relation to the Scheme

In a newspaper report by the Sydney Morning Herald dated 12 January 2016, Geoff Willis, Chairman of Colorpak, was quoted as saying that "Colorpak's 580 employees would keep their jobs under [the Scheme]."

Colorpak qualifies Mr Willis' comments as reported by the Sydney Morning Herald to make clear that any decision by GPI regarding Colorpak's staffing will be made following completion of the general business review described in section 6.6(a), and GPI does not have any definitive plans in relation to the staffing arrangements for Colorpak as set out in section 6.6(d).

Except as set out in this Scheme Booklet, there is no other information material to the making of a decision in relation to the Scheme, being information that is within the knowledge of any Colorpak Director, at the time of lodging this Scheme Booklet with ASIC for registration, which has not previously been disclosed to Colorpak Shareholders.

# 8.10 Supplementary information

If, between the date of lodgement of this Scheme Booklet for registration by ASIC and the Effective Date, Colorpak becomes aware that:

- a material statement in this Scheme Booklet is false or misleading;
- there is a material omission from this Scheme Booklet;
- a significant change affecting a matter in this Scheme Booklet has occurred; or
- a significant new matter has arisen which would have been required to be included in this Scheme Booklet if it had arisen before the date of lodgement of this Scheme Booklet for registration by ASIC.

Colorpak will prepare a supplementary document to this Scheme Booklet.

The form which the supplementary document may take, and whether a copy will be sent to each Colorpak Shareholder, will depend on the nature and timing of the new or changed circumstances.

In all cases, the supplementary document will be available from Colorpak's website at www.colorpak.com.au/asx-announcements and from the ASX website at www.asx.com.au.

# 9. GLOSSARY AND INTERPRETATION

# 9.1 Glossary

The meanings of the terms used in this Scheme Booklet are set out below:

Term	Meaning
AEST	Australian Eastern Standard Time.
ASIC	Australian Securities and Investments Commission.
Associate	has the same meaning as in section 12 of the Corporations Act.
ASX	ASX Limited (ABN 98 008 624 691) and, where the context requires, the financial market that it operates.
ATO	Australian Taxation Office.
Business Day	a weekday in which trading banks are open for business in Melbourne, Victoria, Australia.
Colorpak or the Company	Colorpak Limited (ABN 56 107 485 898).
<b>Colorpak Board</b> or <b>Board</b>	the board of directors of Colorpak.
Colorpak Break Fee	has the meaning given in clause 11 of the Scheme Implementation Deed.
Colorpak Competing Proposal	any offer, proposal or expression of interest, transaction or arrangement (including, by way of takeover bid or scheme of arrangement other than the Transaction) under which, if ultimately completed substantially in accordance with its terms, a person or two or more persons who are Associates would directly or indirectly:
	1 acquire a relevant interest or voting power in or become the holder of more than 20% of the Colorpak Shares
	2 acquire, obtain a right to acquire, or otherwise obtain an economic interest in, 20% or more by value of the business or property of Colorpak or any member of the Colorpak Group;
	3 acquire control (as defined in section 50AA of the Corporations Act) of Colorpak;
	4 otherwise acquire or merge with Colorpak or amalgamate with, or acquire a significant shareholding or economic interest in Colorpak or any member of the Colorpak Group or 20% or more by value of the total assets or business of any member of the Colorpak Group, whether by way of takeover bid, scheme of arrangement, shareholder approved acquisition, capital reduction, share buy-back or repurchase, sale or purchase of assets, joint venture, reverse takeover, dual-listed company structure, recapitalisation, establishment of a new holding entity for Colorpak or the Colorpak Group or other synthetic merger or any other transaction or arrangement; or
	5 Colorpak will cease to be admitted to the official list of ASX or Colorpak Shares will cease to be officially quoted on the market operated by ASX,
	or which may otherwise compete with, or be inconsistent in any material respect with the consummation of, the Transaction.
Colorpak Director or Your Director	a member of the Colorpak Board.
Colorpak Group	Colorpak and each of its Related Bodies Corporate and a reference to a 'Colorpak Group Member' or a 'member of the Colorpak Group' is to Colorpak or any of its Related Bodies Corporate.
Colorpak Information	the information contained in this Scheme Booklet, other than the GPI Information and the information contained in Annexure A.
Colorpak Registry	Link Market Services Limited.
Colorpak Share	a fully paid ordinary share in the capital of Colorpak.
Colorpak Shareholder	each person registered in the Register as a holder of Colorpak Shares.
Corporations Act	the Corporations Act 2001 (Cth).
Corporations Regulations	the Corporations Regulations 2001 (Cth).
Court	the Supreme Court of Victoria or such other Court of competent jurisdiction under the Corporations Act agreed to in writing by Colorpak and GPI.
Dividends Payment Date	Thursday, 21 April 2016 or such other date agreed between GPI and Colorpak.
Dividends Record  Date	7.00pm (AEST) on Thursday, 14 April 2016 or such other date agreed between GPI and Colorpak.

Term	
	Meaning
Deed Poll	the deed poll executed by GPI and GPI Australia on 16 February 2016 pursuant to which GPI and GPI Australia acknowledge and confirm its obligations under the Scheme. A copy of the form of Deed Poll is contained in Annexure C.
Effective	when used in relation to a Scheme, the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to that Scheme.
Effective Date	the date on which the Scheme comes into effect pursuant to section 411(10) of the Corporations Act.
End Date	15 June 2016, unless extended in accordance with the Scheme Implementation Deed.
Government Agency	any foreign or Australian Government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity or minister of the Crown in right of the Commonwealth of Australia or any state.
GPI	Graphic Packaging International, Inc. of 1500 Riveredge Parkway NW, Atlanta, GA. 30328, United States of America.
GPI Australia	Graphic Packaging International Australia Pty Limited ACN 057 776 888.
GPI Board	the board of directors of GPI.
GPI Group	GPI and each of its Related Bodies Corporate and a reference to a 'GPI Group Member' or a 'member of the GPI Group' is to GPI or any of its Related Bodies Corporate.
GPI Information	<ul> <li>the information contained in:</li> <li>the paragraph commencing 'Any forward-looking statements included in the GPI Information' in the subsection headed 'Disclaimer as to forward-looking statements' in the Important Notices;</li> <li>the answer to the question 'Who is GPI?' in section 2; and</li> <li>section 6.</li> </ul>
Graphic Packaging	Graphic Packaging Holding Company.
Implementation Date	the fifth Business Day after the Scheme Record Date.
Incentive Plan	the incentive plan operated by Colorpak pursuant to which Performance Rights may be issued to incentivise and reward senior management for performance.
Independent Expert or BDO	BDO Corporate Finance (East Coast) Pty Ltd.
Independent Expert's Report	the report prepared by the Independent Expert dated 8 February 2016 set out in Annexure A.
Interim Dividend	a fully franked cash dividend of \$0.0125 per Colorpak Share, that the Board has resolved for Colorpak to pay on the Dividends Payment Date.
Listing Rules	the official listing rules of the ASX.
	the notice of meeting relating to the Scheme Meeting which is contained in Annexure D.

#### Term Meaning

# Prescribed Occurrence

means the occurrence of any of the following on or after the date of this deed:

- 1 Colorpak converts all or any of its shares into a larger or smaller number of shares;
- 2 any member of the Colorpak Group reduces or resolves to reduce its share capital in any way;
- 3 any member of the Colorpak Group:
  - · enters into a buy-back deed; or
  - resolves to approve the terms of a buy-back deed under subsections 257C(1) or 257D(1) of the Corporations Act;
- 4 any member of the Colorpak Group issues securities, or grants a performance right or an option over its securities to subscribe for its securities, or agrees to make such an issue or grant such a right or an option, other than:
  - · Colorpak Shares pursuant to the New Regent's Park EBA; or
  - as a result of an issue under a dividend reinvestment plan;
- 5 any member of the Colorpak Group issues, or agrees to issue, convertible notes or any other security or instrument convertible into shares;
- 6 any member of the Colorpak Group disposes, or agrees to dispose, of any assets, properties or businesses where the amount or value involved in such transactions exceeds \$1 million in aggregate (except as disclosed in certain documents provided to GPI as part of due diligence);
- 7 any member of the Colorpak Group acquires, or agrees to acquire, any assets, properties or businesses where the amount or value involved in such transactions exceeds \$1 million in aggregate (except as disclosed in certain documents provided to GPI as part of due diligence);
- 8 any member of the Colorpak Group enters into a commitment or a series of commitments for capital expenditure where the amounts or value involved in such commitments or commitments exceeds \$500,000 in aggregate; (except as disclosed in certain documents provided to GPI as part of due diligence);
- 9 any member of the Colorpak Group creates or agrees to create, any security interest over the whole, or a substantial part, of its business or property;
- 10 an insolvency event occurs in relation to any member of the Colorpak Group;
- 11 Colorpak pays, declares, distributes or incurs a liability to make or pay a dividend, bonus or other share of its profits, income, capital or assets by way of dividend or other form of distribution, except for any dividend of up to \$0.11 per Colorpak Share with a record date before the Scheme Record Date;
- 12 any member of the Colorpak Group makes any change to its constitution or convenes a meeting to consider a resolution to change a constitution of any member of the Colorpak Group;
- 13 any member of the Colorpak Group ceases, or threatens to cease to, carry on the business conducted as at the date of this deed;
- 14 any member of the Colorpak Group (other than a dormant, non-operating member of the Colorpak Group) being deregistered as a company or being otherwise dissolved;
- 15 any disposal of shares or securities by a member of the Colorpak Group in any member of the Colorpak Group other than to a member of the Colorpak Group; or
- 16 any member of the Colorpak Group authorising, committing or agreeing to take or announcing any of the actions referred to in clause 6.2 of the Scheme Implementation Deed insofar as it applies to the member of the Colorpak Group the subject of such authorisation, commitment, agreement or announcement,

provided that a Prescribed Occurrence will not include:

- 17 the paying of a dividend in an amount per Colorpak Share where the Scheme Consideration is reduced by that amount per Colorpak Share;
- 18 any matter required to be done or procured by Colorpak or a member of the Colorpak Group pursuant to this deed or the Scheme:
- 19 any matter to the extent it is fairly disclosed in the due diligence material provided by Colorpak to GPI;
- 20 any matter fairly disclosed in filings of Colorpak with the ASX not less than two Business Days prior to the date of this deed; or
- 21 any matter the undertaking of which GPI has approved in writing.

# **Proxy Form**

the proxy form which accompanies this Scheme Booklet.

Register

the share register of Colorpak.

Term	Meaning
Regulatory Authority	includes ASX or ASIC, a government or governmental, semi-governmental or judicial entity or authority, a minister department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government and any regulatory organisation established under statute.
Related Body Corporate	has the same meaning given to it in the Corporations Act.
Relevant Interest	has the same meaning as given by sections 608 and 609 of the Corporations Act.
Scheme or Scheme of Arrangement	the scheme of arrangement between Colorpak and the Scheme Shareholders under which all Scheme Shares will be transferred to GPI in accordance with Part 5.1 of the Corporations Act, substantially in the form in Annexure B, together with any amendment or modification made pursuant to section 411(6) of the Corporations Act.
Scheme Booklet	this document.
Scheme Consideration	\$0.68 cash subject to adjustment for the payment of any dividends prior to the Scheme Record date, which is currently expected to comprise the Interim Dividend and Special Dividend.
Scheme Implementation Deed	the Scheme Implementation Deed between Colorpak and GPI dated 11 January 2016. A summary is set out in section 8.3, and a full copy can be obtained from Colorpak's website at <a href="https://www.colorpak.com.au/asx-announcements">www.colorpak.com.au/asx-announcements</a> .
Scheme Meeting	the meeting of Colorpak Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act.
Scheme Record Date	the date for determining entitlements to Scheme Consideration, currently expected to be 7.00pm on Friday, 22 April 2016.
Scheme Resolution	the resolution to agree to the terms of the Scheme set out in the Notice of Meeting.
Scheme Share	a Colorpak Share held by a Scheme Shareholder as at the Scheme Record Date.
Scheme Shareholder	each person who is a Colorpak Shareholder at the Scheme Record Date.
Second Court Date	the first day on which an application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme is heard, or if the application is adjourned for any reason, the first day on which the adjourned application is heard.
Second Court Hearing	the hearing of the application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme.
Special Dividend	a fully franked cash dividend of up to \$0.0975 per Colorpak Share, that the Colorpak Board has resolved for Colorpak to pay, conditional on the Scheme becoming Effective, on the Dividends Payment Date.
superior proposal	means any offer, proposal or expression of interest, transaction or arrangement which:
	1 competes with, or is inconsistent in any material respect with the consummation of, the Transaction;
	2 in the case of Bennamon Pty Ltd, Bennamon Pty Ltd considers is superior to the Transaction; and
	3 in the case of Carton Services Pty Ltd, Blue Drive Pty Ltd, Investors Mutual Limited, Argo Investments Ltd and G T Lingard Holdings Pty Ltd, is a Superior Proposal recommended by the Board.
Superior Proposal	means a bona fide Colorpak Competing Proposal which in the determination of the Colorpak Board acting in good faith in order to satisfy what the Colorpak Board considers to be its fiduciary or statutory duties (after having taken advice from their legal and, if appropriate, financial advisers):
	1 is reasonably likely to be completed in accordance with its terms, taking into account all financial, regulatory and other aspects of such proposal, including the ability of the proposing party to consummate the transactions contemplated by the Colorpak Competing Proposal; and
	2 would, if completed substantially in accordance with its terms, be reasonably likely to result in a transaction more favourable to Colorpak Shareholders as a whole than the Transaction, taking into account all of the terms and conditions of the Colorpak Competing Proposal.
Transaction	the acquisition of Colorpak by GPI through its wholly owned subsidiary GPI Australia by virtue of implementation of the Scheme.

# 9.2 Interpretation

In this Scheme Booklet:

- (a) words of any gender include all genders;
- (b) words importing the singular include the plural and vice
- (c) an expression importing a person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa;
- (d) a reference to a section or annexure, is a reference to a section of or annexure of, to this Scheme Booklet as relevant;
- (e) a reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re-enactments of any of them;
- (f) headings and bold type are for convenience only and do not affect the interpretation of this Scheme Booklet;
- (g) a reference to time is a reference to AEST;
- (h) a reference to dollars, \$, A\$, AUD, cents, \$ and currency is a reference to the lawful currency of the Commonwealth of Australia;
- (i) an accounting term is a reference to that term as it is used in accounting standards under the Corporations Act, or, if not inconsistent with those standards, in accounting principles and practices generally accepted in Australia; and
- (j) the words 'include', 'including', 'for example' or 'such as' when introducing an example, do not limit the meaning of the words to which the example relates to that example or examples of a similar kind.

# ANNEXURE A - INDEPENDENT EXPERT'S REPORT

# INDEPENDENT EXPERT'S REPORT Colorpak Limited

In relation to a proposed acquisition of 100% equity interest in Colorpak Limited by Graphic Packaging International, Inc. via a Scheme of Arrangement

23 February 2016







Tel: +61 3 9603 1700 Fax: +61 3 9602 3870 www.bdo.com.au

Level 14, 140 William St MELBOURNE VIC 3000 Australia

This Financial Services Guide is issued in relation to an independent expert's report ("Report" or "IER") prepared by BDO Corporate Finance (East Coast) Pty Ltd (ABN 70 050 038 170) ("BDOCF") at the request of the directors ("Directors") of Colorpak Limited ("Colorpak" or "the Company").

The IER is intended to accompany the Notice of meeting Ine like is intended to accompany the Notice of infecting and Scheme booklet ("Transaction Documents") that is to be provided by the Directors of Colorpak to assist the Shareholders of Colorpak ("Colorpak Shareholders") in determining whether to approve the proposed acquisition of 100% of Colorpak shares by Graphic Packaging International, Inc. ("GPI") via a scheme of arrangement.

BDOCF holds an Australian Financial Services Licence (License No: 247420) ("Licence"). As a result of our IER being provided to you BDOCF is required to issue to you, as a retail client, a Financial Services Guide ("FSG"). The FSG includes information on the use of general financial product advice and is issued so as to comply with our obligations as holder of an Australian Financial Services Licence.

# Financial services BDOCF is licensed to provide

The Licence authorises BDOCF to provide reports for the purposes of acting for and on behalf of clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate restructures or share issues, to carry on a financial services business to provide general financial product advice for securities and certain derivatives (limited to old law securities, options contracts and varrantly to retail and wholerale clients. warrants) to retail and wholesale clients.

BDOCF provides financial product advice by virtue of an engagement to issue the IER in connection with the issue of securities of another person.

Our IER includes a description of the circumstances of our Our lex includes a description of the circumstances of our engagement and identifies the party who has engaged us. You have not engaged us directly but will be provided with a copy of our IER (as a retail client) because of your connection with the matters on which our IER has been

Our IER is provided on our own behalf as an Australian Financial Services Licensee authorised to provide the financial product advice contained in the IER.

# General financial product advice

Our IER provides general financial product advice only, and does not provide personal financial product advice, because it has been prepared without taking into account your particular personal circumstances or objectives (either financial or otherwise), your financial position or your

Some individuals may place a different emphasis on various aspects of potential investments.

An individual's decision in relation to voting on the Proposed Transaction described in the Transaction Documents may be influenced by their particular circumstances and, therefore, individuals should seek independent advice.

# Benefits that BDOCF may receive

BDOCF will receive a fee based on the time spent in the preparation of the IER in the amount of approximately \$50,000 (plus GST and disbursements). BDOCF will not receive any fee contingent upon the outcome of the Proposed Transaction, and accordingly, does not have any pecuniary or other interests that could reasonably be

regarded as being capable of affecting its ability to give an unbiased opinion in relation to the Proposed Transaction.

### Remuneration or other benefits received by our employees

All our employees receive a salary. Employees may be eligible for bonuses based on overall productivity and contribution to the operation of BDOCF or related entities but any bonuses are not directly connected with any assignment and in particular are not directly related to the engagement for which our IER was provided.

BDOCF does not pay commissions or provide any other benefits to any parties or person for referring customers to us in connection with the reports that BDOCF is licensed to

## Associations and relationships

BDOCF is the licensed corporate finance arm of BDO East Coast Partnership, Chartered Accountants and Business Advisers. The directors of BDOCF may also be partners in BDO East Coast Partnership, Chartered Accountants and Business Advisers.

BDO East Coast Partnership, Chartered Accountants and Business Advisers is comprised of a number of related entities that provide audit, accounting, tax and financial advisory services to a wide range of clients.

BDOCF's contact details are as set out on our letterhead.

BDOCF is unaware of any matter or circumstance that would preclude it from preparing the IER on the grounds of independence under regulatory or professional requirements. In particular, BDOCF has had regard to the provisions of applicable pronouncements and other guidance statements relating to professional independence issued by Australian professional accounting bodies and Australian Securities and Investments Commission ("ASIC").

# Complaints resolution

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice.
All complaints must be in writing, addressed to
The Complaints Officer, BDO Corporate Finance (East
Coast) Pty Ltd, Level 14, 140 William Street, Melbourne VIC

On receipt of a written complaint we will record the complaint, acknowledge receipt of the complaint and seek to resolve the complaint as soon as practical. If we cannot reach a satisfactory resolution, you can raise your concerns with the Financial Ombudsman Service Limited ("FOS"). FOS is an independent body established to provide advice and assistance in helping resolve complaints relating to the financial services industry. BDOCF is a member of FOS. FOS may be contacted directly via the details set out below.

Financial Ombudsman Service Limited

GPO Box 3 Melbourne VIC 3001

Toll free: 1300 78 08 08 Email: info@fos.org.au

BDO Corporate Finance (East Coast) Pty Ltd ABN 70 050 038 170 AFS Licence No. 247 420 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australia no company limited by guarantee. BDO Corporate Finance (East Coast) Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international ponetwork of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.



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Level 14, 140 William St MELBOURNE VIC 3000 Australia

The Directors Colorpak Limited 63 - 73 Woodlands Dr **BRAESIDE VIC 3195** 

23 February 2016

# Dear Directors

INDEPENDENT EXPERT'S REPORT IN RELATION TO THE PROPOSED ACQUISITION OF 100% EQUITY INTEREST IN COLORPAK LIMITED BY GRAPHIC PACKAGING INTERNATIONAL, INC. VIA A SCHEME OF ARRANGEMENT

#### Introduction

BDO Corporate Finance (East Coast) Pty Ltd (ABN 70 050 038 170) ("BDOCF", "we", "us" or "our") has been engaged by the Directors ("Directors") of Colorpak Limited ("Colorpak" or "the Company") to prepare an independent expert's report ("Report" or "IER"), setting out our opinion as to whether the proposed acquisition of all Colorpak ordinary shares by Graphic Packaging International, Inc. ("GPI") for the consideration of \$0.68 per Colorpak share inclusive of a fully franked dividend of up to \$0.11 per Colorpak share ("Proposed Transaction"), is fair and reasonable and as a result in the best interests of shareholders of Colorpak ("Colorpak Shareholders"), in the absence of a superior offer.

# **Proposed Transaction**

On 12 January 2016, Colorpak announced that it had entered into a scheme implementation deed ("Implementation Deed") with GPI under which it is proposed that GPI, through a wholly-owned subsidiary, will acquire all Colorpak ordinary shares by way of a court approved scheme of arrangement, subject to the approval of Colorpak Shareholders and other conditions precedent.

Subject to the Proposed Transaction coming into effect under section 411(10) of the Corporations Act 2001 (Cth) ("the Act"), all issued Colorpak shares will be transferred to GPI in exchange for total cash payment of \$0.68 per Colorpak share less any dividends declared by Colorpak after the Proposed Transaction was announced on 12 January 2016. We note that the total cash payment of \$0.68 per Colorpak Share is currently expected to comprise:

- A fully franked interim dividend of \$0.0125 per Colorpak share in respect of the half year ended 31 December 2015, as declared on 4 February 2016;
- A fully franked special dividend of up to \$0.0975 per Colorpak share to be determined by the board of directors of Colorpak ("Board"), subject to the Proposed Transaction being approved; and
- Cash per Colorpak share equal to \$0.68 less the dividends determined above, currently expected to be \$0.57.

Our analysis has been undertaken with reference to the total cash payments that Colorpak Shareholders will receive of \$0.68 per Colorpak share ("Consideration") if the Proposed Transaction is approved. We note that GPI may be required to pay up to \$0.6675 in the absence of any Special Dividend.

The following sets out the key conditions precedent in the Implementation Deed for the Proposed Transaction (although there are other conditions applicable):

- Approval from the Australian Securities and Investments Commission ("ASIC") and Australian Securities Exchange ("ASX")
- Colorpak Shareholders' approval

BDO Corporate Finance (East Coast) Pty Ltd ABN 70 050 038 170 AFS Licence No. 247 420 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australia nompany limited by guarantee. BDO Corporate Finance (East Coast) Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international Do network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.



- Court approval by the Supreme Court of Victoria
- An independent expert opinion that the Proposed Transaction is in the best interest of Colorpak Shareholders

# Purpose of Report

We have been appointed by the Directors to prepare an IER setting out our opinion as to whether the Proposed Transaction is fair and reasonable and as a result in the best interests of Colorpak Shareholders, in the absence of a superior proposal.

The Proposed Transaction is to be implemented pursuant to Section 411 of the Act.

Section 411(3) (in conjunction with part 3 of Schedule 8 of the Corporations Regulations 2001) of the Act requires that an explanatory statement issued in relation to a proposed scheme of arrangement under Section 411 of the Act be accompanied by a report prepared by an independent expert in the instances where a party to the scheme has a shareholding of at least 30% in the other party or where there are common directors.

In this case there is no obligation to commission a report prepared by an independent expert, however it is common, and expected by ASIC and the court, for a target to voluntarily commission an IER for inclusion in a scheme booklet or be accompanied by an IER which states whether, in the expert's opinion, the scheme is in the best interests of the target shareholders.

Accordingly, the Directors have requested that BDOCF prepare this IER to accompany the Transaction Documents required to be provided to the Colorpak Shareholders to enable them to assess the merits of the Proposed Transaction and to decide whether to approve the Proposed Transaction.

# **Summary of Opinion**

We have considered the terms of the Proposed Transaction as outlined in the body of this Report and have concluded that the Proposed Transaction is fair and reasonable and in the best interests of Colorpak Shareholders, in the absence of a superior proposal.

A summary of our analysis in forming the above opinion is provided below.

# Fairness Assessment

In determining whether the Proposed Transaction is in the best interests of Colorpak Shareholders we have had regard to ASIC Regulatory Guide 111 Content of expert reports ("RG 111").

RG 111.18 indicates that in circumstances where a scheme of arrangement is used to achieve a change of control, then ASIC expects a person preparing an IER is to perform substantially the same form of analysis as for a takeover bid made pursuant to Chapter 6 of the Act. RG 111 indicates that an independent expert would be able to conclude that the scheme of arrangement was in the best interests of the shareholders if they consider a proposal is "fair and reasonable."

An offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer. The value of the securities the subject of the offer is determined assuming:

- A knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length.
- 100% ownership of the target company, irrespective of the percentage holding of the bidder or its associates in the target company.

The Proposed Transaction will be fair to Colorpak Shareholders if the Consideration is equal to or greater than the value of the securities the subject of the offer (fair market value of a Colorpak share pre-transaction on a control basis).

The result of our fairness analysis is summarised below.

Table 1: Fairness assessment

Source: BDOCF analysis

Table 1, I diffies assessment			
Per Share	Ref	Low	High
Fair market value of a share in Colorpak prior to the Proposed Transaction (control basis)	6.1	0.64	0.74
Consideration	1.2	0.68	0.68



Consideration of \$0.68 per Colorpak share is within the range of values per share prior to the Proposed Transaction. Accordingly, the Proposed Transaction is considered to be fair to Colorpak Shareholders.

# Reasonableness Assessment

In accordance with RG 111 an offer is reasonable if it is fair. On this basis, the Proposed Transaction is reasonable for Colorpak Shareholders.

Set out below is a summary of other factors we have considered in our reasonableness assessment.

Table 2: Summary of factors considered in the reasonableness assessment

Advantages	
The Consideration falls within our assessed value of a Colorpak share	We have valued 100% of Colorpak's equity (prior to the Proposed Transaction) inclusive of premium for control ranging from a low of \$0.64 per share to a high of $\$0.74$ per share. Under the Proposed Transaction, CPI will acquire all of Colorpak shares for the Consideration of $\$0.68$ per share. The Consideration represents a premium of $6.3\%$ to the low end of our valuation range and a discount of $8.8\%$ to the high end of our valuation range, which includes a control premium.
Liquidity	Trading in Colorpak shares has been illiquid. The Proposed Transaction will provide the Colorpak Shareholders with an opportunity to realise value for their shares which otherwise may be limited.
Certainty	The Proposed Transaction provides Colorpak Shareholders with timing and value certainty of cash and removes their exposure to risks and uncertainties inherent in the continuing operation of Colorpak.
Premium over share trading price	The Consideration of \$0.68 per share represents a premium of 25.9% to Colorpak's closing share price on 11 January 2016 (the day prior to the announcement of the Proposed Transaction) and a 31.5% premium to the trailing three month VWAP.  In the absence of an alternative offer, Colorpak's share price is likely to decline if the Proposed Transaction does not proceed.
No brokerage fees	No brokerage is payable by the Colorpak Shareholders on the transfer of their shares under the Proposed Transaction. $ \\$
No alternative proposals	Prior to the announcement of the Proposed Transaction, the Directors of Colorpak held preliminary discussions with other potential acquirers. However, we are not aware of any previous offers, nor have any alternative offers emerged since the Proposed Transaction was announced.
Franking credits	If the Directors declare fully franked dividends of up to \$0.11 per share, the associated franking credit of \$0.047 may provide additional value to certain Colorpak Shareholders. Whether a Colorpak Shareholder is able to capture the full benefit of the franking credit depends on their specific tax circumstances.
Disadvantages	
No longer benefit in any upside achieved by Colorpak	If the Proposed Transaction is approved, Colorpak Shareholders will forgo their interest in Colorpak. Depending on the individual, this may diminish or remove their exposure to the packaging industry, eliminate the opportunity to benefit from a superior offer from another party and entitlement to potential future dividend income from Colorpak. It also eliminates any potential benefit from participating in its new business initiatives.
Potential capital gains tax	$\label{lem:capital} \textbf{Capital gains tax may be payable on the proceeds received from the Proposed Transaction depending on the individual Colorpak Shareholders' circumstances.}$

Source: BDOCF analysis

# Other Matters

# Shareholders' individual circumstances

Our analysis has been undertaken, and our conclusions are expressed at an aggregate level. Accordingly, BDOCF has not considered the effect of the Proposed Transaction on the particular circumstances of individual Colorpak Shareholders. Some individual Colorpak Shareholders may place a different emphasis on various aspects of the Proposed Transaction from that adopted in this IER. Accordingly, individual Colorpak Shareholders may reach different conclusions as to whether or not the Proposed Transaction is fair and reasonable and in the best interests in their individual circumstances.

The decision of an individual Colorpak Shareholder in relation to the Proposed Transaction may be influenced by their particular circumstances and accordingly Colorpak Shareholders are advised to seek their own independent advice.



Approval or rejection of the Proposed Transaction is a matter for individual Colorpak Shareholders based on their expectations as to the expected value and future prospects and market conditions together with their particular circumstances, including risk profile, liquidity preference, portfolio strategy and tax position. Colorpak Shareholders should carefully consider the Transaction Documents. Colorpak Shareholders who are in doubt as to the action they should take in relation to the Proposed Transaction should consult their professional adviser. Capitalised terms used in this Report have the meanings set out in the glossary.

# **Current Market Conditions**

Our opinion is based on economic, market and other conditions prevailing at the date of this IER. Such conditions can change significantly over relatively short periods of time.

Changes in those conditions may result in any valuation or other opinion becoming quickly outdated and in need of revision. We reserve the right to revise any valuation or other opinion, in light of material information existing at the valuation date that subsequently becomes known to us.

## Sources of Information

Appendix 2 to the IER sets out details of information referred to and relied upon by us during the course of preparing this IER and forming our opinion.

The statements and opinions contained in this IER are given in good faith and are based upon our consideration and assessment of information provided by Colorpak.

Under the terms of our engagement, Colorpak agreed to indemnify the partners, directors and staff (as appropriate) of BDO East Coast Partnership and BDOCF and their associated entities, against any claim, liability, loss or expense, costs or damage, arising out of reliance on any information or documentation provided by Colorpak which is false or misleading or omits any material particulars, or arising from failure to supply relevant information.

# Limitations

This IER has been prepared at the request of the Directors for the sole benefit of the Directors and Colorpak Shareholders to assist them in their decision to approve or reject the Proposed Transaction. This IER is to accompany the Transaction Documents to be sent to Colorpak Shareholders to consider the Proposed Transaction and was not prepared for any other purpose.

Accordingly, this IER and the information contained herein may not be relied upon by anyone other than the Directors and Colorpak Shareholders without our written consent. We accept no responsibility to any person other than the Directors and Shareholders in relation to this IER.

This IER should not be used for any other purpose and we do not accept any responsibility for its use outside this purpose. Except in accordance with the stated purpose, no extract, quote or copy of our IER, in whole or in part, should be reproduced without our written consent, as to the form and context in which it may appear.

We have consented to the inclusion of the IER with the Transaction Documents. Apart from this IER, we are not responsible for the contents of the Transaction Documents or any other document associated with the Proposed Transaction. We acknowledge that this IER may be lodged with regulatory authorities.

This summary should be read in conjunction with the attached IER that sets out in full, the purpose, scope, basis of evaluation, limitations, information relied upon, analysis and our findings.

A glossary of terms used throughout this IER is set out in Appendix 1.



# Financial Services Guide

BDOCF holds an Australian Financial Services Licence which authorises us to provide reports for the purposes of acting for and on behalf of clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate restructures or share issues. A financial services guide is attached to this IER.

Yours faithfully

BDO CORPORATE FINANCE (EAST COAST) PTY LTD

Stephen Seear Director

David McCourt Director

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# TABLE OF CONTENTS

	PURPOSE AND BACKGROUND	
	Purpose	
	Proposed Transaction	
1.3.	Conditions precedent	. 1
1.4.	Post Proposed Transaction	. 1
2.	SCOPE AND LIMITATIONS	. 2
2.1.	Scope	. 2
	Summary of Regulatory Requirements	
	Basis of Assessment	
	Special Value	
	Reliance on Information	
	Limitations.	
	Assumptions	
	PROFILE OF COLORPAK.	
	Overview	
	Business Operations	
3.3.	Brands	
	Strengths, Weaknesses, Opportunities and Threats.	
	Customers	
	Location	
	Historical Financial Information	
	Capital Structure and Ownership	
	Senior Executive Incentive Scheme	
	Share price analysis	
4.	INDUSTRY	
	Overview	
	Key drivers	
	Current performance	
4.4.	Market share - Australia	20
4.5.	Market share - New Zealand	21
	Industry outlook	
5.	VALUATION METHODOLOGY	23
5.1.	Valuation methods	23
5.2.	Selected valuation methods for Colorpak	23
	Other valuation considerations	
	VALUATION OF COLORPAK	
	Fair market value of Colorpak using COE method	
	COE approach	
	Normalised earnings	
	Capitalisation multiple	
	Value of debt	
	Expansion	
	Transaction costs	
6.8.	Shares outstanding	3(
	Valuation cross check - QMP approach	
	FAIRNESS ASSESSMENT	
	Fairness assessment	
	REASONABLENESS ASSESSMENT	
	Advantages	
	Disadvantages	
	QUALIFICATIONS, DECLARATIONS AND CONSENTS	
	Qualifications	
	Independence	
	Disclaimer	
	DIX 1: GLOSSARY	
	DIX 2: SOURCES OF INFORMATION	
APPENI	DIX 3: VALUATION METHODS - BUSINESSES AND ASSETS	38
APPENI	DIX 4: COMPARABLE COMPANY DESCRIPTIONS	40
APPENI	DIX 5: COMPARABLE COMPANY MULTIPLES	41
	DIX 6: TRANSACTION MULTIPLES	



# PURPOSE AND BACKGROUND

### 1.1. Purpose

We have been appointed by the Directors to prepare an IER setting out our opinion as to whether the Proposed Transaction is fair and reasonable and as a result in the best interest of Colorpak Shareholders, in the absence of a superior proposal.

This IER is to accompany the Transaction Documents required to be provided to Colorpak Shareholders. It has been prepared to assist and enable Colorpak Shareholders assess the merits of the Proposed Transaction and to decide whether to approve the Proposed Transaction.

A summary of the background to the terms of the Proposed Transaction is set out below.

# 1.2. Proposed Transaction

Colorpak has entered into an Implementation Deed with GPI under which it is proposed that GPI, through a wholly-owned subsidiary, will acquire all Colorpak Shares by way of a court approved scheme of arrangement, subject to Colorpak Shareholders' approval and other conditions precedent.

If the Proposed Transaction is approved and becomes effective, all issued Colorpak shares will be transferred to GPI in exchange for a total consideration of \$0.68 per Colorpak share less any dividends declared by Colorpak after the Proposed Transaction was announced on 12 January 2016.

The Directors of Colorpak intend to declare total dividends of up to \$0.11 per share. This amount includes the fully franked interim dividend of \$0.0125 per share declared on 4 February 2016 in respect of the half year ending 31 December 2015 and, subject to the Proposed Transaction being approved, a fully franked special dividend.

Our analysis has been undertaken by reference to the total Consideration receivable by Colorpak Shareholders of up to \$0.68 per Colorpak share if the Proposed Transaction is approved.

# 1.3. Conditions precedent

The Proposed Transaction is subject to various conditions. Key condition precedents are as follows (although there are other conditions applicable):

- Necessary consents, approvals authorisations or other acts to implement the Proposed Transaction from ASIC and ASX before 8am on the second court date
- Approval of the Proposed Transaction by Colorpak Shareholders
- Court approval by the Supreme Court of Victoria
- An independent expert opinion that the Proposed Transaction is in the best interest of Colorpak Shareholders.
- No 'material adverse change' as described in the Implementation Deed
- No 'prescribed occurrence' as described in the Implementation Deed.

# 1.4. Post Proposed Transaction

If the Proposed Transaction is successful, Colorpak will become a wholly owned subsidiary of GPI and will subsequently be de-listed from the ASX.

1



# **SCOPE AND LIMITATIONS**

### 2.1. Scope

The scope of the procedures we undertook in forming our opinion on whether the Proposed Transaction is fair and reasonable and in the best interests of Colorpak Shareholders has been limited to those procedures we believe are required in order to form our opinion. Our procedures did not include verification work nor constitute an audit or assurance engagement in accordance with Australian Auditing and Assurance Standards.

Our assessment involved determining the "fair market value" of various securities, assets and liabilities. For the purposes of our opinion, the term "fair market value" is defined as the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing, but not anxious purchaser and a knowledgeable, willing, but not anxious vendor, acting at arm's length.

# 2.2. Summary of Regulatory Requirements

The Directors have engaged us to prepare a Report in relation to the Proposed Transaction to satisfy the requirements of:

- ASIC Regulatory Guide 60 'Schemes of Arrangement' ("RG 60").

The regulatory requirements relevant to this IER are summarised below.

# Section 411 of the Act and RG 60

The Proposed Transaction is to be implemented pursuant to Section 411 of the Act.

Section 411(3) (in conjunction with part 3 of Schedule 8 of the Corporations Regulations 2001) of the Act requires that an explanatory statement issued in relation to a proposed scheme of arrangement under Section 411 of the Act be accompanied by a report prepared by an independent expert in the instances where a party to the scheme has a shareholding of at least 30% in the other party or where there are common directors.

In this case there is no obligation to commission a report prepared by an independent expert, however it is common, and expected by ASIC and the court, for the target to voluntarily commission an IER for a scheme booklet to include or be accompanied by an IER which states whether, in the expert's opinion, the scheme is in the best interests of target shareholders.

Accordingly, the Directors have requested that BDOCF prepare this IER to accompany the Transaction Documents to be provided to the Colorpak Shareholders to assist the Colorpak Shareholders to assess the merits of the Proposed Transaction and to decide whether to approve the Proposed Transaction.

# 2.3. Basis of Assessment

In determining whether the Proposed Transaction is in the best interests of Colorpak Shareholders we have had regard to:

- RG 111 'Content of expert reports'
- Regulatory Guide 112 'Independence of experts' ("RG 112").

RG 111.18 indicates that in circumstances where a scheme of arrangement is used to achieve a change of control, then ASIC expects a person preparing an IER is to perform substantially the same form of analysis as for a takeover bid made pursuant to Chapter 6 of the Act.

RG 111 establishes two distinct criteria for an expert analysing a control transaction. The tests are:

- Is the offer 'fair'?
- Is it 'reasonable'?

RG 111 indicates that an independent expert would be able to conclude that the scheme of arrangement was in the best interests of the shareholders if they consider a proposal is "fair and reasonable."



The terms fair and reasonable are regarded as separate elements and are not regarded as a compound phrase.

In undertaking our fairness opinion we have had regard to RG 111.

RG 111.11 indicates that an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer. The value of the securities the subject of the offer is determined assuming:

- A knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length.
- 100% ownership of the target company, irrespective of the percentage holding of the bidder or its associates in the target company.

The Proposed Transaction will be fair if the Consideration is equal to or greater than the value of the securities the subject of the offer (fair market value of a Colorpak share pre-transaction on a control basis).

### Reasonable

In accordance with paragraph 12 of RG 111, an offer is 'reasonable' if it is 'fair'. An offer could be considered 'reasonable' if there are valid reasons to approve it (in the absence of any higher bid before the close of the offer), notwithstanding that it may not be regarded as 'fair'.

RG 111.13 sets out some of the factors that an expert might consider in assessing the reasonableness of an offer, including:

- The bidder's pre-existing voting power in securities in the target.
- Other significant security holding blocks in the target.
- The liquidity of the market in the target's securities.
- Taxation losses, cash flow or other benefits through achieving 100% ownership of the target.
- Any special value of the target to the bidder, such as particular technology, the potential to write off outstanding loans from the target, etc.
- The likely market price if the offer is unsuccessful.
- The value to an alternative bidder and likelihood of an alternative offer being made.

Further, RG 111.26 states that an issue of shares for cash may have other benefits that should be considered in deciding whether the transaction is reasonable. These benefits may include:

- The provision of new capital to exploit business opportunities
- A reduction in debt and interest payments, or
- A needed injection of working capital.

# General requirements in relation to the IER

In preparing the IER, ASIC requires the independent expert when deciding on the form of analysis for a report, to bear in mind that the main purpose of the report is to adequately deal with the concerns that could reasonably be anticipated of those persons affected by the Proposed Transaction. In preparing the IER we considered the necessary legal requirements and guidance of the Act, ASIC regulatory guides and commercial practice.

The IER also includes the following information and disclosures:

- Particulars of any relationship, pecuniary or otherwise, whether existing presently or at any time within the last two years, between BDO East Coast Partnership or BDOCF and any of the parties to the Proposed Transaction.
- The nature of any fee or pecuniary interest or benefit, whether direct or indirect, that we have received or will or may receive for or in connection with the preparation of the IER.



- We have been appointed as independent expert for the purposes of providing an IER for the Documents.
- That we have relied on information provided by the Board and management of Colorpak and that we have not carried out any form of audit or independent verification of the information provided.
- That we have received representations from the Board in relation to the completeness and accuracy of the information provided to us for the purpose of our IER.

### 2.4. Special Value

We have not considered special value in forming our opinion. Special value is the amount that a potential acquirer may be prepared to pay for a business in excess of the fair market value. This premium represents the value to the particular potential acquirer of potential economies of scale, reduction in competition, other synergies and cost savings arising from the acquisition under consideration not available to likely purchasers generally. Special value is not normally considered in the assessment of fair market value as it relates to the individual circumstances of special purchasers.

### 2.5. Reliance on Information

This IER is based upon financial and other information provided by the Board and management of Colorpak. We have considered and relied upon this information. Unless there are indications to the contrary, we have assumed that the information provided was reliable, complete and not misleading, and material facts were not withheld. The information provided was evaluated through analysis, inquiry and review for the purpose of forming an opinion as to whether the Proposed Transaction is fair and reasonable and in the best interests of Colorpak Shareholders in the absence of a superior proposal.

We do not warrant that our inquiries have identified or verified all of the matters which an audit, extensive examination or "due diligence" investigation might disclose. In any event, an opinion as to whether a corporate transaction is fair and reasonable is in the nature of an overall opinion rather than an audit or

It is understood that the accounting information provided to us was prepared in accordance with generally accepted accounting principles.

Where we relied on the views and judgement of management the information was evaluated through analysis, inquiry and review to the extent practical. However, such information is often not capable of direct external verification or validation.

Under the terms of our engagement, Colorpak has agreed to indemnify BDOCF and BDO East Coast Partnership, and their partners, directors, employees, officers and agents (as applicable) against any claim, liability, loss or expense, costs or damage, arising out of reliance on any information or documentation provided, which is false or misleading or omits any material particulars, or arising from failure to supply relevant documentation or information.

We acknowledge that this IER may be lodged by the Board with regulatory and statutory bodies and will be included in the Transaction Documents to be sent to the Colorpak Shareholders. The Board acknowledges that our IER has been prepared solely for the purposes noted in the Transaction Documents and accordingly we disclaim any responsibility from reliance on the IER in regard to its use for any other purpose. Except in accordance with the stated purposes, no extract, quote or copy of the IER, in whole or in part, should be reproduced without our prior written consent, as to the form and context in which it may appear.

It was not our role to undertake, and we have not undertaken any commercial, technical, financial, legal, taxation or other due diligence, other similar investigative activities in respect of Colorpak. We understand that the Board has been advised by legal, accounting, tax and other appropriate advisors in relation to such matters as necessary. We provide no warranty or guarantee as to the existence, extent, adequacy, effectiveness and/or completeness of any due diligence or other similar investigative activities by the Board

We note that the IER does not deal with the individual investment circumstances of Colorpak Shareholders and no opinion has been provided in relation to same. Some individual Colorpak Shareholders may place a different emphasis on various aspects of the Proposed Transaction from that adopted in our IER.



Accordingly, individuals may reach different conclusions on whether or not the Proposed Transaction is fair and reasonable and in their best interests. An individual Colorpak Shareholder's decision in relation to the Proposed Transaction may be influenced by their particular circumstances and, therefore, Colorpak Shareholders are advised to seek their own independent advice.

Apart from the IER, we are not responsible for the contents of the Transaction Documents or any other document. We have provided consent for inclusion of the IER in the Transaction Document. Our consent and the Transaction Documents acknowledge that we have not been involved with the issue of the Transaction Documents and that we accept no responsibility for the Transaction Documents apart from the IER.

# 2.7. Assumptions

In forming our opinion, we have made certain assumptions and outline these in our IER including:

- Assumptions outlined in the valuation sections.
- That matters such as title to all relevant assets, compliance with laws and regulations and contracts in place are in good standing, and will remain so, and that there are no material legal proceedings, other than as publicly disclosed.
- Information sent out in relation to the Proposed Transaction to Colorpak Shareholders or any regulatory or statutory body is complete, accurate and fairly presented in all material respects.
- Publicly available information relied on by us is accurate, complete and not misleading.
- If the Proposed Transaction is implemented, that it will be implemented in accordance with the stated
- The legal mechanisms to implement the Proposed Transaction are correct and effective.
- There are no undue changes to the terms and conditions of the Proposed Transaction or complex issues unknown to us.



# PROFILE OF COLORPAK

### 3.1. Overview

Colorpak is an Australian packaging company that produces a wide range of packaging products. It was listed on the ASX in 2004. The Company specialises in the structural design and production of folding cartons, paper cups and lids, printed leaflets, printed blister and lidding foils, printed self-adhesive labels, point of sale displays and other value-added paperboard packaging products.

Its foundation can be traced back to the 1920s. Colorpak's modern history started in 1985 under the stewardship of Walter Commins where it grew its operations organically and via strategic acquisitions. Currently, Colorpak has approximately 562 employees and operates from three sites located in Melbourne, Sydney and Auckland, New Zealand.

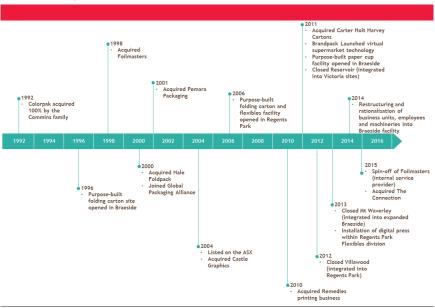
Colorpak's products cater for a diverse range of end-user markets, from high quality premium branded products (pharmaceutical, healthcare, cosmetics and fragrances, personal care, premium wine and technology) to fast moving consumer goods (beverage, confectioneries, food and everyday consumer

The Company provides the following specialist packaging services:

- Folding cartons
- Self-adhesive labels & leaflets
- Foil and multi-laminate flexible printing
- Embellishments (foil stamping and embossing)
- Structural and graphic design and in-house die making
- Digital printing on multiple substrates
- Waterless printing
- Digital pre-press.

Chronological events in the growth of Colorpak are illustrated below:

Table 3: Chronological events



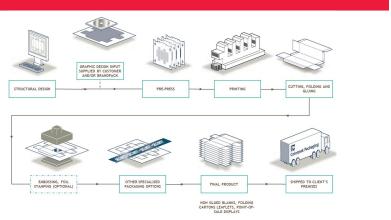
Source: Colorpak management



# 3.2. Business Operations

An overview of Colorpak's production process is illustrated below:

Table 4: Colorpak production process diagram for folding cartons



Source: Colorpak management

# 3.2.1. Structural Design

Colorpak/Brandpack has an in-house team who work closely with customers to create tailored packaging solutions that meet customer's specific marketing and regulatory requirements. Computer aided design technology is used to create structural design templates, which are then approved by the customer.

# 3.2.2. Pre-Press

Once supplied with artwork in an electronic format, Colorpak uses a pre-press process to ensure the graphic design is compatible with the structural design template. A digital proof is produced for customer's approval. Once approved, Colorpak produces a set of printing plates which are used in the printing process.

#### 3.2.3. **Printing**

The type of paperboard and inks required to achieve the desired look and feel of the packaging is determined by the customer's specifications. Colorpak uses an on-site ink supplier to ensure unlimited supply of inks.

# Cutting, Folding and Gluing

Colorpak uses advanced systems and laser-cut formes to produce millimetre accurate packaging. The formes are stringently tested for creaseability and functionality to ensure they meet the demands of the auto-packaging machines used by many of Colorpak's customers.

#### **Embossing and Foil Stamping** 3.2.5.

Colorpak offers optional embossing and foil stamping applications to create the customer's desired effect.

# **Specialised Packaging Options**

Many of Colorpak's customers, particularly in the pharmaceuticals industry, require specialised packaging solutions due to regulation. Examples of packaging requirements include tamper-evident designs, binary code verification, complete leaflet technology and high strength cartons.



# Shipped to Customer's Premises

Finished goods are shipped flat to customer's premises before being assembled and filled on the customer's production line.

### 3.3. Brands

Colorpak operates its business through its four branded services.

#### 3.3.1. Colorpak

The core business of Colorpak is in the manufacturing of folding cartons. Under the umbrella of the Colorpak brand, the Company provides a comprehensive range of packaging services using the latest technology and observing up-to-date packaging trends.

Main products offered include folding cartons, paper cups and flexible materials such as film and foil. Various additional products are offered such as self-adhesive labels and leaflets. Digital print solutions on many substrates, including cartonboard and flexible materials are a rapidly growing area of Colorpak's business.

#### 3.3.2. Brandpack

In 2011, Colorpak launched its new brand, Brandpack in conjunction with its acquisition of the folding carton operations (Montage Graphics) from Carter Holt Harvey Packaging Pty Ltd.

Brandpack is responsible for design and branding. Brandpack has packaging architects with technical expertise that develop tailored solutions based on customer desires. Brandpack assists with a range of specifications of packaging products, including the physical design of the product, the materials used, the graphics and pre-press design, and high quality finishing options for premium and luxury brands. Brandpack also offers Digital Asset Management to track and protect products.

In 1998, Colorpak acquired Foilmasters Pty Ltd, a small trade supplier of foil stamping and embossing to the printing industry. Over the years, Colorpak offered embellishing services to customers other than packaging customers.

In May 2015, Colorpak restructured the Foilmasters business operations to focus on its core carton packaging operations. It spun off the non-packaging client list and most of the associated facilities to third party Matte Gold. Colorpak retained the Foilmasters brand for embellishing work for its own packaging customers.

As part of customers' branding services, Colorpak offers embossing, laminating and foil stamping as optional finishing touches.

#### 3.3.4. Pharmakit

In 2004, Colorpak launched its Pharmakit service model. Pharmakit offers services specific to the pharmaceutical industry.

Pharmaceutical clients require very high standards of packaging given the high level of regulation in the pharmaceutical industry, particularly around product purity, product security and product information. Pharmakit was developed by Colorpak to simplify the onsite packaging process for pharmaceutical clients, thereby saving clients' time and reducing errors, resulting in lower total packaging costs. Pharmakit assists with all facets of the packaging supply chain, including consumer information leaflets, printed blister foils, self-adhesive labels, flexible packaging and cartons.



# 3.4. Strengths, Weaknesses, Opportunities and Threats

Tabled below are the strengths, weaknesses, opportunities and threats ("SWOT") of Colorpak:

### Table 5: SWOT analysis

## Strengths

# Colorpak has a strong market presence in Australia. It holds approximately 21.5% of the Australian folding carton market and 26% of the New Zealand folding carton market.

- As the first specialist folding cartons business in Australia, Colorpak has a history of focusing on quality evidenced by its adherence to ISO14001 standards. Colorpak's focus on quality leads to increased customer loyalty, which enhances its operational performance.
- Some of Colorpak's customers include leading global listed companies in a diverse range of industries, with particular competitive strength on the pharmaceutical and healthcare markets. Exposure to a range of industries decreases Colorpak's exposure to market volatility in particular industries.

### Weaknesses

- Colorpak is dependent on the Australian and New Zealand markets, with the vast majority of its revenue coming from these countries. This is in contrast to some of Colorpak's major competitors, such as Amcor and Orora, which derive revenue from America, Europe, Asia-Pacific and the Middle East.
- Colorpak has a narrow product range relative to larger industry competitors. Opportunities for expansion are also limited.
- Colorpak is relatively highly geared compared to some of its competitors. The cost of the Carter Holt Harvey acquisition (mainly via subsequent restructuring costs) has led to an increase in the level of debt.

# Opportunities

- Colorpak has invested continuously to find new business initiatives, such as the expansion of the Braeside facility and numerous acquisitions in the Company's history. These expansions have helped the company gain market share and increase revenues.
- Colorpak principally manufactures and markets folding cartons. Colorpak's flexible packaging provides an opportunity for growth. The flexible packaging sub-sector within the packaging industry is growing as it offers innovative packaging formats, convenience and lower waste generation.
- Margins can be improved and/or maintained through synergistic vertical integration with suppliers of paperboard. There is no significant presence of foreign paperboard suppliers in Australia. A vertical integration with Colorpak would enhance a prospective paperboard supplier's presence in Australia.
- Current depreciation in the Australian dollar against US dollar may give rise to higher prices for imported goods. Competition from imports may lessen due to weaker Australian dollar.

# Threats

- Volatility in some of Colorpak's key inputs, particularly basic wood pulp prices, may affect the operational costs of the company. Wood pulp prices are largely affected by the price of coking coal, iron ore and oil, all of which have experienced significant volatility in recent years. Colorpak also faces difficulties in passing off the effect of volatile input costs to customers due to tough competition within the packaging industry.
- Competition within the packaging industry is high, irrespective of the scale of operations and end-use segments. Merger activity is relatively high within the industry, and consolidation has led to large companies able to operate on thinner margins, putting pressure on smaller companies.
- The packaging industry is subject to various stringent regulations, which impose high environmental protection standards. Compliance with these standards forces companies to incur additional costs, while violations can be particularly costly.
- Competition from imports may increase as Australian dollar rises.
- Changes in technology may result in higher capital expenditure requirement to keep up with demand.

Source: Colorpak management BDOCF analysis



# 3.5. Customers

The Company's blue chip customer base includes high profile brand names such as GPI, Coca Cola, Nestle, Mars, GlaxoSmithKline, Mondoléz, Steggles, Ingham etc.

Table 6: Top 10 Customers

Top 10 Customers	FY15 \$'million	Percentage of total revenue	Term of Relationship
Customer A	23.3	14.6%	9 years
Customer B	6.8	4.2%	40 years
Customer C	4.5	2.8%	10 years
Customer D	5.4	3.4%	10 years
Customer E	5.0	3.1%	10 years
Customer F	4.6	2.9%	15 years
Customer G	4.2	2.6%	10 years
Customer H	4.0	2.5%	9 years
Customer I	3.9	2.4%	15 years
Customer J	3.8	2.4%	15 years
Total	65.5	40.9%	-

Source: Colorpak management

The top 10 customers of Colorpak contributed 40.9% of total revenue in the financial year ended 30 June 2015 ("FY15").

# 3.6. Location

The map below illustrates the location of Colorpak's operations:

Table 7: Business premises



Source: Colorpak management

The Company's New Zealand operations are carried out through its wholly owned subsidiary, Colorpak NZ Limited.



# 3.7. Historical Financial Information

#### 3.7.1. Financial Performance

The historical income statements of Colorpak are set out in the table below. We note that the income statements for FY13 to FY15 are audited results. The six months financials for the period ended 31 December 2015 ("HY16") are results from Colorpak's appendix 4D half yearly report.

Table 8: Statements of financial performance of Colorpak

\$'000 unless stated otherwise	FY13	FY14	FY15	HY10
	Audited	Audited	Audited	Unaudite
Revenue	171,676	160,207	159,592	78,46
Other revenues from external customers	2,306	1,665	1,561	73
Other income	3,499	-	11	
Changes in inventories of finished goods and work in progress	(740)	1,049	1,531	38
Raw materials and consumables	(75,592)	(71,538)	(71,871)	(35,729
Other indirect manufacturing costs	(14,796)	(14,355)	(14,431)	(7,346
Employees benefits expense	(56,246)	(54,669)	(53,173)	(25,030
Occupancy costs	(7,445)	(5,642)	(6,452)	(3,488
Other expenses	(4,491)	(3,871)	(3,946)	(1,657
Impairment of non-current assets	-	(15,000)	(239)	
Restructuring costs	-	(2,818)	-	(70-
Legal settlement (inclusive of associated costs)	-	-	-	(250
Takeover transaction costs	-	-	-	(91
Earnings before interest, taxation, depreciation and amortisation	18,171	(4,972)	12,583	5,28
Depreciation and amortisation	(4,364)	(4,735)	(4,951)	(2,466
Earnings before interest and taxation	13,807	(9,707)	7,632	2,81
Interest income	35	30	24	
Interest expense	(3,099)	(2,748)	(2,581)	(993
Profit before taxation	10,743	(12,425)	5,075	1,83
Income tax	(3,249)	(763)	(1,703)	(479
NPAT	7,494	(13,188)	3,372	1,35
Key performance indicators				
Revenue growth	n/a	(6.7%)	(0.4%)	nı
EBITDA margin	10.6%	(3.1%)	7.9%	6.7
EBIT margin	8.0%	(6.1%)	4.8%	3.6

Source: 2014 and 2015 annual reports, HY16 appendix 4D half yearly report Note 1: n/a - not available, nm - not meaningful

In relation to the Company's income statements, we note the following:

- Revenue has declined by approximately 6.7% from FY13 to FY15.
- Other revenues from external customers relate to waste income from board and metal, training subsidies, working capital recharges to customers, freight recharges to customers, telecommunication tower rentals and supplier rebates.
- Other income in FY13 relates to the acquisition of unfavourable customer contracts in March 2011 in connection with the acquisition of Carter Holt Harvey folding carton business. Colorpak has since met all the obligations under those unfavourable contracts and in June 2013 the final unfavourable customer contract was renegotiated. The amount of approximately \$3.5 million was recorded as revenue in respect of the upside from the renegotiation whilst the actual revenue and costs incurred in meeting the obligations formed part of the normal operations.



- According to Colorpak management, despite the challenges faced by the industry the Company has maintained a gross margin of approximately 28% since FY13. This is largely due to management's efforts to rationalise business operations and plant locations to reduce costs.
- Employee benefits expense declined by 5.5% from FY13 to FY15 due to a decrease in staff numbers through redundancies and natural attrition from approximately 820 employees immediately after the Carter Holt Harvey acquisition to the current level of 562 employees, combined with a 12 month wage freeze covering FY15.
- The earnings before interest, taxation, depreciation and amortisation ("EBITDA") for FY14 were negative due to a goodwill impairment charge of approximately \$15.0 million and restructuring costs of approximately \$2.8 million.
- FY15 EBITDA growth and margins improved against FY14 results; however, there is minimal change from FY14 performance barring the adverse effect of the significant one-off costs observed in FY14.
- In FY15, Colorpak acquired a small pre-press business (The Connection Pty Ltd) for a total purchase consideration of approximately \$0.3 million in exchange for its customer list that is expected to contribute approximately \$1.0 million, assets as well as inventory worth approximately \$0.3 million. In addition, six employees were also taken on as part of the acquisition. This business has been integrated into the Brandpack business. This acquisition was not disclosed in FY15 financial statements as it was not considered to be a material transaction.
- In May 2015, Colorpak spun off the non-packaging client list from the Foilmasters business operations and most of the associated facilities. The Company retained the Foilmasters brand for embellishing work for its own packaging customers.
- As at 30 June 2015, the Company reported a contingent liability up to \$807,000 arising from the letter of demand received from the liquidators of one of its former customers on 4 February 2014. Since then the Company has agreed to a settlement of \$200,000 to be paid on 1 March 2016 to settle the claim.
- The HY16 results include one-off costs amounting to \$1.045 million in relation to redundancies, legal settlement and takeover transaction costs.

The underlying earnings of Colorpak are summarised in the table below.

	Table 9:	Underlying	EBITDA
--	----------	------------	--------

\$'000 unless stated otherwise	FY13 Audited	FY14 Audited	FY15 Audited	HY16 Unaudited
Reported EBITDA	18,171	(4,972)	12,583	5,285
Add/(Less):				
Impairment of non-current assets	-	15,000	239	-
Restructuring costs	-	2,818	-	704
Legal settlement	-	-	-	250
Takeover transaction costs	-	-	-	91
Unfavourable contracts	(3,499)	-	-	-
Underlying EBITDA	14,672	12,846	12,822	6,330
Underlying EBITDA margin	8.5%	8.0%	8.0%	8.1%

Source: 2014 and 2015 annual reports, HY16 appendix 4D half yearly report, BDOCF analysis

In relation to the Company's underlying EBITDA, we note the following:

- Impairment of non-current assets The FY15 impairment charge relates to the mothballing of certain equipment, while the FY14 impairment of goodwill was due to management's assessment of the recoverable amount of goodwill taking into account manufacturing performance, technology, the economic environment and other factors.
- Restructuring costs These costs relate to redundancy payments, premises make good provisions, moving costs, write-down of non-current assets and loss of disposal of equipment.



- Legal settlement This relates to the settlement of a claim brought against Colorpak by the liquidators of one of Colorpak's former customers. This had previously been disclosed as a contingent liability in Colorpak's annual report for the year ended 30 June 2015.
- Takeover transaction costs This is in relation to consultancy fees incurred to 31 December 2015 for the Proposed Transaction. We have excluded this one-off item to reflect the normalised earnings of the Company.

#### 3.7.2. Growth in niche packaging segment

As part of a recent strategic review, Colorpak management has entered into agreements to expand its footprint in a niche packaging segment ("Expansion"), which is not reflected in the historical earnings of

Details of the Expansion are subject to commercial sensitivity. However, highlights of the initiative are as

- Requires an upfront investment for equipment and buildings to be funded by way of leases and operating cash flows, as well as investment in working capital.
- The investment is being underwritten by a five year customer contract, which includes a two year exclusivity period.
- Installation and building works are expected to be completed around April 2016.
- Volumes will ramp-up over a three to four year period.
- It was approved by the Board in late 2015.

The Expansion is expected to be cash flow positive within two to three years. However, the impact on the ongoing earnings of Colorpak is subject to a number of uncertainties, including:

- The timing and extent of the volume ramp up and all operating costs occurring as projected by management.
- The Expansion may generate a competitive response that potentially results in additional one-off costs being incurred due to the loss of existing customers and margin.
- The Expansion will require investment in an IT system that is sector specific and sufficiently scalable to support planned future growth, the cost of which has not yet been fully assessed.
- There are operational risks, as the Expansion will involve developing some new capability and will therefore require investment in recruiting and training of new staff.
- The performance of the Expansion beyond the contracted period will be subject to normal market risks and a continued presence in the segment will require ongoing investment in new equipment.



#### 3.7.3. Historical Statements of Financial Position

The audited statements of financial position of Colorpak as at 30 June 2013, 30 June 2014 and 30 June 2015, as well as the Company's unaudited statement of financial position as at 31 December 2015 from its appendix 4D half yearly report, are set out below:

Table 10: Statements of financial position of Colorpak

\$'000 unless stated otherwise	30-Jun-13	30-Jun-14	30-Jun-15	31-Dec-15
CURRENT ASSETS				
Cash and cash equivalents	4	3	3	3
Trade and other receivables	25,421	26,229	25,045	26,902
Inventories	23,391	26,010	27,719	31,212
Income tax receivable	436	28	416	416
Other current assets	2,333	1,478	1,599	1,389
	51,585	53,748	54,782	59,922
NON-CURRENT ASSETS				
Property, plant & equipment	40,147	42,937	39,674	37,809
Goodwill and intangible assets	46,134	31,134	31,134	31,134
Deferred income tax asset	3,117	2,375	660	341
	89,398	76,446	71,468	69,284
TOTAL ASSETS	140,983	130,194	126,250	129,206
CURRENT LIABILITIES				
Trade and other payables	17,423	22,541	23,859	24,228
Overdraft	1,520	1,373	1,446	988
Provisions	9,252	7,672	7,823	7,411
Derivative financial instruments	184	15	193	69
_	28,379	31,601	33,321	32,696
NON-CURRENT LIABILITIES				
Interest-bearing loans and borrowings	31,475	38,000	30,000	32,000
Provisions	8,738	4,098	3,325	3,204
Derivative financial instruments	535	569	369	314
_	40,748	42,667	33,694	35,518
TOTAL LIABILITIES	69,127	74,268	67,015	68,214
NET ASSETS	71,856	55,926	59,235	60,992
Key performance indicators				
Gearing ratio (Total debt / Net assets)	47%	71%	54%	55%
Working capital (Current assets - Current liabilities, debt/cash free)	23,206	22,147	21,461	27,226
Funds employed (Working capital + fixed assets)	63,353	65,084	61,135	65,035
Net tangible assets	25,722	24,792	28,101	29,858
Number of shares	81,537,151	81,537,151	85,715,724	88,202,525
Net assets per share	0.88	0.69	0.69	0.69
Net tangible assets per share	0.32	0.30	0.33	0.34

Source: 2014 and 2015 annual reports, HY16 appendix 4D half yearly report, BDOCF analysis

We note the following in relation to the Company's balance sheet information:

- Property, plant and equipment (PP&E) PP&E is depreciated on a straight-line basis. Approximately 90% of total PP&E is comprised of Plant & equipment with depreciation rates varying from 7.5% to 20%. PP&E capital expenditure in FY13, FY14 and FY15 totalled to approximately \$2.5 million, \$6.7 million and \$1.5 million, respectively. All Property, plant and equipment is securitised under the existing
- $Goodwill\ \hbox{--} Goodwill\ \hbox{acquired through business combinations is subject to impairment testing.}\ Goodwill$ was impaired by \$15.0 million in FY14.



Interest bearing debt - Tabled below is a summary of the terms on Colorpak's interest bearing loans.

Table 11: Interest bearing debt

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\$'000 unless stated otherwise	Drawn down 31-Dec-15	Tranche 1 Expiry date	Tranche 2 Expiry date
Bank loans	32,000	31 Jan 2017	31 Jan 2018
Overdraft	988	30 April 2016	-
Total	32,988		

Source: 2015 annual reports, Colorpak management

Bank loans increased by 6.7% to \$32.0 million as at 31 December 2015 due to extension of customers' payment terms beyond 90 days on contract renewals.

Bank loans and the overdraft facilities are provided by the National Australia Bank Limited and the

The overdraft facilities have an aggregate limit of \$3.1 million and had an average interest rate of

Bank loans have an aggregate facility limit of \$41.8 million and are split into two tranches; Tranche 1 has a limit of \$25.3 million and expires on 31 January 2017; and Tranche 2 has a limit of \$16.5 million and expires on 31 January 2018. The average interest rate on bank loans was 6.0% as at 30 June 2015. The above expiry dates are subject to annual review and extension. The facilities are secured by debenture security subject to certain criteria including, financial charges covenant, leverage covenant, maintenance of a minimum level of shareholder funds and maximum limit on dividend distributions without prior bank approval.

Derivatives - Colorpak had previously entered into interest rate swap contracts to swap its variable rates and pay interest at fixed rates for approximately 62.5% of its principal outstanding. The swaps are due to expire over the next three years as follows:

Table 12: Swaps

\$'000 unless stated otherwise	Principal 30-Jun-15	Expiry date	Frequency
Swap contract 1	7,000	August 2015	90 days
Swap contract 2	6,000	June 2016	90 days
Swap contract 3	7,000	1 - 2 years	90 days
Swap contract 4	7,000	2 - 3 years	90 days
Total	27,000		

Source: 2015 annual reports, Colorpak management

The fixed interest rates range between 3.3% and 4.7%. The swaps are currently out-of-the-money.

- Provisions relate to employee leave benefits (HY16 \$8.1 million), unfavourable leases (HY16 -0.3 million) and property make-good (HY16 - 2.2 million).
- Net assets per share fell significantly at 30 June 2014 due to the goodwill impairment.
- Net assets position improved as at 30 June 2015 due to measures taken to lower debt levels.
- Net tangible assets per share for each period analysed above were relatively similar.

# 3.8. Capital Structure and Ownership

As of 12 January 2016, Colorpak had the following securities on issue:

Table 13: Colornak securities on issue

	· · · · · · · · · · · · · ·				
Security	Total	Details			
Fully paid Ordinary Shares	88,202,525	Includes shares issued under the Company's dividend reinvestment plan.			
Senior Executive Incentive Scheme	-	Colorpak does not have any shares or other securities outstanding under the performance rights plan. $ \\$			

Source: Colorpak management



The top 10 shareholders as at 12 January 2016 had the following holdings:

Table 14: Top 10 shareholders

Rank	Shareholder	Securities Outstanding	% ownership
1	Carton Services Pty Limited	21,921,548	24.85
2	National Nominees Limited	7,287,522	8.26
3	RBC Investor Services Australia Nominees Pty Limited	7,234,682	8.20
4	HSBC Custody Nominees (Australia) Limited	6,557,735	7.43
5	Blue Drive Pty Ltd	6,234,018	7.07
6	Argo Investments Limited	5,295,403	6.00
7	Mr Andrew Roy Newbery Sisson	2,530,000	2.87
8	G T Lingard Holdings Pty Ltd	1,746,559	1.98
9	Hanna Group Pty Ltd	1,515,333	1.72
10	Goosegog Pty Ltd	1,300,000	1.47
	Subtotal	61,622,800	69.87
	Other Shareholders	26,579,725	30.13
	Total securities outstanding	88,202,525	100

Source: Colorpak management

The top 10 shareholders own a total equity interest of approximately 70% in the Company.

# 3.9. Senior Executive Incentive Scheme

Colorpak established a senior executive incentive scheme comprising a performance rights plan and an executive incentive plan. Incentives under the scheme may take the form of entitlements to cash or shares, at the election of the Board.

Colorpak does not have any shares or other securities outstanding under the performance rights plan. Subject to the Proposed Transaction, the Board reserved its discretion to offer cash incentives in lieu of securities at an appropriate time.

# 3.10. Share price analysis

The table below summarises trades over the last 12 months up until the last trading day before the announcement of the Scheme Implementation Deed on 12 January 2016.

Table 15: Volume Weighted Average Share Price of Daily Trades

	High	Low	VWAP	Total Volume Traded	Annualised Turnover (Note 1)	Average Bid/Ask Spread
	(\$)	(\$)	(\$)	('000s)	(%)	
As at 12 Jan 2016	0.71	0.68	0.70	624	179.7%	0.7%
As at 11 Jan 2016	0.55	0.54	0.54	14	4.0%	1.9%
5 days to 11 Jan 2016	0.55	0.52	0.53	92	5.3%	1.9%
1 month to 11 Jan 2016	0.55	0.52	0.54	209	3.3%	5.0%
3 months to 11 Jan 2016	0.55	0.49	0.52	1,662	7.6%	3.6%
6 months to 11 Jan 2016	0.55	0.43	0.50	3,231	7.3%	4.1%
12 months to 11 Jan 2016	0.69	0.39	0.52	8,438	9.7%	3.8%

Sources: Capital IQ; BDOCF analysis

Note 1: Annualised turnover is calculated as period turnover divided by trading days in the period, multiplied by trading days in the

Legend: VWAP denotes volume weighted average share price.



We note the following with respect to Colorpak shares during the 12 months up to the day prior to the announcement date, being 11 January 2016:

- Colorpak shares traded between \$0.39 per share and \$0.69 per share.
- On six separate days over the period analysed, the daily volume traded was greater than 200,000shares. These spikes in volume are charted below. Whilst on some days announcements to the ASX were made (which provides possible reasons for the unusual trading activity), reasons for the unusual trading activity were not always traceable to any particular event.
- Volume weighted average prices ("VWAP") are observed to have been relatively consistent across the selected time periods, falling within a range of \$0.50 to \$0.54.
- Trading in Colorpak shares has been relatively illiquid with only 9.7% of shares traded over the 12 months to 11 January 2016, and 70 out of 254 days where no trading occurred at all.
- The average bid-ask spread over the last 12 months to 11 January 2016 was 3.8%.

Table 16: Daily Closing Share Prices and Volumes from 11 January 2015 to 11 January 2016



Sources: Capital IQ; BDOCF analysis



Colorpak has generally underperformed the ASX All Ordinaries over the trading period. Factors which may have had an impact on trading in Colorpak shares are detailed below:

Table 17: Colorpak ASX Announcements

Note	Date	Announcement Details	Prior Day Closing Share Price	Closing Share Price	% Movement	Volume (million)
A	14 Jan 2015	No announcements released on or around 14 January 2015.	0.66	0.66	0.0%	0.2198
B and C	29 Jan 2015 to 2 Feb 2015	Colorpak released an investor presentation on 29 January 2015. The key highlights in the presentation relates to the FY15 half-yearly results summary. In particular, half-year FY15 EBITDA was noted to be 11.9% lower than half-year FY14 EBITDA.	0.63	0.51	-19.7%	0.5198
D	3 Mar 2015	No announcements released on or around 3 March 2015. The Company, however, announced its FY15 half- yearly results on 11 March 2015.	0.58	0.53	-8.5%	0.0495
Е	26 Jun 2015	No announcements released on or around 26 June 2015. The Company, however, announced a trading update on 30 June 2015 in relation to FY15 market guidance.	0.42	0.38	-9.3%	0.0710
F	18 Aug 2015	No announcements released on or around 18 August 2015. The Company, however, announced the FY15 full year results on 28 August 2015.	0.50	0.44	-11.8%	0.1211

Source: ASX announcements



# **INDUSTRY**

The folding carton packaging industry ("Industry") is one segment of the broader paper and board packaging industry.

# 4.1. Overview

Folding cartons serve two primary purposes, being the protection of non-durable goods during shipping and distribution, and attracting customer attention to the product within retail settings. Through advances in printing technologies, the marketing function of folding cartons has become increasingly important.

The industry caters to two mainstream markets:

- Short-run market that produces high quality packaging for consumer products.
- High volume segment that are mostly fast moving consumer goods.

# 4.2. Key drivers

The key drivers of the Industry are set out below:

- World price of wood pulp Paper and paperboard represent a significant material cost to the Industry. The higher the price of wood pulp, the higher the cost of paperboard supply to the Industry which would be a threat to Industry profitability.
- Trade-weighted index The value of the Australian dollar relative to the currencies of its trading partners measure the price-competitiveness of the Industry's products globally as well as its cost of imports.
- Demand from food product manufacturing Food product manufacturers represent the Industry's largest market. Food accounts for 52.9% of end-use demand in 2013/14, being 0.9% higher than 2012/13. The higher the activity in the food product manufacturing sector, the higher the demand for packaging.
- Demand from beverage and tobacco product manufacturing Beverage accounts for 17.0% of enduse demand in 2013/14, being 0.2% higher than 2012/13. Tobacco accounts for 4.6% of end-use demand in 2013/14, being 0.1% lower than 2012/13.
- Demand from pharmaceutical and medicinal product manufacturing Pharmaceutical, cosmetics and toiletries accounts for 10.1% of end-use demand in 2013/14, being 0.9% lower than 2012/13. Given the regulations in the pharmaceutical sector, the margins are generally higher and tend to develop long-lasting relationships with their suppliers.

# 4.3. Current performance

Industry revenue has contracted over the years with significant decline noticeable in 2011/12 and 2012/13. The value of the local production of folding carton market is estimated by BIS Shrapnel Pty Limited to be \$550 million in 2014/15, being no change from 2013/14. This represents an 11% decline in market value from \$619 million in 2003/04 reported in the year of Colorpak's listing on ASX.

The declining market condition is largely due to the following trends:

The appreciation of the Australian dollar over the years resulted in increased imports of packaged goods and relocation of local manufacturers to offshore locations.

The volume of imports increased almost five times from 9,000 tonnes in 2006 to 46,000 tonnes in 2014. In 2014, imports from China accounts for 51% of total imported folding cartons followed by Taiwan with 18%.

Further the rise in imports of paperboards in 2012 partly reflects the switch to exports due to the closure of the last local paper board supplier, Orora Limited's Petrie mill in September 2013. Due to



the fluctuation of paperboard prices and strong Australian dollar, the input prices may have not impacted supply chain costs significantly historically as they would going forward.

Offshore competition is not just limited to the product price competitiveness. Local manufacturers such as Philip Morris and parts of Pacific Brands, Kodak and Kraft businesses have also moved offshore where operating expenses are lower. The relocation of these companies resulted in lower revenue for the Industry.

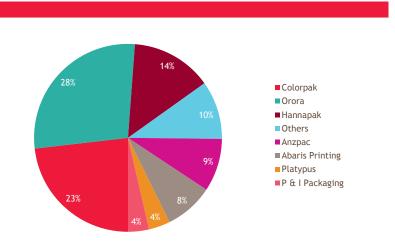
- Competition from substitute products such as plastics also contributed to the decline in demand for folding cartons.
- Growth in food and beverage manufacturing is partly offset by declining activities in tobacco and pharmaceutical manufacturing sectors. Tobacco manufacturing activity is expected to be lower due to a fall in smoking rates caused by increased health risks awareness and higher regulatory impact by the government. The pharmaceutical sector has contracted over the years and was expected to decline further in 2014/15 due to reforms to Australia's Pharmaceutical Benefits Scheme (PBS), expiry of medication patents and increased competition from generic products.

Depending on the ability of Industry players to pass on the cost increases, input prices can influence sales and profitability. In order to remain competitive, particularly for major contracts which have been declining over the years due to the reasons discussed above, Industry players have been unable to fully pass on cost increases.

# 4.4. Market share - Australia

The 2013/14 market share of the Industry players is set out below.

Table 18: Australian market share of folding carton suppliers in 2013/14



Source: Paper and Board Packaging in Australia 40<sup>th</sup> edition, 2014-15 by BIS Shrapnel Pty Limited

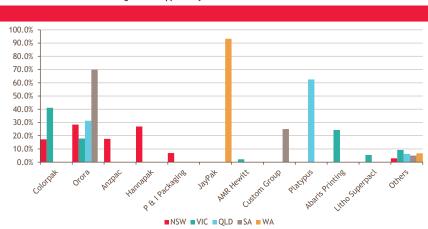
- . Anzpac share includes \$8 million of exports in cigarette cartons

Colorpak represents the second largest Industry player with 23% market share in Australia in 2013/14.



The 2013/14 market share of the Industry players by state is set out below.

Table 19: Market share of folding carton suppliers by state in 2013/14



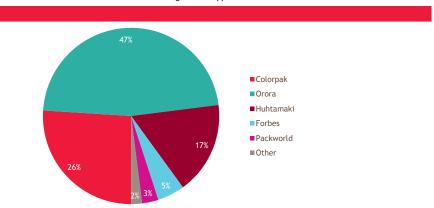
Source: Paper and Board Packaging in Australia 40<sup>th</sup> edition, 2014-15 by BIS Shrapnel Pty Limited

Colorpak has the largest market share in Victoria with 41.1%. There are four strong Industry players in New South Wales, being Colorpak, Orora Limited, Anzpac Services Australia Pty Limited and Hannapak.  ${\it Colorpak\ does\ not\ have\ any\ presence\ in\ Queensland,\ South\ Australia\ and\ Western\ Australia.}$ 

# 4.5. Market share - New Zealand

 $Management\ estimates\ that\ the\ folding\ carton\ market\ in\ New\ Zealand\ is\ approximately\ NZ\$100\ million\ in$ size, with Colorpak holding a 26% market share.

Table 20: New Zealand market share of folding carton suppliers



Source: Colorpak management



# 4.6. Industry outlook

IBISWorld forecasts that the Industry revenue will grow at an annualised 1.1% over the next five years through 2019-20 to \$550.3 million. This is lower than targeted inflationary growth expectations of 2% to 3%. Profit margins continue to be constrained as Industry players are unable to pass on input price increases. Imported folding cartons are expected to increase, coupled with limited onshore manufacturers may result in further price competition and weaker margins.

The following trends have an impact on the outlook of the Industry:

The movement of the Australian dollar against the US dollar in the last five years is depicted in the chart below:

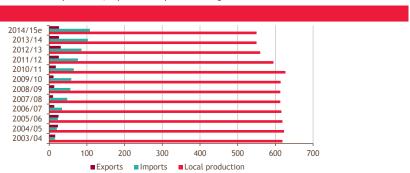
Table 21: AUD:USD historical exchange rates



Source: Oanda, Paper and Board Packaging in Australia 40<sup>th</sup> edition, 2014-15 by BIS Shrapnel Pty Limited

In 2015, we observed a steep decline in the AUD:USD exchange rate from 0.8161 on 1 January 2015 to 0.7298 on 31 December 2015, representing a 12% drop in 12 months. However, we note that total imports of folding cartons increased in FY14 notwithstanding a depreciation of the Australian dollar relative to the US dollar and BIS Sharpanel was forecasting imports to increase further in 2015, as

Table 22: Local production, exports and imports of folding cartons



Source: Paper and Board Packaging in Australia 40<sup>th</sup> edition, 2014-15 by BIS Shrapnel Pty Limited

As volumes and margins continue to decline, further Industry rationalisation over the next one to two years is to be expected, particularly in the smaller end of the market.

The challenging industry conditions may impact Colorpak's ability to maintain historical levels of revenue and sustain profit margins going forward.



#### **VALUATION METHODOLOGY**

#### 5.1. Valuation methods

Details of common methodologies for valuing businesses and assets are included at Appendix 3. The principal methodologies which can be used are as follows:

- Discount cash flow ("DCF")
- Capitalisation of future maintainable earnings ("COE")
- Net asset value ("NAV")
- Quoted market price basis ("QMP").

Set out below is a discussion of the valuation methods we consider appropriate for the purposes of undertaking our valuation assessment of Colorpak.

#### 5.2. Selected valuation methods for Colorpak

In accordance with RG 111.15, we have considered the fair market value of Colorpak on the basis of "a knowledgeable and willing, but not anxious, seller that is able to consider alternative options to the bid". This approach does not take into account the particular circumstances of any specific transaction, and therefore we have not considered whether there is any premium in value attached to the strategic benefits or gains from synergies that may be inherent in an acquisition by a specific party, e.g. an industry competitor or supplier.

We have assessed the equity value of Colorpak using a sum-of-the-parts approach. We have applied the COE (primary) and the QMP (secondary) methodologies to value the core business, and we have undertaken a high level DCF analysis to value the Expansion on a standalone basis.

We have chosen these methodologies for the following reasons:

- Colorpak has a proven history of profitable operations and market evidence is available to enable the COE method to be applied.
- The QMP approach is a relevant methodology to consider as Colorpak's shares are traded on the ASX, which is a regulated and observable market. However, Colorpak shares have been relatively illiquid (9.7% of shares were traded in the 12 month period to 11 January 2015) and as such, the QMP has been applied as a secondary method.
- There is a lack of reliable long term forecasts for the Company to enable a DCF approach to be
- There is approximately \$31.1 million in goodwill on Colorpak's balance sheet as at 31 December 2015, which means a NAV approach would substantially rely on Colorpak management's own assessment of the net realisable value of the business.
- The Expansion is in the early stages of implementation and it was therefore considered appropriate to value this part of the business separately.

#### 5.3. Other valuation considerations

#### 5.3.1. Future events

The business of Colorpak to be considered in this valuation is that which exists as at the current date.

Future growth which arises from the existing business has been considered in this valuation through our consideration of the multiple adopted, while the Expansion has been valued separately.

Other growth potential, which may result from new activities, business initiatives, acquisitions and the like (which are not capable of estimation), is not within the scope of this valuation.



#### Premium for Control 5.3.2.

Investment fundamentals dictate that the value of 100% of a company is normally greater than the sum of values attributable to the individual shares of that company based on transactions in minority share holdings

The difference between the value of 100% of a company and the total value of minority share holdings is referred to as a "premium for control" taking into account control and synergistic benefits for the acquirer. Control of a company by a shareholder gives that shareholder rights to which minority shareholders are not entitled, including control of the company's policies and strategies, and use of cash flows of the company.

The level of premium for control paid in a takeover bid will vary across industries and is dependent upon the specifics of the company being acquired. We have reviewed Australian public company acquisitions over the past nine years:

Table 23: Premium for control paid by acquirers of companies listed on the ASX

Year	Number of Transactions	Average Deal Value (\$'million)	Average Premium for Control (%)
2015	18	1,012.7	23.6
2014	43	463.3	31.2
2013	43	177.8	43.4
2012	55	322.5	37.0
2011	67	766.2	48.4
2010	69	741.3	37.6
2009	64	328.1	46.2
2008	42	743.7	39.0
2007	63	1,262.3	22.7
	Mean	646.4	36.6
	Median	741.3	37.6

Source: Bloomberg, BDOCF analysis

In arriving at an appropriate premium for control to apply, we note that observable data from the above research may include the following considerations:

- Level of pre-announcement speculation of the transaction.
- Level of liquidity in the trade of the target's securities.
- Varying levels of control sought.
- Synergistic value.
- Nature and magnitude of non-operating assets.
- Nature and magnitude of discretionary expenses.
- Perceived quality of existing management.
- Nature and magnitude of business opportunities not currently being exploited.
- Ability to integrate the target into the acquirer's business.

This above review indicates a long term premium for control range of 23% to 48% with an average premium for control of 37%. The recent observed premium for control since 2013 appears to be on a declining trend. The average premium for control paid in 2015 was 23.6%.

Based on the above, we have considered a premium for control range from 20% to 30% in the application of the COE and OMP methods.



#### 5.3.3. Synergies

The level of synergies that can be derived from a takeover or merger is dependent on the nature of the respective businesses and their geographical and operational overlap.

In relation to the Proposed Transaction, potential synergies may be available across a range of areas, including:

- Eliminating Colorpak's ASX listing costs (estimated by management to be approximately \$1.2 million per year).
- Supply chain savings (given GPI is a significant customer and supplier to Colorpak).
- Back office functions and other overheads.

We have not considered special value in forming our opinion. Accordingly, we have not attributed any value to the potential synergies listed above.

#### 5.3.4. Surplus assets and liabilities

Companies may hold surplus assets or have surplus liabilities which are not part of the normal operating activities, and are not otherwise captured in the application of the selected valuation methodologies.

Given the fairly early stages of the growth opportunity discussed in Section 3.7.2, we have not considered the impact of the future earnings in the COE method inclusive of this growth potential. We have, however, assessed the value of this growth opportunity separately using the DCF method as a surplus value in the

We are not aware of any other surplus assets or liabilities in the Company at the current date.

# 5.3.5. Valuation in Accordance with APES 225

This engagement has been conducted in accordance with professional standard APES 225 Valuation Services, as issued by the Australian Professional and Ethical Standards Board.



#### **VALUATION OF COLORPAK**

#### 6.1. Fair market value of Colorpak using COE method

Our assessment of the fair market value of Colorpak, prior to the Proposed Transaction, is set out below:

Table 24: Valuation Summary - Pre Transaction

A			
\$'000s unless stated otherwise	Ref.	Low	High
Normalised earnings	6.3	12,000	12,000
EBITDA multiple (on a control basis) <sup>1</sup>	6.4.3	7.5	8.0
Enterprise Value (on a control basis)		90,000	96,000
Add/(Less):			
Net debt	6.5	(35,617)	(35,617)
Expansion	6.6	4,000	6,000
Transaction costs	6.7	(1,599)	(1,164)
Equity Value (on a control basis) <sup>1</sup>		56,784	65,219
Shares outstanding	6.8	88,202,525	88,202,525
Value per share (\$)		0.64	0.74

Source: BDOCF analysis

Note 1: A control premium in the range of 20% to 30% has been incorporated into the EBITDA multiple

Based on the above, the fair market value of 100% equity interests in Colorpak ranges between \$56.8 million to \$65.2 million, which equates to a share value of \$0.64 to \$0.74 per share.

# 6.2. COE approach

In utilising the COE method to value Colorpak, we have considered the following:

- An estimate of the normalised earnings of Colorpak
- Selection of an appropriate earnings capitalisation multiple (inclusive of premium for control)
- Applicable deductions from the resultant enterprise value, in particular, net debt.

#### 6.3. Normalised earnings

A company's future normalised earnings ("FNE") is the assessed level of earnings that can be expected to be derived by the existing operations of the business for a particular period excluding any one off or accounting based profits or losses.

To determine FNE for Colorpak, we have made reference to EBITDA, because it allows for comparison of companies irrespective of their gearing, tax jurisdiction and accounting policies.

As set out in Section 3.7.1 (and summarised below), we have reviewed the reported and underlying EBITDA for Colorpak for FY13, FY14, FY15 and HY16 (unaudited).

Table 25: Underlying EBITDA

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\$2000 unless stated athematics	FY13	FY14	FY15	HY16
\$'000 unless stated otherwise	Audited	Audited	Audited	Unaudited
Underlying EBITDA	14,672	12,846	12,822	6,330

Source: 2014 and 2015 annual reports, HY16 appendix 4D half yearly report, BDOCF analysis

Based on the 2014 and 2015 annual reports, we note Colorpak experiences some seasonality in relation to demand for its products. Sales are typically higher in the first half of each financial year as follows:

Table 26: Seasonality

Table 20. Seasonality			
	FY13	FY14	FY15
	Audited	Audited	Audited
1st half of each financial year	53%	55%	53%
2 <sup>nd</sup> half of each financial year	47%	45%	47%

Source: 2014 and 2015 annual reports

The financial statements for the six months ended 31 December 2015 also state that the Company experiences only a slight seasonality in relation to demand for its product, with sales in the first half-year typically around 52% of annual sales (31 December 2014 half year report: 53%).



We have annualised Colorpak's HY16 results using seasonality factors of 51% to 55%, as set out below:

Table 27: Annualised FY16 revenue and EBITDA adjusted for seasonality

	,	,			
\$'000 unless stated otherwise	55%	54%	53%	52%	51%
Annualised FY16 Revenue (rounded)	142,700	145,300	148,000	150,900	153,900
Annualised FY16 EBITDA (rounded)	11,500	11,700	11,900	12,200	12,400

Source: BDOCF analysis

In assessing the level of maintainable EBITDA, we have placed greater reliance on the FY15 and HY16/ annualised FY16 results for the following reasons:

- Historical data becomes less relevant over time in the assessment of future prospects for the business, as the business structure, economic environment and competitive environment in the packaging industry has changed.
- Colorpak's adjusted EBITDA has declined since FY13, notwithstanding a number of cost saving initiatives implemented by Colorpak management.
- FY15 results provide the latest available audited full year performance for the Company.
- HY16 results represent the most recent actual performance of the Company over a six months period, and are comparable to Colorpak management's internal budgets.

Based on the above, we estimate the FNE of Colorpak to be \$12.0 million.

#### 6.4. Capitalisation multiple

The appropriate earnings multiple is usually assessed by collecting market evidence with respect to the earnings multiples of companies with operations that are broadly comparable to those of the entity being valued.

Such multiples are derived from:

- Share market prices of broadly comparable listed companies
- Prices achieved in mergers and acquisitions of broadly comparable companies (usually reflecting a controlling interest status), and
- Initial public listing prices of shares in broadly comparable companies (where available) (usually reflecting a non-controlling interest status).

In selecting appropriate comparable companies, we made reference to multiples observed for listed companies in Australia that provide services similar to those provided by Colorpak. Our analysis was performed based on data available as at 11 January 2016.

We have also performed a search for mergers and acquisitions with similar business activities to Colorpak over the last five years. There is no new listing of comparable companies, as such we have not been able to observe the implied multiples.

#### Listed comparable companies 6.4.1.

We have selected a range of broadly comparable companies that operate in the broader packaging sector. Set out in Appendix 4 are descriptions of the operations of the identified companies. The stock market trading valuation parameters for the companies are set out in Appendix 5.

These observations were taken as at 11 January 2016, which primarily aligns to our assessment of FNE for Colorpak. Our assessment of the EBITDA multiples have been derived predominantly from the multiples observable from trades of minority parcels of shares in listed entities. We have applied a control premium in the range of 20% to 30% to reflect the valuation of Colorpak on a control basis prior to the Proposed Transaction.



There are a limited number of listed comparable companies within the packaging sector. The FY16 EBITDA multiples for the selected companies are set out below.

Table 28: Comparable companies FY16 EBITDA multiples with premium for control 1,2,3

	Market Cap as at 11 Jan 2016 (\$'million)	Enterprise value as at 11 Jan 2016 (\$'million)	20% control premium	30% control premium
Colorpak⁴	48	80	7.6x	8.0x
Pro-Pac Packaging Limited <sup>5</sup>	102	127	10.3x	11.0x
Pact Group Holdings Limited	1,331	1,775	9.2x	9.8x
Orora Limited	2,532	3,150	10.0x	10.7x
Amcor Limited	14,789	18,689	11.2x	11.9x
Minimum			7.6x	8.0x
Maximum			11.2x	11.9x
Average			9.6x	10.3x
Median			10.0x	10.7x

Source: Capital IQ, BDOCF analysis

#### Notes:

- Analysis performed as at 11 January 2016
- 2 n/a indicates data not available, x indicates times
- 3. Multiples based on enterprise value calculated as market capitalisation, plus debt (inclusive of make good provisions) less cash adjusted for minority interests and preference shares.

  Colorpak's forecast multiples are calculated based on the FY16 EBITDA of \$12.0 million, consistent with our adopted FNE. Brokers' consensus forecast FY16 EBITDA was approximately \$14.2 million as at 11 January 2016 (source: CapitallQ).
- are no brokers' estimates available for Pro-Pac Packaging Limited. The forecast multiples are calculated based on

The observed trading multiples may include the following considerations:

- Size: Colorpak is considerably smaller in size, both in terms of market capitalisation and turnover compared to its peers. Pro-Pac Packaging Limited is the closest comparable in terms of size and its FY15 reported EBITDA (before one-off costs) was approximately \$14.7 million, which is slightly higher than that of Colorpak's FY15 earnings level.
- Growth: All the comparable companies reported a growth in revenue and earnings in FY15 whilst Colorpak's revenue was slightly negative (0.4%) in FY15.
- Operations: Colorpak is mainly focussed on folding cartons whilst the comparable companies operate across a range of segments in the packaging industry:
  - Pro-Pac Packaging Limited started with a focus as a distributor of general industrial packaging products and provides end-to-end packaging solutions to industrial companies. It now operates under two business segments, industrial packaging and rigid packaging. Broadly, products under rigid packaging include jars, bottles, pails, jerry cans, trigger sprays, pumps, caps and closures.
  - Pact Group Holdings Limited designs and manufactures plastic and steel packaging and associated products for food, dairy, beverage, chemical, agricultural, industrial and other
  - Orora Limited manufactures and sells fibre and beverage packaging products in Australia, New Zealand and North America. The company distributes packaging materials and manufactures corrugated cardboard. Orora is Colorpak's main competitor in the folding carton space in Australia and New Zealand, but is significantly larger than Colorpak.



- Amcor Limited Since the demerger of Orora Limited from Amcor Limited in 2013, the latter focussed on two business segments; flexibles and rigid plastics. Its flexibles business supplies flexible packaging and folding carton packaging to Europe, America and Asia Pacific as well as operates tobacco packaging globally. The rigid plastics business produces polyethylene terephthalate (PET) packaging as well as containers using other plastic resins in America.
- Geographical diversity: The earnings and operations of the selected comparable companies are more diversified than Colorpak; Pact Group Holdings Limited has operations across seven countries and over 40% of its earnings are derived internationally; Orora Limited operates in Australia, New Zealand and in North America and almost 30% of its earnings are derived from North America; and Amcor Limited operates in Western Europe, North America, Asia Pacific, Australia and New Zealand and in FY15, the company derives only 6% of its revenue from Australia and New Zealand.

#### 6.4.2. Transaction multiples

We have reviewed a number of transactions in relation to acquisitions of businesses operating in the broader packaging industry in Australia and international acquisitions made by ASX listed comparable companies. A summary of the selected transaction multiples is set out in Appendix 6. We note the following in relation to the selected transactions:

- There are 10 comparable companies' transactions with observable data over the last five years. All but one of these transactions was for a 100% controlling interest.
- The historical EBITDA transaction multiples range from 5.2x to 8.2x, with an average of 6.8x.
- Of the transactions compiled, there are only two forecast EBITDA multiples available. These transactions occurred in 2011 and they were 6.6x and 9.4x EBITDA multiples, with an average of 8.0x.

# Multiple applicable to Colorpak

On the basis of the above, we have adopted a range of multiples between 7.5x and 8.0x in valuing the Company.

#### 6.5. Value of debt

Net debt has been calculated with reference to the management balance sheet as at 31 December 2015, as shown in the table below:

Table 29: Net debt as at 31 December 2015

	Ref.	\$'000
Interest bearing loans and borrowings	3.7.2	32,988
Derivative financial instruments	3.7.2	383
Cash	3.7.2	(3)
Property make-good	3.7.2	2,249
Net debt		35,617

Source: BDOCF analysis

Net debt includes interest bearing loans and borrowings (including overdraft), derivative financial instruments and property make good provisions. This is consistent with our calculations of net debt for purposes of deriving the trading multiples.



#### 6.6. Expansion

In Section 3.7.2 we outlined the Expansion that management is in the early stages of implementing. In attributing value to the Expansion, we have considered the incremental cash flows expected to be generated (which has not been captured in our COE analysis), as well as the capital expenditure to be

Management has prepared a business case with financial projections which was approved by the Board in late 2015. The financial projections were not used by management as a valuation tool, but rather as a cost/benefit analysis for internal decision making.

We have therefore made additional enquiries and performed further analysis on management's financial projections for purposes of assessing the risk-adjusted post-tax net cash flows that could reasonably be expected to be generated by the Expansion.

Specifically, we have undertaken a high level DCF analysis of the Expansion having regard to the following considerations:

- The upfront and ongoing capital expenditure requirements.
- The progress towards implementation at the time of writing this Report, which has included securing a new lease and receiving initial orders.
- The level of rigour and analysis undertaken by management, which included consideration of a range of execution, operational, financial and market related issues.
- The extent to which management's projections are supported by growing and maintaining the niche
- The continuity of the Expansion beyond the initial lease and contract period.

We have assessed the Expansion using a seven year DCF model plus a terminal value (calculated using constant growth model).

Based on the above, we have assessed an equity value of the Expansion to be between \$4.0 million to

This represents between 7.0% and 9.2% of the total value of Colorpak on a control basis and implies the Expansion would generate an additional maintainable EBITDA of \$533,000 to \$750,000 per year (based on a multiple of 7.75x).

#### 6.7. Transaction costs

The Directors have advised that approximately \$1.3 million to \$1.7 million in transaction costs would be incurred in relation to legal and other professional advisory services fees payable to those parties engaged by Colorpak to implement the Proposed Transaction, even if it does not proceed. We note that approximately \$91,000 had been taken into account in the HY16 results and as such, we have provided for the balance of approximately \$1.2 million to \$1.6 million as a net adjustment to arrive at the net equity value of Colorpak.

# 6.8. Shares outstanding

There are currently 88,202,525 ordinary shares on issue in Colorpak (refer to Section 3.8).



# 6.9. Valuation cross check - QMP approach

We have considered the Colorpak's trading prices as a cross check to our valuation.

We have adjusted Colorpak's VWAP over various periods preceding the announcement date, and included a control premium of 20% to 30% for comparison to our valuation of Colorpak on a controlling basis.

Table 30: QMP approach cross check

\$ unless stated otherwise	VWAP (Ref Section 0)	Plus 20% control premium	Plus 30% control premium
As at 11 Jan 2016	\$0.54	0.65	0.70
5 days to 11 Jan 2016	\$0.53	0.64	0.69
1 month to 11 Jan 2016	\$0.54	0.65	0.70
3 months to 11 Jan 2016	\$0.52	0.62	0.68
6 months to 11 Jan 2016	\$0.50	0.60	0.65
12 months to 11 Jan 2016	\$0.52	0.62	0.68

Source: BDOCF analysis

The results of the QMP analysis shown above overlap the valuation range from the COE methodology as illustrated below.

Table 31: COE vs QMP



Source: BDOCF analysis

We also note that the ASX trading prices is unlikely to account the estimated transaction costs and the potential value of the Expansion, details of which were not made publicly available prior to the announcement date.

On balance, we consider our valuation range to be reasonable having regard to the QMP analysis above.



#### **FAIRNESS ASSESSMENT**

In undertaking our fairness opinion we have had regard to Australian Securities and Investments Commission (ASIC) Regulatory Guide 111 Content of expert reports.

RG 111.11 indicates that an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer. The comparison must be made assuming:

- A knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length.
- 100% ownership of the target company, irrespective of the percentage holding of the bidder or its associates in the target company.

The Consideration offered to Colorpak Shareholders is \$0.68 per share.

The Proposed Transaction will be fair if the Consideration is equal to or greater than fair market value of a Colorpak share pre-transaction on a control basis.

#### 7.1. Fairness assessment

The result of our fairness analysis under the guidance provided by ASIC is summarised below.

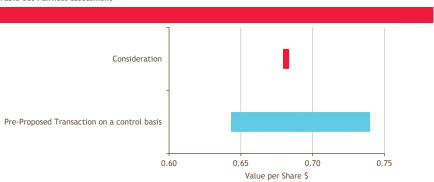
Table 32: Fairness assessment

Per Share	Ref	Low	High
Fair market value of a share in Colorpak prior to the Proposed Transaction (control basis)	6.1	0.64	0.74
Consideration	1.2	0.68	0.68

Source: BDOCF analysis

Consideration of \$0.68 per Colorpak share is within the range of values per share prior to the Proposed Transaction. Accordingly, the Proposed Transaction is considered to be fair to Colorpak Shareholders.

Table 33: Fairness assessment



Source: BDOCF analysis



#### REASONABLENESS ASSESSMENT

In accordance with RG 111 an offer is reasonable if it is fair. On this basis, the Proposed Transaction is reasonable for the Colorpak Shareholders.

We have however performed an assessment of reasonableness. Set out below is a summary of the factors we have considered in our reasonableness assessment.

#### 8.1. Advantages

#### 8.1.1. The Consideration falls within our valuation range for Colorpak

We have valued 100% of Colorpak's equity (prior to the Proposed Transaction) inclusive of premium for control ranging from a low of \$0.64 per share to a high of \$0.74 per share. Under the Proposed Transaction, CPI will acquire all of Colorpak shares for the Consideration of \$0.68 per share.

The Consideration represents a premium of 6.3% to the low end of our valuation range and a discount of 8.8% to the high end of our valuation range. This takes into account a premium for control.

#### 8.1.2.

Trading in Colorpak shares has been illiquid. The Proposed Transaction will provide the Colorpak Shareholders with an opportunity to realise value for their shares which otherwise may be limited.

#### Certainty

The Proposed Transaction provides Colorpak Shareholders with timing and value certainty of cash and removes their exposure to risks and uncertainties inherent in the continuing operation of Colorpak.

#### Premium over share trading price

The Consideration of 0.68 per share represents a premium of 25.9% to Colorpak's closing share price on 11 January 2016 (the day prior to the announcement of the Proposed Transaction) and a 31.5% premium to the trailing three month VWAP.

In the absence of an alternative offer, Colorpak's share price is likely to decline if the Proposed Transaction does not proceed.

#### 8.1.5. No brokerage fees

No brokerage is payable by the Colorpak Shareholders on the transfer of your shares under the Proposed Transaction.

#### 8.1.6. No alternative proposals

The Directors of Colorpak have considered a range of strategic options for the company, which has included preliminary discussions with other potential acquirers. However, we are not aware of any alternative offers for Colorpak since the announcement of the Proposed Transaction on 12 January 2016.

#### Premium over valuation including franking credit

As at 31 December 2015, Colorpak had a franking credit balance of approximately \$4.374 million.

The Directors intend to declare a fully franked dividend of up to \$0.11 per share, which would provide a franking credit of \$0.047 and may provide additional value to certain Colorpak Shareholders. Whether a Colorpak Shareholder is able to capture the full benefit of the franking credit depends on their specific tax circumstances.



# 8.2. Disadvantages

# No longer benefiting in any potential upside achieved by Colorpak

If the Proposed Transaction is approved, Colorpak Shareholders will forgo their interest in Colorpak. Depending on the individual, this may diminish or remove their exposure to the packaging industry, eliminate the opportunity to benefit from a superior offer from another party and entitlement to potential future dividend income from Colorpak. It also eliminates any potential benefit from participating in its new business initiatives.

#### 8.2.2. Potential capital gains tax

Capital gains tax may be payable on the proceeds received from the Proposed Transaction depending on the individual Colorpak Shareholders' circumstances.



#### QUALIFICATIONS, DECLARATIONS AND CONSENTS

#### 9.1. Qualifications

BDOCF is the licensed corporate finance arm of BDO East Coast Partnership, Chartered Accountants and Business Advisers. BDOCF provides advice in relation to all aspects of valuations and has extensive experience in the valuation of corporate entities and provision of expert's reports.

Mr Stephen Seear, B.Com and CA, is a director of BDOCF. Mr Seear is also a partner of BDO East Coast Partnership. Mr Seear has been responsible for the preparation of this IER.

Mr Seear has over 14 years' experience in Corporate Finance. He has undertaken numerous corporate finance assignments involving valuations, acquisitions, divestments, financial due diligence, capital raisings and financial modelling. Accordingly, Mr Seear is considered to have the appropriate experience and professional qualifications to provide the advice offered.

Mr David McCourt, BBus, CA, is a director of BDOCF. Mr McCourt is also a partner of BDO East Coast Partnership.

Mr McCourt is the director responsible for the preparation of this IER. Mr McCourt has over 16 years experience in a number of specialist corporate advisory activities including company valuations, financial modelling, preparation and review of business feasibility studies, accounting, advising on mergers and acquisitions and advising on independent expert reports. Accordingly, Mr McCourt is considered to have the appropriate experience and professional qualifications to provide the advice offered.

#### 9.2. Independence

We are not aware of any matter or circumstance that would preclude us from preparing this IER on the grounds of independence either under regulatory or professional requirements. In particular, we have had regard to the provisions of applicable pronouncements and other guidance statements relating to professional independence issued by Australian professional accounting bodies and ASIC.

We consider ourselves to be independent in terms of RG 112 Independence of experts, issued by ASIC.

BDOCF was not involved in advising on, negotiating, setting, or otherwise acting in any capacity for Colorpak in relation to the Proposed Transaction. Further, BDOCF has not held and, at the date of this IER, does not hold any shareholding in, or other relationship with Colorpak or ACE that could be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Transaction.

BDOCF will receive a fee of up to \$50,000, plus Goods and Services Tax for the preparation of this IER. BDOCF will not receive any fee contingent upon the outcome of the Proposed Transaction, and accordingly, does not have any pecuniary or other interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased opinion in relation to the Proposed Transaction.

Five drafts of this IER were provided to the Board and their advisors for review of factual accuracy. Certain changes were made to the IER as a result of the circulation of the draft IERs. However, no changes were made to the methodology, conclusions, or recommendations made to the Shareholders as a result of issuing the draft IERs.

#### 9.3. Disclaimer

This IER has been prepared at the request of the Directors and was not prepared for any purpose other than that stated in this IER. This IER has been prepared for the sole benefit of the Directors and Shareholders. Accordingly, this IER and the information contained herein may not be relied upon by anyone other than the Directors and Shareholders without our written consent. We accept no responsibility to any person other than the Directors and Shareholders in relation to this IER.

The statements and opinions contained in this IER are given in good faith and are based upon our consideration and assessment of information provided by the Board, executives and management of all the entities.



# APPENDIX 1: GLOSSARY

Term	Definition
Act	Corporations Act 2001 (Cth)
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
BDOCF, we or us	BDO Corporate Finance (East Coast) Pty Ltd (ABN 70 050 038 170)
Board	Board of directors of Colorpak
COE	Capitalisation of earnings
Colorpak or the Company	Colorpak Limited
Colorpak Shareholders	Existing shareholders of Colorpak
Consideration	Cash consideration payable by GPI of \$0.68 per Colorpak share
DCF	Discounted cash flow method
Directors	Directors of Colorpak
EBIT	Earnings before interest and taxation
EBITDA	Earnings before interest, taxation, depreciation and amortisation
Expansion	A recent Board approved initiative to invest in the niche packaging segment
FNE	Future normalised earnings
FOS	Financial Ombudsman Service Limited
FSG	Financial Services Guide
FYxx	Financial year ended/ing 30 June 20xx
General Meeting	General meeting of Colorpak Shareholders
GPI	Graphic Packaging International, Inc.
HY16	FY16 half-year financial results based on Colorpak's Appendix 4D Half Yearly Report
Implementation Deed	The scheme implementation deed between GPI and Colorpak dated 11 January 2016
Industry	Folding carton packaging industry
Licence	Australian Financial Services Licence No: 247420
NAV	Net asset value
NPV	Net present value
Proposed Transaction	Proposed acquisition by GPI of all of Colorpak shares by way of scheme of arrangement for the consideration of $$0.68$$ per share
QMP	Quoted market price
Report or IER	Independent expert's report
RG 60	ASIC Regulatory Guide 60: Schemes of arrangement
RG 111	ASIC Regulatory Guide 111: Content of expert reports
RG 112	ASIC Regulatory Guide 112: Independence of experts
SWOT	Strengths, weaknesses, opportunities and threats
Transaction Documents	Notice of meeting and scheme booklet
VWAP	Volume weighted average Price

Source: BDOCF



# APPENDIX 2: SOURCES OF INFORMATION

In preparing this IER, we had access to and relied upon the following principal sources of information:

- Implementation Deed
- Appendix 4D half yearly report for the six months period to 31 December 2015
- Board papers
- Strategy reports
- Debt facility documents
- Various discussions with the Board and management of Colorpak
- ASIC guidance notes and regulatory guides as applicable
- Information sourced from Capital IQ
- Paper and Board Packaging in Australia 40th edition, 2014-15 by BIS Shrapnel Pty Limited
- Other generally available public information



#### APPENDIX 3: VALUATION METHODS - BUSINESSES AND ASSETS

In conducting our assessment of the fair market value of Colorpak Shares the following commonly used business valuation methods have been considered:

# Discounted Cash Flow Method

The discounted cash flow ("DCF") method is based on the premise that the value of a business or any asset is represented by the present value of its future cash flows. It requires two essential elements:

- the forecast of future cash flows of the business asset for a number of years (usually five to 10 years); and
- the discount rate that reflects the riskiness of those cash flows used to discount the forecast cash flows back to net present value ("NPV").

#### DCF is appropriate where:

- the businesses' earnings are capable of being forecast for a reasonable period (preferably 5 to 10 years)
- earnings or cash flows are expected to fluctuate significantly from year to year;
- the business or asset has a finite life:
- the business is in a 'start up' or in early stages of development:
- the business has irregular capital expenditure requirements;
- the business involves infrastructure projects with major capital expenditure requirements; or
- the business is currently making losses but is expected to recover.

#### Capitalisation of Earnings Method

This method involves the capitalisation of normalised earnings by an appropriate multiple. Normalised earnings are the assessed sustainable profits that can be derived by the vendor's business and excludes any one off profits or losses. An appropriate earnings multiple is assessed by reference to market evidence as to the earnings multiples

This method is suitable for the valuation of businesses with indefinite trading lives and where earnings are relatively stable or a reliable trend in earnings is evident.

# **Net Asset Value**

Asset based valuations involve the determination of the fair market value of a business based on the net realisable value of the assets used in the business.

- separating the business or entity into components which can be readily sold, such as individual business Shares or collection of individual items of plant and equipment and other net assets; and
- ascribing a value to each based on the net amount that could be obtained for this asset if sold.

The net realisable value of the assets can be determined on the basis of:

- orderly realisation: this method estimates fair market value by determining the net assets of the underlying business including an allowance for the reasonable costs of carrying out the sale of assets, taxation charges and the time value of money assuming the business is wound up in an orderly manner. This is not a valuation on the basis of a forced sale where the assets might be sold at values materially different from their fair market value;
- liquidation: this is a valuation on the basis of a forced sale where the assets might be sold at values materially different from their fair market value; or
- going concern: the net assets on a going concern basis estimates the market value of the net assets but does not take into account any realisation costs. This method is often considered appropriate for the valuation of an investment or property holding company. Adjustments may need to be made to the book value of assets and liabilities to reflect their going concern value.



The net realisable value of a trading company's assets will generally provide the lowest possible value for the business. The difference between the value of the company's identifiable net assets (including identifiable intangibles) and the value obtained by capitalising earnings is attributable to goodwill.

The net realisable value of assets is relevant where a company is making sustained losses or profits but at a level less than the required rate of return, where it is close to liquidation, where it is a holding company, or where all its assets are liquid. It is also relevant to businesses which are being segmented and divested and to value assets that are surplus to the core operating business. The net realisable assets methodology is also used as a check for the value derived using other methods.

These approaches ignore the possibility that the company's value could exceed the realisable value of its assets.

# **Quoted Market Prices**

The application of the price that a company's shares trade on the ASX is an appropriate basis for valuation where:

- the shares trade in an efficient market place where 'willing' buyers and sellers readily trade the company's shares; and
- the market for the company's shares is active and liquid.



# APPENDIX 4: COMPARABLE COMPANY DESCRIPTIONS

We undertook a search using Capital IQ for listed companies in Australia operating in the Industry. A brief description of the comparable companies operations is provided below:

Table 34: Comparable companies description

Company	Description
Colorpak	Colorpak designs, produces, and sells folding carton products in Australia and New Zealand. The Company offers printed folding cartons, paper cups and lids, printed leaflets, printed blister and lidding foils, printed self-adhesive labels, point of sale displays, and other value added paperboard packaging products. It serves pharmaceutical, healthcare, food and beverage, confectionery, wine, cosmetics, technology, FMCG, and fast moving consumer goods industries. The Company is based in Braeside, Australia.
Pro-Pac Packaging Limited	Pro-Pac Packaging Limited, together with its subsidiaries, manufactures and distributes industrial, protective, and rigid packaging products in Australia. Its Industrial Packaging division manufactures, sources, and distributes industrial packaging materials, and related products and services. The division also installs, supports, and maintains packaging tools, machines, and systems. The Rigid Packaging division manufactures, sources, and distributes containers and closures, and related products and services. Pro-Pac Packaging Limited also offers flexible packaging films, cardboard boxes and cardboard packaging products, produce packaging products, and washroom and janitorial products. It serves general industrial and primary packaging, safety and PPE, food services, and food processing sectors. Pro-Pac Packaging Limited was founded in 1987 and is headquartered in Wetherill Park, Australia.
Pact Group Holdings Limited	Pact Group Holdings Ltd manufactures and supplies rigid plastics packaging and related products in Australia, New Zealand, China, the Philippines, Singapore, Indonesia, and Thailand. The company operates through two segments, Pact Australia and Pact International. It primarily converts plastic resin and steel into rigid plastics, metals packaging, and related products for customers in the food, dairy, beverage, personal care, other household consumables, chemicals, agricultural, industrial, and other sectors. The company's products comprise yoghurt, cream and ice-cream containers, milk and beverage bottles, margarine tubs, food jars, meat and bakery trays, cubes, pails, tubes and cartridges, bottle caps and closures, and other customized packaging; steel drums, tinplate pails, and other metal containers; and plastic material handling, industrial, and technical products, as well as sustainability products and services. Pact Group Holdings Ltd was founded in 2002 and is headquartered in Richmond, Australia.
Orora Limited	Orora Limited manufactures and sells fiber and beverage packaging products in Australasia and New Zealand. The company offers aluminium beverage cans and bottles, industrial paper sacks, consumer paper bags, cardboard boxes, screw caps and overcaps, closures, flexible intermediate bulk containers, folding cartons, fiber displays, and recycled paper, as well as glass bottles and jars. Its products are used in packing fresh produce; grocery products; industrial products, meat, poultry, and seafood; spirits and ready-to-drink beverages; and wine. The company also purchases, warehouses, sells, and delivers a range of packaging and related materials in North America; and sells equipment. Orora Limited is headquartered in Hawthorn, Australia.
Amcor Limited	Amcor Limited provides packaging solutions in Australia, Western Europe, North America, New Zealand, and internationally. The company's Amcor Rigid Plastics segment manufactures rigid plastic containers for a range of beverage and food products, including carbonated soft drinks, water, juices, sports drinks, milk-based beverages, spirits and beer, sauces, dressings, spreads, and personal care items; and plastic caps for various applications. Its Amcor Flexibles segment manufactures flexible and film packaging for the food and beverage industry, including confectionery, coffee, fresh food and dairy, pet food packaging, champagne, and wine closures; and medical packaging for the pharmaceutical sector. This segment also offers flexible packaging for specialty folding cartons for tobacco packaging and other industries; and packaging solutions for home and personal care products. Amcor Limited is headquartered in Hawthorn, Australia.

Source: Capital IQ and relevant company websites



# APPENDIX 5: COMPARABLE COMPANY MULTIPLES

Outlined below are trading multiples of listed comparable companies which we have considered in arriving at a suitable capitalisation multiple for Colorpak:

Table 35: Comparable companies historical trading multiples

							EBITDA	EBITDA	EBITDA
		Market Cap	Enterprise		EBITDA Multiple	EBITDA Multiple	Multiple	Multiple	Multiple
		as at	value as at		FY15	FY15	FY16	FY16	FY16
Company Name	Latest Financial year end	11 Jan 2016 (\$'million)	11 Jan 2016 (\$'million)	(20% control (25' premium) pr	(25% control (30 premium) pr	(30% control premium)	(20% control (premium)	(25% control (30 premium) pr	(30% control premium)
Colorpak	30 Jun 2015	48	82		7.3x		7.6x	7.8x	8.0x
Pro-Pac Packaging Limited	30 Jun 2015	102	127		10.7x		10.3x	10.7x	11.0x
Pact Group Holdings Limited	30 Jun 2015	1,331	1,787		10.3x		9.2x	9.5x	9.8x
Orora Limited	30 Jun 2015	2,532	3,171		12.0x		10.0x	10.3x	10.7x
Amcor Limited	30 Jun 2015	14,789	18,725		12.2x		11.2x	11.6x	11.9x
Low				7.1x	7.3x		7.6×	7.8x	8.0x
High				11.8x	12.2x	12.6x	11.2x	11.6x	11.9x
Average				10.2x	10.5x		8.6x	10.0x	10.3x
Median				10.3x	10.7x		10.0x	10.3x	10.7x

Source: Capital IQ and BDOCF analysis Notes:

Analysis performed as at 11 January 2016

n/a indicates data not available, x indicates times

Multiples based on enterprise value calculated as market capitalisation, plus debt (inclusive of property make good) less cash adjusted for minority interests and preference shares.

Historical multiples represent multiples of last reported earnings of a company
Colorpak's forecast multiples are calculated based on the FY16 EBITDA of approximately \$12.0 million, consistent with our adopted FNE. Brokers' consensus estimated forecast FY16 EBITDA as at 11 January
2016 was approximately \$14.2 million (source: CapitalliQ).
There are no brokers' estimates available for Pro-Pac Packaging Limited. The forecast multiples are calculated based on the historical FY15 EBITDA results.

BDO Corporate Finance (East Coast) Pty Ltd

4



# APPENDIX 6: TRANSACTION MULTIPLES

Outlined below are transaction multiples of comparable companies which we have considered in arriving at a suitable capitalisation multiple for Colorpak:

Target Company	Acquirer	Effective Date	% Sought	Transaction Value (\$'m)	Historical Multiple	Multiple	Forecast Multiple	Multiple
					EBITDA Multiple	Revenue Multiple	EBITDA Multiple	Revenue Multiple
Jalco Group Pty. Limited	Pact Group Holdings (Australia) Pty Ltd.	1-Sep-15	100%	80.0	6.5x	n/a	n/a	n/a
Zhongshan Tiancai Packing Co., Ltd.	Amcor (China) Investment Co., Ltd.	7-Jan-15	100%	42.2	7.1x	n/a	n/a	n/a
Pt. Bella Prima Perkasa	Amcor Limited	28-Nov-14	100%	27.1	7.0x	0.9x	n/a	n/a
Detmold Flexibles Pty Ltd (nka:Amcor Flexibles (Port Melbourne) Pty Ltd)	Amcor Flexibles Asia Pacific	18-Jun-14	100%	50.0	e.6x	n/a	n/a	n/a
Jiangsu Shenda Group Co., Ltd., Flexible Packaging Operations	Amcor Flexibles Asia Pacific	21-0ct-13	100%	59.7	8.0x	0.8x	n/a	n/a
AGI Media, Inc., Printing Assets of Tobacco Packaging & Specialty Folding Carton Operations	Amcor Limited	15-Feb-13	100%	111.4	5.2x	0.9x	n/a	n/a
Wayne Richardson Sales	Amcor Limited	28-Jun-12	100%	n/a	6.5x	n/a	n/a	n/a
Aperio Group Pty Limited	Amcor Flexibles Asia Pacific	11-May-12	100%	238.0	6.0x	0.7x	n/a	n/a
Pro-Pac Packaging Limited	Bennamon Pty Ltd.	04-Oct-11	30%	19.0	7.1x	0.7x	×9.9	n/a
CPI Group Ltd.	PagePack (AU) Pty Limited	02-May-11	100%	2.09	8.2x	n/a	9.4x	n/a
Average					6.8x	0.8x	8.0x	n/a
Median					6.8x	0.8x	8.0x	n/a

Source: Capital IQ and BDOCF analysis Notes: n/a - not available



The above table lists merger and acquisition transactions within the broader packaging industry, both within Australia and globally, for which information is publically available. The following summarises each transaction listed in the above table:

#### Table 37: Transaction description and commentary

Pact Group Holdings (Australia) Pty Ltd signed an agreement to acquire Jalco Group Pty Limited from Barry Smorgon and others for AUD80 million on 17 June 2015. Jalco Group Pty Limited provides FMCG contract manufacturing services in Australia. It manufactures and supplies a range of personal care products, such as bath, hair, face, body and shave, baby, sun care, and cosmetic products, as well as sample sachets and travel packs; and household cleaning and laundry products, including laundry and dish washing products, surface cleaners, disinfectants, deodorizers, eco concentrators, and general items.

- This is the most recent observable transaction in the broader packaging industry. However, Jalco Group Pty Limited provides FMCG contract manufacturing services whilst Colorpak is a full scope manufacturer and distributor of folding cartons.
- Amcor (China) Investment Co., Ltd. entered into an agreement to acquire Zhongshan Tiancai Packaging Co., Ltd for approximately CNY210 million on 17 December 2014. Zhongshan Tiancai Packing Co., Ltd. manufactures and markets flexible packaging products. It offers chewing gum, jelly, foodstuff, pharmaceutical, shampoo, washing powder, lotion, toothpaste, industrial, and special packing material, as well as security packaging materials. The company serves markets in China, the United States, Japan, South Korea, the Russian Federation, Denmark, the Philippines, and internationally, Zhongshan Tiancai Packing Co., Ltd. was founded in 1998 and is based in Zhongshan City, China. As per the transaction announced on 17 December 2014, Zhongshan Tiancai Packing Co., Ltd. operates as a subsidiary of Amcor (China) Investment Co., Ltd.
- Amcor (China) Investment Co., Ltd. operates in a developing country.

- Amcor Limited entered into an agreement to acquire Bella Prima Packaging for AUD27.1 million on 7 May 2014. Out of the total consideration, AUD 1.51 million (\$1.4 million) is deferred to be paid on the 1st, 2nd and 3rd anniversary from closing in equal instalments. Pt. Bella Prima Perkasa offers packaging products. The company offers heat shrinkable films, shrink labels, and tamper evident seals for manufacturers in the beverage, dairy products, food, cosmetic, pharmaceutical, and household product sectors. It also provides food grade tandem laminated packaging materials used for beverage plastic cups lid, instant noodle cups lid, vacuum packaging bags, and other bags. Pt. Bella Prima Perkasa is headquartered in Jakarta, Indonesia.
- Bella Prima Packaging is smaller than Colorpak and operates in a developing country.



#### Table 37: Transaction description and commentary

#### Amcor Flexibles Asia Pacific signed an agreement to acquire Detmold Flexibles Pty Ltd from Detmold Group for AUD50 million on 18 November 2013. Detmold Flexibles Pty Ltd manufactures paper and film based packaging and rewind to industrial, pharmaceutical and FMCG markets. The company offers bags and pouches, cold seal coating and lamination, and printed paper and film rewind. The company was founded in 1950 and is based in Port Melbourne, Australia. Detmold Flexibles operates two plants in Melbourne and generated annual sales of approximately AUD55 million.

- Detmold Flexibles Pty Ltd is involved in paper and film packaging whilst Colorpak offers similar products it represents a small portion of its product offerings.
- On 1 July 2013, Amcor Limited signed an agreement to acquire flexible packaging operations from Jiangsu Shenda Group Co., Ltd. for CNY350 million. Shenda Enterprise Group comprises film packaging plants which manufacture products for snack, pharmaceutical, and personal care industries. The plants are located in Jiangsu Province, China. The acquired business generated annual sales of approximately CNY440 million (AUD77.7 million).
- Colorpak offers film packaging but it represents a small portion of its product offerings.
- Amcor Limited acquired printing assets of tobacco packaging and specialty folding carton operations from AGI Media, Inc. for approximately \$110 million on 15 February 2013. The tobacco packaging and specialty folding carton business operate in South Korea, USA, Mexico and China generated sales of US\$126 million and EBITDA of US\$22 million for the calendar year ended 31 December 2012.
- The tobacco packaging and specialty folding carton business operated in the US and developing countries including South Korea, Mexico and China. The implied historical EBITDA multiple for the transaction was 5.2x, being the lowest multiple observed for the transactions. At the time of its announcement, the Company made a statement that the purchase multiple was 'attractive'.
- On 28 June 2012, Amcor Limited announced its purchase of Wayne Richardson Sales, an independently owned packaging distributor in Australia with a network of eight distribution centres across Australia. The business distributes a broad range of industrial packaging and packaging consumables to small and medium size customers. It generated sales of approximately AUD50 million and had over 2,700 customers.
- Wayne Richardson Sales is a distributor of packaging products whilst Colorpak manufactures and distributes packaging products.
- Amcor Flexibles Asia Pacific signed an agreement to acquire Aperio Group Pty Limited from Catalyst Investment Managers Pty Ltd. and others for approximately AUD238 million on 7 March 2012. Aperio Group Pty Limited produced flexible packaging products and had 13 manufacturing facilities in Australasia. The group had 13 manufacturing facilities across Australia and New Zealand and a modern facility in Thailand. The group generated annual revenues of approximately AUD350 million.
- Aperio Group Pty Limited is larger in size compared to Colorpak and had a more diversified geographical footprint. Further, this transaction took place almost four years ago.



#### Table 37: Transaction description and commentary

Bennamon Pty Ltd. entered into a conditional agreement to acquire an additional 30.17% stake in Pro-Pac Packaging Limited from CVC Ltd, CVC Private Equity Limited and CVC Sustainable Investments Ltd. for AUD19 million on 1 July 2011. The implied premium over the 1-month VWAP and 3-month VWAP prior to the announcement was 53% and 54% respectively.

- Pro-Pac Packaging Limited is Colorpak's closest comparable in terms of size. However, this transaction took place five years ago.
- We note that the premium paid may include the following considerations:
  - Bennamon Pty Ltd was an investment company owned by Geminder Holdings Pty Ltd. Geminder Holdings Pty Ltd and its related body corporate, Pact Group Pty Ltd (Pact Group) have a number of investments, including in other plastic packaging-related businesses. The acquisition increased Bennamon Pty Ltd's from 18.1% to 48.3%. The transaction may therefore  $include \ synergistic \ value.$
  - Bennamon Pty Ltd, being the second largest shareholder at the time, was privy to the business plans and financial insights of Pro-Pac Packaging Limited. The premium paid may include benefits calculated from information not generally available to the market.
  - The transaction occurred in 2011 when the Industry experienced a peak in local production and imports were at lower levels.

Source: Capital IQ and BDOCF analysis

# ANNEXURE B - SCHEME

# **SCHEME**

This scheme of arrangement is made under section 411 of the Corporations Act 2001 (Cth) between:

COLORPAK LIMITED ABN 56 107 485 898 of 63-73 Woodlands Dr, Braeside, Victoria, 3195, Australia ("CKL")

And

Scheme Shareholders each person who holds one or more Scheme Shares.

# DEFINITIONS AND INTERPRETATION

#### **Definitions**

- 1.1 In this Scheme, unless the context requires otherwise:
  - "ASIC" means the Australian Securities and Investments Commission;
  - "ASX" means ASX Limited (ABN 98 008 624 691) or, if the context requires, the financial market operated by it;
  - "ASX Settlement" means ASX Settlement Pty Ltd (ABN 49 008 504 532);
  - "ASX Settlement Rules" means the ASX Settlement Operating Rules;
  - "Business Day" means a day that is not a Saturday, Sunday or a public holiday or bank holiday in Melbourne, Australia;
  - "CHESS" means the Clearing House Electronic Sub-register System for the electronic transfer of securities operated by ASX Settlement;
  - "CKL" means Colorpak Limited ABN 56 107 485 898;
  - "CKL Register" means the register of members of CKL maintained under and in accordance with section 168 of the Corporations Act;
  - "CKL Registrar" means Link Market Services Limited ACN 083 214 537;
  - "CKL Share" means an issued fully paid ordinary share in the capital of CKL;
  - "CKL Shareholder" means a person who is registered in the CKL Register as a holder of CKL Shares:
  - "Close of Trading" means the close of normal trading on ASX on the Effective Date;
  - "Corporations Act" means the Corporations Act 2001 (Cth);
  - "Court" means the Federal Court of Australia or any other court of competent jurisdiction under the Corporations Act as the parties may agree in writing;

- "Deed Poll" means the deed poll dated 16 February 2016 executed by GPI and GPI Australia, pursuant to which GPI Australia covenants in favour of the Scheme Shareholders
- (a) perform the steps attributed to GPI Australia under, and otherwise comply with, this Scheme as if GPI Australia were a party to this Scheme; and
- comply with its obligations under the Scheme Implementation Deed, in so far as (b) that deed relates to this Scheme, and do all things necessary or expedient on its part to implement this Scheme:
- "Effective" means, when used in relation to this Scheme, the coming into effect, under section 411(10) of the Corporations Act, of the Scheme Order in relation to this Scheme;
- "Effective Date" means, with respect to this Scheme, the date on which this Scheme becomes Effective;

# "End Date" means:

- (a) 15 June 2016; or
- such other date and time agreed in writing between GPI and CKL; (b)
- "Scheme Booklet" means the Scheme Booklet prepared in respect of the Scheme in accordance with the terms of the Scheme Implementation Deed and despatched by CKL to CKL Shareholders;
- "Implementation Date" means, with respect to this Scheme, the third Business Day, or such other Business Day as may be agreed in writing by CKL and GPI, following the Record Date for this Scheme;
- "Listing Rules" means the official listing rules of ASX as amended from time to time;
- "GPI" means Graphic Packaging International, Inc.;
- "GPI Australia" means Graphic Packaging International Australia Pty Limited ACN 057
- "Record Date" means, in respect of this Scheme, 7.00pm on the fifth Business Day (or such other Business Day as may be agreed in writing by CKL and GPI) following the Effective
- "Registered Address" means, in relation to a CKL Shareholder, the address of that CKL Shareholder as recorded on the CKL Register;
- "Related Body Corporate" of a person means a related body corporate of that person under section 50 of the Corporations Act and includes any body corporate that would be a related body corporate if section 48(2) of the Corporations Act was omitted;
- "Scheme" means this scheme of arrangement pursuant to Part 5.1 of the Corporations Act between CKL and Scheme Shareholders in respect of all Scheme Shares, subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and approved in writing by CKL and GPI;

"Scheme Amount per Share" means the consideration to be provided to Scheme Shareholders under the terms of this Scheme for the transfer to GPI Australia of their Scheme Shares, as ascertained in accordance with clause 4.3;

"Scheme Implementation Deed" means the deed entered into between CKL and GPI dated 11 January 2016, under which each of CKL and GPI undertakes specific obligations to give effect to this Scheme;

"Scheme Order" means the orders of the Court approving this Scheme pursuant to section 411(4)(b) (and, if applicable, section 411(6)) of the Corporations Act;

"Scheme Meeting" means the meeting of CKL Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act to consider and vote on this Scheme, and includes any adjournment of that meeting;

"Scheme Share" means a CKL Share on issue as at the Record Date;

"Scheme Share Transfer" means for each Scheme Shareholder, one or more proper instruments of transfer in respect of their Scheme Shares for the purposes of section 1071B of the Corporations Act, which may be or include a master transfer of all or part of all of the Scheme Shares;

"Scheme Shareholder" means each person who is registered on the CKL Register as a holder of Scheme Shares as at the Record Date;

"Second Court Date" means the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving this Scheme is heard or scheduled to be heard or, if the application is adjourned for any reason, means the first day on which the adjourned application is heard or scheduled to be heard;

"Second Court Hearing" means the hearing of the application to the Court for the Scheme Order approving this Scheme

"Security Interest" has the meaning given in section 12 of the Personal Property Securities Act 2009 (Cth); and

"Share Splitting" means the splitting by a holder of CKL Shares into two or more parcels of CKL Shares whether or not it results in any change in beneficial ownership of the CKL Shares.

#### Interpretation

- 12 In this Scheme, except where the context otherwise requires:
  - 1.2.1 the singular includes the plural and vice versa, and a gender includes other genders;
  - 1.2.2 another grammatical form of a defined word or expression has a corresponding meaning;
  - 1.2.3 a reference to a clause, paragraph, schedule or annexure is to a clause or paragraph of, or schedule or annexure to, this Scheme, and a reference to this Scheme includes any schedule or annexure;

- 1.2.4 a reference to a document or instrument includes the document or instrument as novated, altered, supplemented or replaced from time to time;
- 1.2.5 a reference to A\$, \$A, dollar or \$ is to Australian currency;
- 1.2.6 a reference to time is to Melbourne, Australia time;
- 127 a reference to a party is to a party to this Scheme, and a reference to a party to a document includes the party's executors, administrators, successors and permitted assigns and substitutes;
- 1.2.8 a reference to a person includes a natural person, partnership, body corporate, association, governmental or local authority or agency or other entity;
- 1.2.9 a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
- 1.2.10 a word or expression defined in the Corporations Act has the meaning given to it in the Corporations Act;
- 1.2.11 the meaning of general words is not limited by specific examples introduced by including, for example or similar expressions;
- 1.2.12 a rule of construction does not apply to the disadvantage of a party because the party was responsible for the preparation of this Scheme or any part of it; and
- 1.2.13 if a day on or by which an obligation must be performed or an event must occur is not a Business Day, the obligation must be performed or the event must occur on or by the next Business Day.

#### 2. PRELIMINARY

# CKL

2.1 CKL is a public company incorporated in Australia and registered in Victoria and is a company limited by shares. CKL is admitted to the official list of ASX and its shares are officially quoted on the stock market conducted by ASX. Its registered office is at 63-73 Woodlands Dr, Braeside, Victoria.

# **CKL** securities

As at the date of the Scheme Booklet, CKL had on issue 88,202,525 CKL Shares.

# **GPI and GPI Australia**

- 2.3 GPI is a company incorporated in Delaware, United States of America. Its headquarters are at 1500 Riveredge Parkway NW, Atlanta, Georgia 30328.
- 2.4 GPI Australia is a company registered in South Australia, Australia. Its registered office is Unit 4, Business Park, 21 Huntingdale Road, Burwood VIC, 3125.

#### Agreement to implement this Scheme

2.5 Each of CKL and GPI have agreed, by executing the Scheme Implementation Deed, to implement the terms of this Scheme and the steps contemplated to follow the implementation of this Scheme, to the extent those steps are required to be done by each of them.

#### **Deed Poll**

GPI and GPI Australia have executed the Deed Poll in favour of, among others, the Scheme 2.6 Shareholders.

#### **Summary of Scheme**

- 2.7 If this Scheme becomes Effective:
  - 2.7.1 all of the Scheme Shares (together with all rights and entitlements attaching to the Scheme Shares as at the Implementation Date) will be transferred to GPI Australia and CKL will become a subsidiary of GPI Australia;
  - 2.7.2 in consideration of the transfer of the Scheme Shares, GPI Australia will provide or procure the provision of the Scheme Amount per Share to Scheme Shareholders in accordance with the terms of this Scheme;
  - 2.7.3 CKL will enter the name of GPI Australia in the CKL Register as the holder of all the Scheme Shares;
  - 2.7.4 it will bind CKL and all Scheme Shareholders, including those who do not attend the Scheme Meeting, those who do not vote at that meeting and those who vote against this Scheme at that meeting; and
  - 2.7.5 it will override the constitution of CKL, to the extent of any inconsistency.

#### 3. CONDITIONS PRECEDENT

# **Conditions precedent**

- 3.1 This Scheme is conditional upon, and will have no force or effect until, the satisfaction of each of the following conditions:
  - 3.1.1 each of the conditions precedent in clause 3.1 of the Scheme Implementation Deed (other than the condition precedent in clause 3.1.6) having been satisfied or waived in accordance with the Scheme Implementation Deed as at 8.00am on the Second Court Date or such other time specified in that condition precedent;
  - 3.1.2 neither the Scheme Implementation Deed nor the Deed Poll being terminated, as at 8.00am on the Second Court Date;
  - 3.1.3 this Scheme being approved for the purposes of section 411(4)(b) of the Corporations Act at the Second Court Hearing, subject to the matters noted in clause 8.11: and
  - 3.1.4 the Scheme Order comes into effect, pursuant to section 411(10) of the Corporations Act.

#### Effect of conditions precedent

3.2 The satisfaction or waiver of each condition precedent in clause 3.1 is a condition precedent to the operation of clause 4 and the binding effect of this Scheme.

33 At or before the Second Court Hearing, CKL and GPI will each provide to the Court certificates, or such other evidence as the Court requests, confirming (in respect of matters within their knowledge) whether or not the conditions precedent to this Scheme (other than the conditions precedent in clauses 3.1.3 and 3.1.4 and the condition precedent in clause 3.1.6 of the Scheme Implementation Deed) have been satisfied or waived as at 8.00am on the Second Court Date. The certificates given by CKL and GPI constitute conclusive evidence that the relevant conditions have been satisfied or waived.

#### **End Date**

This Scheme will lapse and be of no further force or effect if the Effective Date has not 3.4 occurred on or before the End Date.

#### **Termination**

- 3.5 Without limiting any rights under the Scheme Implementation Deed, if the Scheme Implementation Deed is terminated in accordance with its terms before this Scheme becomes Effective, each of GPI and CKL are released from:
  - 3.5.1 any further obligation to take steps to implement this Scheme; and
  - 352 any liability with respect to this Scheme.

#### 4. THE SCHEME

# Lodgement of Scheme Order with ASIC

41 CKL will lodge with ASIC in accordance with section 411(10) of the Corporations Act an office copy of the Scheme Order as soon as practicable, and in any event by no later than 5.00pm on the first Business Day after the date on which the Court makes that Scheme Order (or on such other Business Day as CKL and GPI agree).

# **Transfer of Scheme Shares**

- 42 Subject to this Scheme becoming Effective:
  - 4.2.1 subject to the provision of the Scheme Amount per Share to the Scheme Shareholders in the manner contemplated by clause 4, on or before 10.00am on the Implementation Date, and subject to GPI Australia fulfilling its obligations under clause 4.3, all of the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares at the Implementation Date, must be transferred to GPI Australia without the need for any further act by any Scheme Shareholder, by CKL effecting a valid transfer or transfers of the Scheme Shares to GPI Australia under section 1074D of the Corporations Act or, if that procedure is not available for any reason, by:

- 4.2.1.1 CKL delivering to GPI Australia a duly completed Scheme Share Transfer executed by CKL (as transferor) acting as the attorney and agent of each Scheme Shareholder under clause 8.1; and
- 4.2.1.2 GPI Australia duly executing the Scheme Share Transfer (as transferee), attending to the stamping of the Scheme Share Transfer (if required) and delivering it to CKL for registration; and
- 4.2.2 on the Implementation Date, immediately after receipt of the Scheme Share Transfer from GPI Australia under clause 4.2.1.2 or the transfer being effected under section 1074D of the Corporations Act (as the case may be), CKL must enter, or procure the entry of, the name of GPI Australia in the CKL Register in respect of all of the Scheme Shares.

# Provision of Scheme Amount per Share

- 4.3 GPI Australia must, and GPI and CKL must each use best endeavours to procure that GPI Australia does, by no later than 5.00pm on the Business Day before the Implementation Date, deposit in cleared funds an amount equal to the aggregate amount of the aggregate Scheme Amount per Share payable to Scheme Shareholders, in an Australian dollar denominated trust account operated by CKL as trustee for the Scheme Shareholders, and notified to GPI at least three Business Days prior to Implementation Date (provided that any interest on the amounts deposited (less bank fees and other third party charges directly in connection with the account) will be credited to GPI Australia's account).
- 4.4 Subject to this Scheme becoming Effective, in consideration for the transfer to GPI Australia of the Scheme Shares held by each Scheme Shareholder under the terms of this Scheme, GPI Australia will provide, or procure provision, to each Scheme Shareholder the Scheme Amount per Share to which that Scheme Shareholder is entitled on the Implementation Date and otherwise in accordance with this Scheme.

#### 5. SCHEME AMOUNT PER SHARE

The Scheme Amount per Share to be provided to each Scheme Shareholder will be the payment by GPI Australia to that Scheme Shareholder of \$0.68 cash (reduced for the amount of any dividends up to \$0.11 per Scheme Share with a record date before the Record Date) for each Scheme Share held by that Scheme Shareholder.

#### ENTITLEMENT TO PARTICIPATE AND DEALINGS IN CKL SHARES 6.

#### Entitlement to participate

6.1 Each Scheme Shareholder will be entitled to participate in this Scheme.

#### Recognised dealings

- 6.2 For the purposes of determining who is a Scheme Shareholder, dealings in CKL Shares will be recognised if:
  - 6.2.1 in the case of dealings of the type effected by CHESS, the transferee is registered in the CKL Register as the holder of the relevant CKL Shares by the Record Date:

6.2.2 in all other cases, share transfer forms in registrable form or transmission applications in respect of those dealings are received at the place where the CKL Register is kept by 5.00pm on the Record Date.

# CKL's obligation to register

CKL must register any registrable transfers or transmission applications received in 63 accordance with clause 6.2.2 by 7.00pm on the Record Date.

#### Transfer requests received after Record Date

CKL will not accept for registration or recognise for any purpose any transfer, transmission or 6.4 application in respect of CKL Shares received after the times specified in clause 6.2, or received prior to such times but not in registrable form, other than a transfer to GPI Australia in accordance with this Scheme.

#### No disposals after Record Date

6.5 If this Scheme becomes effective, each Scheme Shareholder, and any person claiming through that Scheme Shareholder, must not dispose of or purport or agree to dispose of any Scheme Shares or any interest in them after the Record Date.

#### Maintaining the CKL Register

For the purpose of determining entitlements to Scheme Amount per Share, CKL must, until 6.6 the Scheme Amount per Share has been provided, maintain, or cause the CKL Registrar to maintain, the CKL Register in accordance with the provisions of this clause 6 and entitlements to the Scheme Amount per Share will be determined solely on the basis of the CKL Register.

# Statements of holding cease to have any effect

6.7 After 7.00pm on the Record Date, any share certificate or holding statement for CKL Shares (other than statements of holding in favour of GPI Australia and its successors in title) will cease to have any effect as a document of title in respect of those shares and each current entry on the CKL Register as at 7.00pm on the Record Date will cease to have any effect other than as evidence of the entitlements of Scheme Shareholders to the Scheme Amount per Share (other than the entries in respect of GPI Australia).

#### Provision of Scheme Shareholder's details

As soon as practicable after the Record Date, and in any event within one Business Day after the Record Date, CKL must ensure that a complete copy of the CKL Register as at 7.00pm on the Record Date, including details of the names, registered addresses and holdings of CKL Shares for each Scheme Shareholder, is available to GPI Australia in the form GPI Australia reasonably requires.

#### QUOTATION OF CKL SHARES 7.

# Suspension of trading in ASX

7.1 CKL will apply to the ASX to suspend trading in CKL Shares on ASX from the Close of Trading.

#### Termination from official quotation

7.2 Provided that this Scheme has been fully implemented in accordance with its terms, CKL will apply for termination of the official quotation of CKL Shares on ASX, and removal from the official list of ASX, on a date after the Implementation Date as determined by GPI.

#### 8. **GENERAL PROVISIONS**

#### Authority given to CKL

- 8.1 On this Scheme becoming Effective, each Scheme Shareholder, without the need for any further act, is deemed to have irrevocably appointed CKL and all of its directors and officers (jointly and severally) as its attorney and agent for the purposes of:
  - enforcing the Deed Poll against GPI and GPI Australia; and 8.1.1
  - 8.1.2 doing all things and executing any agreements, instruments, transfers or other documents as may be necessary or desirable to give full effect to this Scheme and the transactions contemplated by it, including the effecting of a valid transfer or transfers (or the execution and delivery of any Scheme Share Transfers) as contemplated by clause 4.2,

and CKL accepts such appointment. CKL as attorney and agent of each Scheme Shareholder, may sub-delegate its functions, authorities or powers under this clause 8.1 to all or any of its directors and officers (jointly, severally or jointly and severally).

#### Status of Scheme Shares

- 8 2 To the extent permitted by law, the Scheme Shares transferred under this Scheme will be transferred free from all mortgages, charges, liens, encumbrances and interests of third parties of any kind, whether legal or otherwise.
- 8.3 Each Scheme Shareholder is deemed to have warranted to CKL, and appointed and authorised CKL as its attorney and agent to warrant to GPI and GPI Australia, that all their Scheme Shares (including any rights and entitlements attaching to those Scheme Shares) transferred to GPI Australia under this Scheme will, at the date of transfer, be fully paid and free from mortgages, charges, liens, encumbrances, pledges, security interests and other interests of third parties of any kind, whether legal or otherwise, and that they have full power and capacity to sell and transfer their CKL Shares (including any rights and entitlements attaching to those shares) to GPI Australia under this Scheme.

# Further assurances

8.4 Each Scheme Shareholder and CKL will execute documents and do all things and acts necessary or expedient in order to implement this Scheme.

# **Authority of CKL**

8.5 Each of the Scheme Shareholders consents to CKL doing all things necessary for or incidental to the implementation of this Scheme.

#### Scheme binding

86 This Scheme binds CKL and all Scheme Shareholders from time to time (including those who do not attend the Scheme Meeting, those who do not vote at that meeting or vote against this Scheme) and, to the extent of any inconsistency, overrides the constitution of CKL.

#### Variation, cancellation or modification of rights

8 7 The Scheme Shareholders agree to the transfer of their CKL Shares in accordance with this Scheme and agree to the variation, cancellation or modification of the rights attached to their CKL Shares constituted or resulting from this Scheme (if any).

#### Beneficial entitlement to Scheme Shares

- Immediately upon the provision of the Scheme Amount per Share to each Scheme Shareholder in the manner contemplated by clause 4, pending registration by CKL of GPI Australia in the CKL Register as the holder of the Scheme Shares:
  - 8.8.1 GPI Australia will be beneficially entitled to the Scheme Shares transferred to it under this Scheme; and
  - 8.8.2 each Scheme Shareholder:
    - 8.8.2.1 irrevocably appoints GPI Australia as attorney and agent (and directs GPI Australia in each capacity) to appoint any director, officer, secretary or agent nominated by GPI Australia as its sole proxy and, where applicable, its corporate representative to attend shareholder meetings of CKL, exercise the votes attached to the Scheme Shares registered in the name of the Scheme Shareholder and sign any shareholders resolution of CKL;
    - 8.8.2.2 undertakes not to otherwise attend or vote at any such meetings or sign any such resolutions, whether in person, by proxy or by corporate representative other than pursuant to clause 8.8.2.1;
    - 8.8.2.3 must take all other actions in the capacity of a registered holder of Scheme Shares as GPI Australia reasonably directs; and
    - 8.8.2.4 acknowledges and agrees that in exercising the powers referred to in this clause 8.8.2, any director, officer, secretary or agent nominated by GPI Australia may act in the best interests of GPI Australia as the intended registered holder of the Scheme Shares.

#### **Notices**

- 8.9 Where a notice, transfer, transmission application or other communication referred to in this Scheme is sent by post to CKL, it will not be deemed to be received in the ordinary course of post or on a date other than the date (if any) on which it is actually received at CKL's registered office or at the office of the CKL Registrar.
- The accidental omission to give notice of the Scheme Meeting to any CKL Shareholders, or the non-receipt of such a notice by any CKL Shareholders, will not, unless ordered by the Court, invalidate this Scheme or the proceedings at the Scheme Meeting.

# Alterations and conditions

8.11 If the Court proposes to approve this Scheme subject to any conditions or alterations under section 411(6) of the Corporations Act, CKL may, by its counsel on behalf of all persons concerned consent to only such of those conditions or alterations to this Scheme to which GPI has consented, such consent not to be unreasonably withheld or delayed.

#### **Enforcement of Deed Poll**

8.12 CKL undertakes in favour of each Scheme Shareholder that it will enforce the Deed Poll against GPI and GPI Australia on behalf of and as agent and attorney for the Scheme Shareholders.

#### Duty

8.13 All duty (including stamp duty), and any related fines, penalties and interest, payable in connection with this Scheme and each transaction effected by or made under this Scheme will be payable by GPI.

#### Limitation of liability

8.14 None of CKL, GPI, GPI Australia, nor any director, officer or secretary of any of them is liable for anything done or omitted to be done in the performance of this Scheme or the Deed Poll in good faith.

# **Governing Law**

- 8.15 This Scheme is governed by and will be construed according to the laws of Victoria.
- 8.16 Each party irrevocably:
  - 8.16.1 submits to the non-exclusive jurisdiction of the courts of Victoria and of the courts competent to determine appeals from those courts, with respect to any proceedings that may be brought at any time relating to this Scheme; and
  - 8.16.2 waives any objection it may now or in the future have to the venue of any proceedings, and any claim it may now or in the future have that any proceedings have been brought in an inconvenient forum, if the venue of those proceedings fall within clause 8.16.1.

# ANNEXURE C - DEED POLL

# DATED 16 February 2016

GRAPHIC PACKAGING INTERNATIONAL, INC. ("GPI")

- and -

GRAPHIC PACKAGING INTERNATIONAL AUSTRALIA PTY LIMITED ("GPI AUSTRALIA")

# **DEED POLL**

in favour of Scheme Shareholders

# CONTENTS

1.	DEFINED TERMS & INTERPRETATION	4
	Defined terms	4
	Interpretation	4
	Time for performance	4
2.	NATURE OF DEED POLL	5
3.	CONDITION	5
	Condition	5
	Termination	5
	Consequences of termination	5
4.	PERFORMANCE OF SCHEME OBLIGATIONS	5
	Generally	5
	Payment of Scheme Amount per Share	<del>6</del>
5.	WARRANTIES	<del>6</del>
6.	CONTINUING OBLIGATIONS	<del>(</del>
7.	GUARANTEE AND ACKNOWLEDGEMENT BY GPI	7
8.	GENERAL	8
	Stamp duty	8
	Further assurances	8
	Assignment	8
	Variation	8
	Waiver	8
	Notices	9
	Cumulative rights	10
	Governing law	10

#### THIS DEED POLL IS MADE ON

2016

GRAPHIC PACKAGING INTERNATIONAL, INC. of 1500 Riveredge Parkway NW, Atlanta, GA. 30328, United States of America ("GPI")

GRAPHIC PACKAGING INTERNATIONAL AUSTRALIA PTY LIMITED ACN 057 776 888 of Unit 4 Business Park, 21 Huntingdale Road, Burwood Victoria 3125 ("GPI Australia")

#### BACKGROUND:

- Graphic Packaging International, Inc. ("GPI") and Colorpak Limited ABN 56 107 485 898 ("CKL") have entered into a Scheme Implementation Deed dated 11 January 2016 ("Scheme Implementation Deed").
- В Under the Scheme Implementation Deed, CKL has agreed that it will propose and implement the Scheme in accordance with the Scheme Implementation Deed.
- Under the Scheme Implementation Deed, GPI has agreed to take all steps reasonably necessary to assist CKL in proposing and implementing the Scheme in accordance with the Scheme Implementation Deed.
- D Under the Scheme Implementation Deed, GPI may nominate a wholly-owned subsidiary as nominee to acquire the Scheme Shares under the Scheme by giving written notice to CKL in accordance with the Scheme Implementation Deed.
- Е On or about the date of this Deed Poll, GPI provided written notice to CKL nominating GPI Australia, which is a wholly-owned subsidiary of GPI, to acquire the Scheme Shares under the Scheme. Under the Scheme Implementation Deed, upon GPI nominating GPI Australia for that purpose, references in the Scheme Implementation Deed to GPI acquiring the Scheme Shares under the Scheme, or taking any other action under or in respect of the Scheme, are to be read as references to GPI Australia doing so.
- F GPI Australia is entering into this Deed Poll for the purpose of:
  - covenanting in favour of Scheme Shareholders to perform certain of its (i) obligations under the Scheme Implementation Deed;
  - (ii) covenanting in favour of the Scheme Shareholders to perform the steps attributed to it under the Scheme; and
  - (iii) ensuring that the Scheme Amount per Share is paid to the Scheme Shareholders.
- G GPI has agreed to guarantee the obligations of GPI Australia on the terms of this Deed Poll, and is entering into this Deed Poll for the purpose of procuring that GPI Australia complies with its obligations under the Scheme.
- The effect of the Scheme will be that the Scheme Shares, together with all rights and entitlements attaching to them, will be transferred to GPI Australia in exchange for the Scheme Amount per Share.

#### IT IS AGREED:

#### **DEFINED TERMS & INTERPRETATION** 1.

#### **Defined terms**

- 1.1 Words and phrases defined in the Scheme Implementation Deed have the same meanings in this Deed Poll unless the context requires otherwise.
- 1.2 In this Deed Poll, "GPI Parties" means GPI and GPI Australia, and "a GPI Party" means any of them.

## Interpretation

- 1.3 In this Deed Poll, unless the context otherwise requires:
  - 131 the singular includes the plural and vice versa;
  - 1.3.2 reference to a person includes references to corporations, partnerships, joint ventures, associations, bodies corporate and any Regulatory Authority;
  - 1.3.3 references to agreements or deeds are to agreements or deeds as amended from time to time:
  - 1.3.4 reference to a party includes their executors, administrators and permitted assigns or, being a company, its successors and permitted assigns;
  - 1.3.5 an agreement, representation or warranty in favour of two or more persons is for the benefit of each and all of them;
  - 1.3.6 a reference to a clause, party, annexure, exhibit or schedule is a reference to a clause of, and a party, annexure, exhibit and schedule to, this Deed Poll and a reference to this Deed Poll includes any annexure, exhibit and schedule; and
  - 1.3.7 a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements to it.
- Clause headings in this Deed Poll do not affect the interpretation of this Deed Poll. 1.4
- 1.5 Where a word or phrase is defined, its other grammatical forms have a corresponding meaning.

#### Time for performance

- 1.6 If the day on or by which a payment or an act is to be done under this Deed Poll is not a Business Day, that act must be done on the next Business Day.
- In this Deed Poll, if a period occurs from, after or before a day or the day of an act or event, it 1.7 excludes that day.
- 18 In this Deed Poll, a reference to a day is to be interpreted as the period of time commencing at midnight and ending 24 hours later.
- 1.9 In this Deed Poll a reference to time is a reference to Melbourne, Australia time.

#### NATURE OF DEED POLL 2.

- 2.1 Each GPI Party acknowledges that this Deed Poll may be relied on and enforced by any Scheme Shareholder in accordance with its terms even though the Scheme Shareholders are not party to it.
- Each GPI Party acknowledges that under the Scheme, each Scheme Shareholder irrevocably 2.2 appoints CKL and each of its directors, officers and secretaries (jointly and each of them severally) as its agent and attorney to enforce this Deed Poll against the GPI Parties.

#### 3. CONDITION

#### Condition

The obligations of the GPI Parties under this Deed Poll are subject to the Scheme becoming 3.1 Effective

#### Termination

3.2 Subject to clause 6, unless each GPI Party and CKL agree otherwise, the obligations of the GPI Parties under this Deed Poll to Scheme Shareholders will automatically terminate and the terms of this Deed Poll will be of no further force or effect if and only if the Scheme Implementation Deed is terminated in accordance with its terms or the Scheme does not become Effective on or before the End Date.

#### Consequences of termination

- 3.3 If this Deed Poll is terminated under clause 3.2, then in addition and without prejudice to any other rights, powers or remedies available to it:
  - 3.3.1 each GPI Party is released from its obligations to further perform this Deed Poll except for any obligations which by their nature survive termination; and
  - 3.3.2 each Scheme Shareholder retains the rights, powers and remedies they have against the GPI Parties in respect of any breach of this Deed Poll which occurs before it is terminated.

#### PERFORMANCE OF SCHEME OBLIGATIONS 4.

## Generally

- 4.1 Subject to clause 3:
  - 4.1.1 GPI Australia covenants in favour of each Scheme Shareholder to deposit, or procure the deposit of, in cleared funds, by no later than the Business Day before the Implementation Date, an amount equal to the aggregate amount of the Scheme Amount per Share payable to all Scheme Shareholders under the Scheme into an Australian dollar denominated trust account operated by CKL as trustee for the Scheme Shareholders and notified to GPI Australia at least three Business Days prior to Implementation Date, except that any interest on the amounts deposited (less bank fees and other charges) will be credited to GPI Australia's account.

- 4.1.2 GPI Australia covenants in favour of each Scheme Shareholder to perform the steps attributed to GPI Australia under, and otherwise comply with, the Scheme as if GPI Australia were a party to the Scheme.
- 4.1.3 GPI Australia covenants in favour of each Scheme Shareholder to comply with its obligations under the Scheme Implementation Deed, in so far as that deed relates to the Scheme, and, in respect of GPI Australia, do all things necessary or expedient on its part to implement the Scheme.

#### Payment of Scheme Amount per Share

4.2 Subject to clause 3, in consideration for the transfer to GPI Australia of all of the Scheme Shares and all rights and entitlement attaching to them by each Scheme Shareholder, GPI Australia undertakes in favour of each Scheme Shareholder to pay, or procure the payment of, the Scheme Amount per Share to each Scheme Shareholder, in accordance with the terms of the Scheme.

#### 5. WARRANTIES

- 5.1 Each GPI Party represents and warrants to each Scheme Shareholder that:
  - 5.1.1 it is a corporation validly existing under the laws of its place of incorporation;
  - 512 it has the corporate power to enter into and perform its obligations under this Deed Poll and to carry out the transactions contemplated by this Deed Poll;
  - 5.1.3 it has taken all necessary corporate action to authorise its entry into this Deed Poll and has taken or will take all necessary corporate action to authorise the performance of this Deed Poll and to carry out the transactions contemplated by this Deed Poll;
  - 5.1.4 this Deed Poll has been duly and validly executed and delivered by it and is valid and binding upon it; and
  - 5.1.5 the execution and performance by it of this Deed Poll and each transaction contemplated by this Deed Poll did not and will not violate in any respect a provision of:
    - a law, judgment, ruling, order or decree binding on it; or 5.1.5.1
    - 5.1.5.2 its constitution or other constituent documents.

#### 6. CONTINUING OBLIGATIONS

- 6.1 This Deed Poll is irrevocable and, subject to clause 3, remains in full force and effect until the earlier of:
  - 6.1.1 the GPI Parties having fully performed their obligations under this Deed Poll; and
  - 6.1.2 termination of this Deed Poll under clause 3.2.

#### GUARANTEE AND ACKNOWLEDGEMENT BY GPI 7.

#### Guarantee by GPI

- 7.1 GPI:
  - 7.1.1 unconditionally and irrevocably guarantees to the Scheme Shareholders on demand, the due and the punctual performance of all of the obligations of GPI Australia under this Deed Poll; and
  - 7.1.2 as a separate and additional liability, indemnifies each Scheme Shareholder against all loss, actions, proceedings and judgments of any nature, incurred by, brought, made or recovered against the Scheme Shareholder arising from any default or delay in the due and punctual performance of GPI Australia's obligations under this deed poll.

#### Payment of money by GPI

- 7.2 GPI must pay money owing under this Deed Poll in immediately available funds without deduction (other than as required by any applicable law, in which case GPI must pay to each Scheme Shareholder such amount as is necessary to ensure that the net amount received by the Scheme Shareholder after withholding equals the amount the Scheme Shareholder would otherwise have been entitled to if not for the withholding).
- The liability of GPI under this clause 7 is not affected by anything that, but for this clause 7, might operate to release or exonerate GPI in whole or in part from their obligations including any of the following, whether with or without the consent of GPI:
  - the grant to GPI Australia, GPI or any other person at any time, of any waiver or 7.3.1 other indulgence, or the discharge or release of GPI Australia, GPI or any other person from any liability or obligation;
  - 7.3.2 any transaction or arrangement that may take place between any one or more Scheme Shareholder, GPI Australia, GPI or any other person (other than the payment of the Scheme Amount per Share to each Scheme Shareholder by GPI Australia pursuant to this Deed Poll);
  - 7.3.3 a Scheme Shareholder exercising or refraining from exercising its rights under any rights, powers or remedies against GPI Australia, GPI or any other person.

#### Acknowledgment by GPI

GPI acknowledges and agrees that neither the nomination of GPI Australia in accordance with 7.4 the Scheme Implementation Deed, nor the execution by GPI Australia of this Deed Poll, will relieve GPI of its obligations under the Scheme Implementation Deed, including the obligation to pay (or procure the payment by GPI Australia of) the aggregate Scheme Amount per Share in accordance with the terms of the Scheme.

#### 8. **GENERAL**

#### Stamp duty

#### 8.1 GPI Australia:

- 8 1 1 must pay all duty (including stamp duty) and any related fines, penalties and interest in respect of the Scheme and this Deed Poll (including without limitation the acquisition or transfer of Scheme Shares pursuant to the Scheme), the performance of this Deed Poll and each transaction effected by or made under or pursuant to the Scheme and this Deed Poll; and
- 8.1.2 indemnifies each Scheme Shareholder against any liability arising from failure to comply with clause 8.1.1.

#### Further assurances

8.2 Each GPI Party will, at its own expense, do all things reasonably required of it by law to give full effect to this Deed Poll and the transactions contemplated by it.

#### Assignment

- 8.3 The rights and obligations of the GPI Parties and each Scheme Shareholder under this Deed Poll are personal. They cannot be assigned, charged or otherwise dealt with without the prior consent of each GPI Party and CKL.
- 8.4 Any purported dealing in contravention of clause 8.3 is invalid.

#### Variation

- 8.5 A provision of this Deed Poll may not be varied, altered or otherwise amended unless:
  - 8.5.1 before the Second Court Date, the variation, alteration or amendment is agreed to in writing by CKL (which such agreement may be given or withheld without reference to or approval by any CKL Shareholder); or
  - 8.5.2 on or after the Second Court Date, the variation, alteration or amendment is agreed to in writing by CKL and is approved by the Court (which such agreement may be given or withheld without reference to or approval by any CKL Shareholder),

in which event each GPI Party will enter into a further deed poll in favour of each Scheme Shareholder giving effect to the variation, alteration or amendment.

#### Waiver

- 8.6 A provision of or right under this Deed Poll may not be waived except in writing signed by the person granting the waiver.
- 8.7 A failure or delay in exercise, or partial exercise, of:
  - 8.7.1 a right arising from a breach of this Deed Poll; or

8.7.2 a right, power, authority, discretion or remedy created or arising upon default under this Deed Poll,

does not result in a waiver of that right, power, authority, discretion or remedy.

- 8.8 Each GPI Party is not entitled to rely on a delay in the exercise or non-exercise of a right, power, authority, discretion or remedy arising from a breach of this Deed Poll or on a default under this deed poll as constituting a waiver of that right, power, authority, discretion or remedy.
- 8.9 Each GPI Party may not rely on any conduct of another person as a defence to the exercise of a right, power, authority, discretion or remedy by that other person.

## Notices

- Any communication to the GPI Parties under or in connection with this Deed Poll must be in 8.10 writing and:
  - 8.10.1 sent to the GPI Parties at:

Address: 1500 Riveredge Parkway NW

Atlanta, Georgia 30328

E-mail: Stephen.scherger@graphicpkg.com

For the attention of: Stephen Scherger

With a copy to: Lauren Tashma

Email: Lauren.tashma@graphicpkg.com

(or as otherwise notified by the GPI Parties to CKL from time to time);

- 8.10.2 must be signed by the party making the communication or by a person duly authorised by that party or, in the case of email, set out the full name and position or title of the duly authorised sender;
- 8.10.3 must be delivered or posted by prepaid post to the address, sent by fax to the number or emailed to the email address, of the addressee, in accordance with clause 8.10.1; and
- 8.10.4 will be deemed to be received by the addressee:
  - 8.10.4.1 (in the case of prepaid post) on the third Business Day after the date of posting to an address within Australia, and on the fifth Business Day after the date of posting to an address outside Australia;
  - 8.10.4.2 (in the case of email) the earlier of:
    - the time that the sender receives an automated message from the intended recipient's information system confirming delivery of the email;

- (b) the time that the email is first opened or read by the intended recipient, or an employee or officer of the intended recipient;
- two hours after the email is sent (as recorded in the device (c) from which the sender sent the email) unless the sender receives, within that two hour period, an automated message that the email has not been delivered,

but if the result is that a notice would be taken to be deemed to have been received at a time that is later than 5.00pm or on a day that is not a Business Day, then it will be deemed to have been received at 9.00am on the next Business Day;

- 8.10.4.3 (in the case of fax) at the local time (in the place of receipt of that fax) which then equates to the time at which that fax is sent as shown on the transmission report which is produced by the machine from which that fax is sent and which confirms transmission of that fax in its entirety, unless that local time is not a Business Day, or is after 5.00pm on a Business Day, when that communication will be deemed to be received at 9.00am on the next Business Day; and
- 8.10.4.4 (in the case of delivery by hand) on delivery at the address of the addressee as provided in clause 8.10.1, unless that delivery is not made on a Business Day, or after 5.00pm on a Business Day, when that communication will be deemed to be received at 9.00am on the next Business Day.

#### Cumulative rights

8.11 The rights, powers and remedies of the GPI Parties and the Scheme Shareholders under this Deed Poll are cumulative with the rights, powers or remedies provided by law independently of this Deed Poll.

## Governing law

- 8 12 This Deed Poll is governed by and will be construed according to the laws of Victoria.
- 8.13 Each GPI Party irrevocably:
  - submits to the non-exclusive jurisdiction of the courts of Victoria and of the 8.13.1 courts competent to determine appeals from those courts, with respect to any proceedings that may be brought at any time relating to this Deed Poll; and
  - 8.13.2 waives any objection it may now or in the future have to the venue of any proceedings, and any claim it may now or in the future have that any proceedings have been brought in an inconvenient forum, if the venue of those proceedings fall within clause 8.13.1.

EXECUTED AS A DEED POLL:

DATE:

Executed by GRAPHIC PACKAGING INTERNATIONAL, INC.

by its duly authorised representative

Lauren S. Tashma, Senior Vice President, General Counsel and Secretary

Executed as a deed poll by GRAPHIC PACKAGING INTERNATIONAL AUSTRALIA PTY LIMITED ACN 057 776

888 acting by the following persons or, if the seal is affixed, witnessed by the following persons in accordance with s127 of the

Michael & Dass...

Name of director (print)

Signature of director/company secretary

Michael P Maugha

Name of director/company secretary (print)

# ANNEXURE D - NOTICE OF MEETING

## Colorpak Limited ABN 56 107 485 898

#### Notice of meeting

Notice is hereby given, that by an order of the Supreme Court of Victoria pursuant to section 411(1) of the Corporations Act 2001 (Cth), a meeting of shareholders of Colorpak Limited (Colorpak) will be held at Level 42, 101 Collins Street, Melbourne VIC 3000 on Thursday, 7 April 2016, commencing at 10.00am (AEST).

#### **Business of meeting**

The purpose of the Scheme Meeting is to consider and, if thought fit, to agree to a Scheme of Arrangement (with or without modification) to be made between Colorpak and Colorpak ordinary shareholders.

The Scheme Meeting will be asked to consider, and, if thought fit, to pass the following resolution:

"That, pursuant to and in accordance with section 411 of the Corporations Act 2001, the Scheme of Arrangement (the terms of which are described in the Scheme Booklet of which the notice convening this meeting forms part) is agreed to (with or without modification as approved by the Supreme Court of Victoria)."

By order of the Board of Colorpak Limited.

**Stephen Nicholls** Company Secretary

Dated 1 March 2016

#### **Explanatory notes**

#### Material accompanying this notice

This notice of meeting and the Scheme Resolution should be read in conjunction with the booklet of which this notice forms part (Scheme Booklet). Terms used in this notice, unless otherwise defined, have the same meaning as set out in the Glossary in section 9 of the Scheme Booklet.

A Proxy Form also accompanies this notice.

#### Voting

The Colorpak Directors unanimously recommend that you vote in favour of the Scheme Resolution, in the absence of a Superior Proposal. They each intend to vote all Colorpak Shares held or controlled by them in favour of the Scheme Resolution.

#### Quorum

A quorum for a meeting of Colorpak Shareholders is 5 or more members present in person or by proxy and entitled to vote at the meeting (in person, by attorney, proxy or representative).

#### Majorities required

In accordance with section 411(4)(a) of the Corporations Act, for the Scheme of Arrangement to be approved by Colorpak Shareholders, the Scheme Resolution must be passed by:

- · unless the court orders otherwise, a majority in number of holders of ordinary shares present and voting (either in person or by proxy); and
- at least 75% of the votes cast on the resolution.

#### Court approval

In accordance with section 411(4)(b) of the Corporations Act, to become Effective, the Scheme of Arrangement must be approved by the order of the Court. If the Scheme Resolution set out in this notice is agreed to by the required majorities set out above and the conditions set out in the Scheme of Arrangement are satisfied or waived (where capable of waiver), Colorpak will apply to the Court for the necessary orders to give effect to the Scheme of Arrangement.

## Determination of entitlement to attend and vote

For the purposes of the Scheme Meeting, the Colorpak Company Secretary (operating under authority granted by the Colorpak Board) has determined that Colorpak Shares will be taken to be held by the persons who are registered as members at 7.00pm (AEST) on Tuesday, 5 April 2016. Accordingly, registrable transmission applications to transfers registered after this time will be disregarded in determining entitlements to vote at the Scheme Meeting.

#### How to vote

If you are a Colorpak Shareholder entitled to attend and vote at the Scheme Meeting, you may vote by:

- attending the Scheme Meeting in person;
- appointing a proxy to attend on your behalf;
- appointing an attorney to vote on your behalf; or
- in the case of a corporation which is a Colorpak Shareholder, by appointing an authorised corporate representative to attend on its behalf.

#### Voting at the Scheme Meeting will occur by poll

All persons attending the Scheme Meeting are asked to arrive at least 30 minutes prior to the time the Scheme Meeting is to commence, so that either their shareholding may be checked against the Register, their power of attorney or appointment as corporate representative can be verified (as the case may be), and their attendance noted.

#### Jointly held securities

If the Colorpak Shares are jointly held, each of the joint shareholders is entitled to vote. However, if more than one shareholder votes in respect of jointly held Colorpak Shares, only the vote of the shareholder whose name appears first on the Register will be counted.

#### Voting in person

To vote in person at the Scheme Meeting, you must attend the Scheme Meeting to be held at Level 42, 101 Collins Street, Melbourne VIC 3000 on Thursday, 7 April 2016, commencing at 10.00am (AEST). The meeting will commence at 10.00am.

A Colorpak Shareholder who wishes to attend and vote at the Scheme Meeting in person will be admitted to the Scheme Meeting and given a voting card on disclosure at the point of entry to the Scheme Meeting of their name and address.

#### Voting by proxy

A Colorpak Shareholder entitled to attend and vote at the meeting is also entitled to appoint a proxy to vote on their behalf. The Proxy Form is enclosed with this Scheme Booklet.

You may appoint not more than 2 proxies to attend and act for you at the Scheme Meeting. A proxy need not be a Colorpak Shareholder. If two proxies are appointed, each proxy may be appointed to represent a specified number or proportion of your votes. If no such number or proportion is specified, each proxy may exercise half of your votes.

If you do not instruct your proxy on how to vote, your proxy may vote as he or she sees fit at the Scheme Meeting.

A proxy will be admitted to the Scheme Meeting and given a voting card on providing at the point of entry to the Scheme Meeting written evidence of their name and address.

The sending of a Proxy Form will not preclude a Colorpak Shareholder from attending in person and voting at the Scheme Meeting if the Colorpak Shareholder is entitled to attend and vote.

For the appointment of a proxy to be effective, the Proxy Form enclosed with this Notice of Meeting, together with any authority under which the Proxy Form was executed, or a certified copy of that authority, must be completed and:

- lodged online at www.linkmarketservices.com.au (see below);
- deposited at the Colorpak Registry, Colorpak Limited, C/- Link Market Services Limited, 1A Homebush Bay Drive, Rhodes NSW 21381
- sent by post to Link Market Services Limited to Colorpak Limited, C/- Link Market, Services Limited, Locked Bag A14, Sydney South NSW 1235; or
- sent by facsimile to the Colorpak Registry on +61 2 9287 0309.

Please note that Proxy Forms must be received by the Colorpak Registry by no later than 10.00am (AEST) on Tuesday, 5 April 2016.

#### Online Proxies

Colorpak Shareholders wishing to lodge electronic proxies online may do so by accessing the Investor Vote system on the Colorpak Registry's website at www.linkmarketservices. com.au and then inputting the shareholder's secure access information to commence voting (being your Security Reference Number or Holder Identification Number). Shareholders must lodge electronic proxies online no later than 10.00am (AEST) on Tuesday, 5 April 2016.

#### Voting by attorney

For the appointment of an attorney to be effective, the instrument appointing the attorney and the power of attorney under which it was executed, or a certified copy of that power, must be deposited in the manner and within the time period set out above for return of the Proxy Forms.

An attorney will be admitted to the Scheme Meeting and given a voting card on providing at the point of entry of the Scheme Meeting written evidence of their appointment, their name and address and the identity of their appointer.

The sending of a power of attorney will not preclude a Colorpak Shareholder from attending in person and voting at the Scheme Meeting if the Colorpak Shareholder is entitled to attend and vote.

#### Voting by corporate representative

To vote at the Scheme Meeting (other than by proxy or by attorney), a corporation that is a Colorpak Shareholder must appoint a person (either by name or position and whether a Colorpak Shareholder or not) to act as its representative in which case the Company will require a Certificate of Appointment of Corporate Representative executed in accordance with the Corporations Act. The Certificate must be lodged with the Company before the meeting or at the registration desk on the day of the meeting. The Company will retain the certificate. The appointment must comply with section 250D of the Corporations

An authorised corporate representative will be admitted to the Scheme Meeting and given a voting card on providing at the point of entry to the Scheme Meeting written evidence of their appointment including any authority under which it is signed, their name and address and the identity of their appointer.

# **CORPORATE DIRECTORY**

#### Colorpak Limited

63-73 Woodlands Dr Braeside, Victoria 3195

Australia

Telephone: +61 3 9586 4700 Fax: +61 3 9587 8162

## **Legal Adviser**

Herbert Smith Freehills Level 42, 101 Collins Street Melbourne, Victoria 3000

Telephone: +61 3 9288 1234 Fax: +61 3 9288 1567

## **Share Registry**

Link Market Services Limited Level 1 333 Collins Street Melbourne VIC 3000

Telephone: 1300 554 474 Fax: +61 3 9288 1567

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Colorpak Limited ABN 56 107 485 898

## **LODGE YOUR VOTE**

ONLINE

www.linkmarketservices.com.au

 $\boxtimes$ 

**BY MAIL** 

Colorpak Limited C/- Link Market Services Limited Locked Bag A14 Sydney South NSW 1235 Australia



BY FAX

+61 2 9287 0309



**BY HAND** 

Link Market Services Limited Level 12, 680 George Street, Sydney NSW 2000



**ALL ENQUIRIES TO** 

Telephone: +61 1800 622 202 (free call within Australia)



X9999999999



I/We being a member(s) of Colorpak Limited and entitled to attend and vote hereby appoint:

#### APPOINT A PROXY

the Chairman of the Meeting *(mark box)* 

**OR** if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

STEP

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Scheme Meeting of the Company to be held at 10:00am (Melbourne time) on Thursday, 7 April 2016 at Level 42, 101 Collins Street, Melbourne, VIC, 3000 (the Meeting) and at any postponement or adjournment of the Meeting. The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

## **VOTING DIRECTIONS**

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting. Please read the voting instructions overleaf before marking any boxes with an  $\boxtimes$ 

Resolution For Against Abstain\*

1 That, pursuant to and in accordance with section 411 of the *Corporations Act 2001*, the Scheme of Arrangement (the terms of which are described in the Scheme Booklet of which the notice convening this meeting forms part) is agreed to (with or without modification as approved by the Supreme Court of Victoria).





\* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

#### SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual) Joint Shareholder 2 (Individual) Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary Director/Company Secretary (Delete one) Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

## **HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM**

#### YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. Please note: you cannot change ownership of your shares using this form.

#### APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

#### **DEFAULT TO CHAIRMAN OF THE MEETING**

If you leave Step 1 blank, or your named proxy does not attend the Meeting, the Chairman of the Meeting will be your proxy. If your named proxy attends the Meeting but does not vote on a poll on the Resolution in accordance with your direction, the Chairman of the Meeting will become your proxy in respect of the Resolution. On a poll, the Chairman of the Meeting will vote directed proxies as directed and may vote undirected proxies as the Chairman of the Meeting sees fit.

#### **VOTES ON THE RESOLUTION – PROXY APPOINTMENT**

You may direct your proxy how to vote by placing a mark in one of the boxes opposite the Resolution. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

#### APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- (b) return both forms together.

#### SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

**Joint Holding:** where the holding is in more than one name, either shareholder may sign.

**Power of Attorney:** to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

## **CORPORATE REPRESENTATIVES**

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

#### **LODGEMENT OF A PROXY FORM**

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by 10:00am (Melbourne time) on Tuesday, 5 April 2016, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



#### **ONLINE**

#### www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).



#### BY MOBILE DEVICE

Our voting website is designed specifically for voting online. You can now lodge your proxy by scanning the QR code adjacent or enter the voting link www.linkmarketservices.com.au into your mobile device. Log in using the Holder Identifier and postcode for your shareholding.



To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device.



#### **BY MAIL**

Colorpak Limited C/- Link Market Services Limited Locked Bag A14 Sydney South NSW 1235 Australia



## BY FAX

+61 2 9287 0309



#### **BY HAND**

delivering it to Link Market Services Limited\* Level 12 680 George Street Sydney NSW 2000

\* During business hours (Monday to Friday, 9:00am-5:00pm)