

24th December 2010

COLORPAK SIGNS SALE AGREEMENT TO ACQUIRE CARTER HOLT HARVEY'S FOLDING CARTON BUSINESS

Colorpak Limited (Colorpak) announces today that it has completed due diligence and signed relevant agreements with Carter Holt Harvey ("CHH") for the purchase of the folding carton businesses conducted at Reservoir and Mount Waverley in Victoria, Villawood in NSW and Auckland in New Zealand for a total consideration of AUD \$5.0 million.

Key points are set out below:

- Colorpak to acquire all CHH's Australian and New Zealand folding carton operations excluding the Smithfield business in NSW for net consideration of \$5m
- The Smithfield business is to be sold to another industry participant after due diligence revealed that the operations were not an optimal fit for the core Colorpak business.
- Due diligence confirmed the strategic logic and economic benefits to be derived from the transaction
- Transaction is still expected to be over 10% EPS accretive, based on cost synergies alone, in the first full year following acquisition, on a normalised basis. Considerable further potential has been confirmed to exist in efficiency and other areas
- Adjusted for Smithfield's exclusion, the transaction will increase sales by around \$125 million to around \$210m in 2012 and lift Colorpak's folding carton market share to 30 %.
- EBITDA as measured in Colorpak's hands remains at around \$4m and net operating assets in excess of \$50m.
- Colorpak will fund the acquisition out of existing and expanded debt facilities the terms of which have been agreed subject to credit approval, legal review and final documentation. Gearing is expected to remain well within bank covenants.
- Completion of the transaction is now expected to occur in March/April 2011 simultaneous with completion of CHH's sale of the Smithfield business.
- Completion will occur subject to satisfaction of a number of other conditions precedent including Australian Competition & Consumer Commission clearance. Colorpak will undertake a further review of operations post completion to finalise its integration plan

The combined sales for the year ending June 2012 (the first full year after the acquisition) are expected to be some \$210 million. The current EBITDA for the businesses being acquired is \$4.0 million as measured in Colorpak's hands. This and the cost and other synergies available over a two year integration program is expected to see the acquisition EPS positive from year one on a normalised basis.

Under the transaction, Colorpak will acquire substantially all the operating assets and employees and assume substantially all of the operating liabilities of the business (excluding Smithfield) including plant and equipment, working capital, premises leases and all employee entitlements. The acquisition includes the Montage solutions centre which provides pre-press, and structural design services to the CHH carton and Australian corrugated businesses as well as the trade.

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As part of the acquisition, Colorpak has also entered into agreements with entities in the Rank Group on competitive, commercial terms for the supply of folding carton board and corrugated shippers in both Australia and New Zealand. Under the agreement, Colorpak will source much of its folding carton board from Reynolds Group's Whakatane Mill.

Due diligence has been successfully completed with many of our initial views confirmed and information gained that will help us optimise the opportunities available to us from the transaction and mitigate the associated risks.

Colorpak's Managing Director, Alex Commins commented that, "The acquisition of CHH's folding carton operations is a defining event for our company and catapults us into a leading industry position. Its an exciting time for our business and staff and we look forward to welcoming CHH's employees into our business.

We expect to be able to provide improved career opportunities to our staff by being part of a group dedicated to and focussed on the folding carton industry.

The acquired businesses are very complementary to Colorpak's existing business base and expertise, and provide the company with a broader market and considerably more manufacturing flexibility.

The enhanced business will substantially boost our status of industry leader within the folding cartons sector and enable us to service clients with a larger product and service offering across the whole of Australia and New Zealand."

Colorpak intends to fund the acquisition, associated transaction costs as well as any subsequent integration costs from a combination of existing cash balances, ongoing operating cash flow and extended debt facilities. There are no current plans for any equity capital raisings associated with the transaction. Colorpak has received indicative support which remains subject to credit approval, legal review and final documentation from its bank for the extended facilities and will finalise these now that the agreements have been signed. Colorpak will establish an integration team led by the company's Operations Director, Paul Commins, as well as a sub-committee of the Board to oversee the integration process and any consolidation activities.

Trading performance for the first half has been sound and is in line with the previous year. Transaction and integration costs incurred in the first half will total approximately \$1.2 mill pre-tax. Guidance on full year financial performance for 2011 is difficult to give at this point on the basis that the date for inclusion of the CHH business remains uncertain and further costs (of a one off nature) to conclude the transaction and commence integration activities, will impact this year's results.

The acquisition and integration costs will be treated as one off costs within the accounts and will not impact on the Board's consideration of the interim dividend.

Colorpak is being advised on the transaction by Wilson HTM and Freehills.

Further comment:

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