



Pro-Pac Packaging Limited ABN: 36112971874

Entitlement Offer Booklet

2 for 3 fully underwritten pro-rata non-renounceable entitlement offer of ordinary shares (**New Shares**) in Pro-Pac Packaging Limited (**PPG**) at an offer price of \$0.34 per New Share

Offer closes at 5:00pm (Sydney time) on 30 October 2017

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES

This is an important document that requires your immediate attention. This document and the accompanying personalised Entitlement and Acceptance Form should be read in their entirety. This document is not a prospectus under the *Corporations Act 2001* (Cth) and has not been lodged with the Australian Securities and Investments Commission.

If you have any questions, you should seek advice from your stockbroker, accountant or other independent professional adviser or call the PPG Offer Information Line on 02 9290 9600 (within Australia) or +61 2 9290 9600 (outside Australia) at any time between 8:30am and 5:00pm (Sydney time) on Monday to Friday during the Entitlement Offer period.

Important Notices

Defined terms used in these important notices have the meaning given in this Offer Booklet.

This Offer Booklet is dated 10 October 2017.

The Entitlement Offer is made in accordance with section 708AA of the Corporations Act. This Offer Booklet does not contain all of the information which an investor may require to make an informed investment decision.

The information in this Offer Booklet does not constitute financial product advice and does not take into account your investment objectives, financial situation or particular needs.

This Offer Booklet should be read in its entirety before you decide to participate in the Entitlement Offer. This Offer Booklet is not a prospectus or other disclosure document under the Corporations Act and has not been lodged with ASIC.

By returning an Entitlement and Acceptance Form or otherwise paying for your New Shares through BPAY® or cheque in accordance with the instructions on the Entitlement and Acceptance Form, you acknowledge that you have read this Offer Booklet and you have acted in accordance with and agree to the terms of the Entitlement Offer set out in this Offer Booklet.

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Future performance and forward looking statements

This Offer Booklet contains forward looking statements and comments about future events, including PPG's expectations about the performance of its businesses and the effect of the funds raised under the Offer on that business. Forward looking statements can generally be identified by the use of forward looking words such as, "expect", "anticipate", "likely", "intend", "should", "could", "may", "predict", "plan", "propose", "will", "believe", "forecast", "estimate", "target" and other similar expressions. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward looking statements and include statements in this presentation regarding the conduct and outcome of the Offer, the use of proceeds and PPG's outstanding debt.

You are cautioned not to place undue reliance on any forward looking statement. While due care and attention has been used in the preparation of forward looking statements, forward looking statements, opinions and estimates provided in this Offer Booklet are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends which are based on interpretations of current market conditions. Forward looking statements including projections, guidance on future earnings and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance and may involve known and unknown risks, uncertainties and other factors, many of which are outside the control of PPG. A number of important factors could cause PPG's actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward looking statements, including the risk factors described in the "Key Risks" section of this presentation. Actual results, performance or achievements may vary materially from any forward looking statements and the assumptions on which statements are based. PPG disclaims any intent or obligation to update publicly any forward looking statements, whether as a result of new information, future events or results or otherwise.

The forward looking statements are based on information available to PPG as at the date of this Offer Booklet. Except as required by law or regulation (including the Australian Securities Exchange (**ASX**) Listing Rules), PPG undertakes no obligation to provide any additional or updated information whether as a result of new information, future events or results or otherwise.

Past performance

Investors should note that the past performance of PPG, including past share price performance, provides no guarantee or guidance as to future performance, including PPG's future financial position or share price performance.

No overseas offering

This Offer Booklet and the accompanying Entitlement and Acceptance Form do not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such offer or invitation. In particular, this Offer Booklet does not constitute an offer to Ineligible Shareholders and may not be distributed in the United States and the New Shares may not be offered or sold, directly or indirectly, to persons in the United States.

This Offer Booklet is not to be distributed, and no offer of New Shares is to be made, in countries other than Australia and New Zealand.

No action has been taken to register or qualify the Entitlement Offer, the Entitlements or the New Shares, or otherwise permit the public offering of the New Shares, in any jurisdiction other than Australia and New Zealand.

The distribution of this Offer Booklet (including an electronic copy) outside Australia and New Zealand, is restricted by law. If you come into possession of the information in this booklet, you should observe such restrictions and should seek your own advice on such restrictions. Any non-compliance with these restrictions may contravene applicable securities laws.

New Zealand

The New Shares are not being offered to the public within New Zealand other than to existing shareholders of PPG with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the Financial Markets Conduct Act 2013 and the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016.

This document has been prepared in compliance with Australian law and has not been registered, filed with or approved by any New Zealand regulatory authority. This document is not a product disclosure statement under New Zealand law and is not required to, and may not, contain all the information that a product disclosure statement under New Zealand law is required to contain.

Offer not made in the United States

This Offer Booklet, and any accompanying ASX announcements and the Entitlement and Acceptance Form do not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States. Neither this Offer Booklet nor the Entitlement and Acceptance Form may be distributed or released in the United States. The New Shares offered in the Entitlement Offer have not been, and will not be, registered under the *U.S. Securities Act of 1933*, as amended (**U.S. Securities Act**) or the securities laws of any state or other jurisdiction of the United States. Accordingly, the Entitlements may not be taken up by, and the New Shares may not be offered or sold, directly or indirectly to, persons in the United States or persons who are acting for the account or benefit of a person in the United States unless they have been registered under the U.S. Securities Act (which PPG has no obligation to do so or procure) or in a transaction exempt from, or not subject to, the registration requirements of the U.S. Securities Act and any other applicable U.S. state securities laws. The New Shares to be offered and sold in the Entitlement Offer may only be offered and sold outside the United States in "offshore transactions" (as defined in Rule 902(h) under the U.S. Securities Act) in compliance with Regulation S under the U.S. Securities Act.

No representations

No person is authorised to give any information or to make any representation in connection with the Entitlement Offer which is not contained in this Offer Booklet. Any information or representation in connection with the Entitlement Offer not contained in the Offer Booklet may not be relied upon as having been authorised by PPG or any of its officers.

Risks

Refer to the "Key Risks" section of the Investor Presentation included in section 4 of this Offer Booklet for a summary of general and specific risk factors that may affect PPG.

Times and dates

Times and dates in this Offer Booklet are (except where historical) indicative only and subject to change. All times refer to Sydney, Australia time.

Currency

Unless otherwise stated, a reference to dollars (\$) or cents (¢) in this Offer Booklet is a reference to Australian currency.

Trading New Shares

PPG will have no responsibility and disclaims all liability (to the maximum extent permitted by law) to you if you trade New Shares you believe will be issued to you before you receive your holding statement, whether on the basis of confirmation of the allocation provided by PPG or the Share Registry or failure to maintain your updated details on the Share Registry or otherwise.

If you are in any doubts as to these matters, you should seek advice from your stockbroker, accountant or other independent professional adviser.

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Chairman's Letter

10 October 2017

Dear Shareholder,

On 11 September 2017, Pro-Pac Packaging Limited (**PPG**) announced it had entered into a binding agreement to acquire 100% of Integrated Packaging Group Pty Limited ACN 132 697 664 and its subsidiaries (**IPG**) in consideration for \$177.5 million to be satisfied in part by cash consideration of \$117.5 million and equity consideration of \$60 million worth of ordinary shares in PPG, subject to certain purchase price adjustments (including for working capital) (**Acquisition**).

PPG is proposing to partially fund the cash consideration for the Acquisition by way of a 2 for 3 fully underwritten, pro-rata non-renounceable entitlement offer of new fully paid ordinary shares in PPG (**New Shares**) at an offer price of \$0.34 (**Offer Price**) per New Share (**Entitlement Offer**).

The Directors of PPG are pleased to invite you to participate in the Entitlement Offer.

It is intended that the gross proceeds raised from the Offer will be approximately \$54.8 million, and will be used to partly fund the cash consideration for the Acquisition. The balance of the cash consideration for the Acquisition will be funded from debt facilities.

Details of the Acquisition

The Acquisition is a strategically compelling transaction to strengthen PPG's presence in the flexible and industrial packaging market.

Further information about the Acquisition, including its strategic rationale and financial benefits, is contained in PPG's market announcement and Investor Presentation lodged with the Australian Securities Exchange (**ASX**) on 11 September 2017 (and included in this Offer Booklet in section 4).

The Acquisition is subject to certain conditions appropriate for a transaction of this size and scale, including shareholder approval, and is expected to complete on 6 November 2017, with an effective date of 1 September 2017.

PPG has obtained commitment from its major shareholders – Bennamon Pty Limited, which holds 123,792,007 Shares (51.2%) and Brandon Penn who holds 24,958,817 Shares (10.32%) at the date of the notice of meeting sent to shareholders on 26 September 2017 – that they will vote in favour of the Acquisition at PPG's upcoming shareholder meeting. If shareholder approval is not obtained (an unlikely outcome), PPG will consider options in relation to the use of funds raised.

Details of the Entitlement Offer

This Offer Booklet (**Offer Booklet**) sets out the terms of the Entitlement Offer.

Under the Entitlement Offer, eligible retail shareholders are entitled to subscribe for 2 New Shares for every 3 existing fully paid ordinary shares in PPG (**Entitlement**) held at 7:00pm (Sydney time) on 13 October 2017 (**Record Date**), at the Offer Price of \$0.34 per New Share.

The price at which Shares trade on ASX during the period prior to the close of the Entitlement Offer may go up or down and you should check the current trading price of Shares before making a decision in relation to your Entitlements.

The pro-rata nature of the Entitlement Offer favours existing PPG shareholders in recognition of their continuing support, and provides an equitable mechanism for shareholders to maintain their level of ownership in PPG.

The Entitlement Offer is expected to raise approximately \$54.8 million.

New Shares will be issued on a fully paid basis and will rank equally with existing Shares on issue. The Entitlement Offer is fully underwritten by Bell Potter Securities Limited (**Underwriter**).

The Entitlement Offer is non-renounceable and therefore your Entitlements will not be tradeable on the ASX, cannot be sold and are therefore not transferable. I encourage you to consider this offer carefully.

How to apply?

This Offer Booklet is important and requires your immediate attention. It is accompanied by your personalised Entitlement and Acceptance Form which contains details of your Entitlement as well as important information including:

- key dates for the Entitlement Offer;
- instructions on how to apply, setting out how to accept all or part of your Entitlement in the Entitlement Offer if you choose to do so; and
- the ASX Offer Announcements and Investor Presentation.

The Entitlement Offer closes at 5:00pm (Sydney time) on 30 October 2017. To participate, you need to ensure that you have completed your application by:

- paying Application Monies via BPAY® pursuant to the instructions that are set out on the Entitlement and Acceptance Form so that your payment via BPAY® has been received by the Share Registry by 5:00pm (Sydney time) on 30 October 2017;

OR

- lodging your Entitlement and Acceptance Form, together with payment of Application Monies, by cheque, bank draft or money order so that it is received by the Share Registry by 5:00pm (Sydney time) on 30 October 2017.

Please refer to the instructions in section 2 of this Offer Booklet for further information.

If you do not wish to take up your Entitlement, you do not have to take any action.

Additional information

Further information on the Entitlement Offer is detailed in this Offer Booklet. You should read the entirety of this Offer Booklet carefully (including the “Key Risks” section of the Investor Presentation released to ASX on 11 September 2017) before deciding whether to participate in the Entitlement Offer.

If you have any further questions about the Entitlement Offer, you should seek advice from your stockbroker, accountant or other independent professional adviser, or you can call the PPG Offer Information Line on 02 9290 9600 (within Australia) or +61 2 9290 9600 (outside Australia) at any time between 8:30am and 5:00pm (Sydney time) on Monday to Friday during the Entitlement Offer period.

On behalf of the Board of Directors of PPG, I thank you for your ongoing support of PPG and look forward to your participation in the Entitlement Offer.

Yours sincerely,

Ahmed Fahour
Chairman
Pro-Pac Packaging Limited

Summary of the Entitlement Offer

Entitlement Offer

Ratio	2 New Shares for every 3 existing Shares
Offer Price	\$0.34 per New Share
Size	Approximately 161.2 million New Shares
Gross Proceeds	\$54.8 million

Key Dates for the Entitlement Offer

Event	Date
Entitlement Offer announced	Tuesday, 10 October 2017
Offer Booklet lodged with ASX	Tuesday, 10 October 2017
Record Date to determine eligibility to participate in the Entitlement Offer	Friday, 13 October 2017
Offer Booklet and Entitlement and Acceptance Forms despatched	Wednesday, 18 October 2017
Entitlement Offer opens	Wednesday, 18 October 2017
Entitlement Offer closes	Monday, 30 October 2017
Settlement of Entitlement Offer	Friday, 3 November 2017
Issue of New Shares under the Entitlement Offer	Monday, 6 November 2017
Trading of New Shares issued under the Entitlement Offer expected to commence on ASX on a normal settlement basis	Tuesday, 7 November 2017
Holding Statements sent to Shareholders	Monday, 13 November 2017

Note: The timetable above is indicative only and subject to change. PPG reserves the right to amend any or all of these events, dates and times, without notice, subject to the *Corporations Act 2001* (Cth) (**Corporations Act**), the ASX Listing Rules and other applicable laws. In particular, PPG reserves the right to extend the closing date of the Entitlement Offer, to accept late applications either generally or in particular cases or to withdraw the Entitlement Offer without prior notice. The commencement of quotation of New Shares is subject to confirmation from ASX. All references in this Offer Booklet are to Sydney, Australia time.

PPG also reserves the right not to proceed with the Entitlement Offer in whole or in part at any time prior to allotment and issue of the New Shares. In that event, the relevant Application Monies (without interest) will be returned in full to applicants.

The commencement and quotation of Entitlements and New Shares is subject to the discretion of ASX.

Cooling off rights do not apply to an investment in New Shares. You cannot withdraw your application once it has been accepted.

Enquiries

If you have any questions, you should seek advice from your stockbroker, accountant or other independent professional adviser, or call the PPG Offer Information Line on 02 9290 9600 (within

Australia) or +61 2 9290 9600 (outside Australia) at any time between 8:30am and 5:00pm (Sydney time) on Monday to Friday during the Entitlement Offer period.

1 Overview of the Entitlement Offer

1.1 Entitlement Offer

The Entitlement Offer is an offer of approximately 161.2 million New Shares at the Offer Price of \$0.34 per New Share. All Eligible Shareholders are entitled to subscribe for 2 New Shares for every 3 existing Shares held at 7:00pm (Sydney time) on the Record Date.

The Entitlement Offer is non-renounceable. Accordingly, Entitlements do not trade on the ASX, nor can they be sold, transferred or otherwise disposed of.

Eligible Shareholders are invited to take up all or part of their Entitlements. Those Entitlements can be taken up in whole or part.

The Entitlement Offer opens at 10:00am (Sydney time) on 18 October 2017 and closes at 5:00pm (Sydney time) on 30 October 2017. The Offer Booklet will be dispatched on 18 October, along with a personalised Entitlement and Acceptance Form, to Eligible Shareholders.

New Shares will be issued on a fully paid basis and will rank equally with existing Shares on issue.

The Entitlement Offer is fully underwritten by Bell Potter Securities Limited (**Underwriter**).

The Entitlement Offer is being made pursuant to section 708AA of the Corporations Act which allows rights issues to be offered without a prospectus, provided certain conditions are satisfied.

As a result, this offer is not being made under a prospectus and it is important for Eligible Shareholders to read and understand the information on PPG and the Entitlement Offer made publicly available by PPG, prior to taking up all or part of their Entitlement. Please refer to section 4.

1.2 Who is eligible to participate in the Entitlement Offer?

Under the Entitlement Offer, Eligible Shareholders are being offered the opportunity to subscribe for 2 New Shares for every 3 existing Shares held as at the Record Date (7:00pm (Sydney time) on 13 October 2017), at the Offer Price of \$0.34 per New Share. **Eligible Shareholders** are those Shareholders who:

- (a) are registered as a holder of Shares as at the Record Date, being 7:00pm (Sydney time) on 13 October 2017;
- (b) as at the Record Date, have a registered address in Australia or New Zealand;
- (c) are not in the United States and are not acting for the account or benefit of a person in the United States (to the extent they are holding Shares for the account or benefit of such person in the United States); and
- (d) are eligible under all applicable securities laws to receive an offer under the Entitlement Offer without any requirement for a prospectus or offer document to be lodged or registered.

1.3 What is your Entitlement?

Your Entitlement is set out on the accompanying personalised Entitlement and Acceptance Form and has been calculated as 2 New Shares for every 3 existing Shares you held as at the Record Date, being 7:00pm (Sydney time) on 13 October 2017. If the result is not a whole number, your Entitlement will be rounded up to the nearest whole number. If you have more than one registered holding of Shares, you will be sent more than one personalised Entitlement and Acceptance Form and you will have separate Entitlements for each separate holding.

1.4 Can you trade your Entitlement?

The Entitlement Offer is non-renounceable. Accordingly, your Entitlement cannot be traded on the ASX, nor can it be sold, transferred or otherwise disposed of.

1.5 **ASX quotation**

Subject to approval being granted, quotation of the New Shares is expected to commence on 7 November 2017 for New Shares issued under the Entitlement Offer (on a settlement basis).

Holding statements will be despatched in accordance with the Listing Rules. It is the responsibility of each applicant to confirm their holding before trading in New Shares. Any applicant who sells New Shares before receiving confirmation of their holding in the form of a holding statement will do so at their own risk. PPG and the Underwriter disclaim all liability (to the maximum extent permitted by law) to persons who trade New Shares before receiving their holding statements, whether on the basis of confirmation of the allocation provided by PPG, the Underwriter or the Share Registry or otherwise.

1.6 **Ineligible Shareholders**

All Shareholders who are not Eligible Shareholders are ineligible Shareholders (**Ineligible Shareholders**). Ineligible Shareholders will not be entitled to participate in the Entitlement Offer.

PPG has determined that it would be unreasonable on this occasion to extend the Entitlement Offer to Ineligible Shareholders, having regard to the number of securities held by Ineligible Shareholders, the number and value of New Shares that they would be offered and the costs of complying with the legal and regulatory requirements which would apply to an offer of securities to Ineligible Shareholders in those places.

2 How to Apply

2.1 What you may do – choices available

If you have any questions, you should seek advice from your stockbroker, accountant or other independent professional adviser, or call the PPG Offer Information Line on 02 9290 9600 (within Australia) or +61 2 9290 9600 (outside Australia) at any time between 8:30am and 5:00pm (Sydney time) on Monday to Friday during the Entitlement Offer period. You should also refer to the “Key Risks” section of the Investor Presentation.

If you are an Eligible Shareholder, you may do any one of the following:

- take up all of your Entitlement (see section 2.2 of this Offer Booklet);
- take up part of your Entitlement (see section 2.3 of this Offer Booklet); or
- do nothing and let your Entitlement lapse.

You should note that if you do not take up all of your Entitlement, your percentage shareholding in PPG will be diluted.

PPG reserves the right to reject any Entitlement and Acceptance Form that is not correctly completed or that is received after the closing date of the Entitlement Offer of 5:00pm (Sydney time), 30 October 2017.

2.2 If you wish to take up all of your Entitlement

If you decide to take up **all** of your Entitlement and you wish to pay by cheque, bank draft or money order you should:

- complete the personalised Entitlement and Acceptance Form by following the instructions set out on the personalised Entitlement and Acceptance Form;
- attach payment for the full amount payable (being the Offer Price multiplied by the number of New Shares comprising your Entitlement) to the form; and
- return the Entitlement and Acceptance Form together with payment to the Share Registry so that it is received by 5:00pm (Sydney time) on 30 October 2017.

If you wish to take up **all** of your Entitlement and you wish to pay by BPAY® you should make your payment by BPAY® for the full amount payable (being the Offer Price multiplied by the number of New Shares comprising your Entitlement) so that it is received by 5:00pm (Sydney time) on 30 October 2017.

If you choose to pay by BPAY® you are not required to submit the personalised Entitlement and Acceptance Form but are taken to make the statements on that form.

For further information on how you can pay for New Shares, please refer to section 2.6.

If you take up and pay for your Entitlement before the closing date of the Entitlement Offer of 5:00pm (Sydney time), 30 October 2017, you will be allotted your New Shares on 6 November 2017. PPG’s decision on the number of New Shares allotted to you will be final.

2.3 If you wish to take up part of your Entitlement

If you decide to take up **part** of your Entitlement and reject the balance and you wish to pay by cheque, bank draft or money order you should:

- complete the personalised Entitlement and Acceptance Form by following the instructions set out on the personalised Entitlement and Acceptance Form indicating the number of New Shares you wish to take up. This will be less than your Entitlement as specified on the Entitlement and Acceptance Form;

- attach payment for the full amount payable (being the Offer Price multiplied by the number of New Shares you are taking up – you will need to calculate this number yourself) to the form; and
- return the Entitlement and Acceptance Form to the Share Registry so that it is received by 5:00pm (Sydney time) on 30 October 2017.

If you wish to take up **part** of your Entitlement and reject the balance and you wish to pay by BPAY® you should make your payment by BPAY® for the full amount payable (being the Offer Price multiplied by the number of New Shares you are taking up – you will need to calculate this number yourself) so that it is received by 5:00pm (Sydney time) on 30 October 2017.

If you choose to pay by BPAY® you are not required to submit the personalised Entitlement and Acceptance Form but are taken to make the statements on that form.

For further information on how you can pay for New Shares, please refer to section 2.6.

If you take up and pay for part of your Entitlement before the closing date of the Entitlement Offer of 5:00pm (Sydney time) on 30 October 2017, you will be allotted your New Shares on 6 November 2017. PPG's decision on the number of New Shares allotted to you will be final.

2.4 If you do not wish to take up your Entitlement

If you do not wish to accept all or any part of your Entitlement, do not take any further action and that part of your Entitlement will lapse.

2.5 Consequences of not accepting all or part of your Entitlement

If you do not accept all or part of your Entitlement in accordance with the instructions set out above, those New Shares for which you would have otherwise been entitled under the Entitlement Offer (including New Shares that relate to the portion of your Entitlement that has not been accepted) may be acquired by the Underwriter or any sub-underwriters.

By allowing your Entitlement to lapse, you will forgo any exposure to increases or decreases in the value of the New Shares had you taken up your Entitlement and you will not receive any value for your Entitlement. Your interest in PPG will also be diluted.

2.6 Payment

(a) General

The Offer Price of \$0.34 per New Share accepted is payable on acceptance of your Entitlement. You can pay in the following ways:

- BPAY®; or
- cheque, bank draft or money order.

Cash payments will not be accepted. Receipts for payment will not be issued.

Application Monies received from Eligible Shareholders will be held in the PPG Entitlement Offer Account solely for the purpose of holding the Application Monies.

PPG reserves the right to cancel the Entitlement Offer at any time prior to the allocation of New Shares under the Entitlement Offer. If the Entitlement Offer is cancelled, all Application Monies will be refunded without interest. To the fullest extent permitted by law, each Eligible Shareholder agrees that any Application Monies paid by them to PPG will not entitle them to any interest against PPG and that any interest earned in respect of Application Monies will belong to PPG. This will be the case, whether or not all or none (if the Entitlement Offer is withdrawn) of the New Shares applied for by a person are issued to that person.

Any Application Monies received for more than your final allocation of New Shares will be refunded. No interest will be paid on any Application Monies received or refunded.

(b) Payment by BPAY®

For payment by BPAY®, please follow the instructions on the personalised Entitlement and Acceptance Form (which includes the biller code and your unique reference number) or online at <http://www.ppgaust.com.au/investor-relations/dividends-and-capital>. You can only make a payment via BPAY® if you are the holder of an account with an Australian financial institution that supports BPAY® transactions.

If you are paying by BPAY®, please make sure to use the specific Biller Code and unique Reference Number on your Entitlement and Acceptance Form.

If you have multiple holdings and receive more than one Entitlement and Acceptance Form, when taking up your Entitlement in respect of one of those holdings, please only use the Reference Number specific to the Entitlement on that Form. If you do not use the correct Reference Number specific to that holding, or inadvertently use the same Reference Number for more than one of your Entitlements, your application will not be recognised as valid.

Please note that should you choose to pay by BPAY®:

- you do not need to submit the personalised Entitlement and Acceptance Form but are taken to have made the statements on that personalised Entitlement and Acceptance Form; and
- if you do not pay for your full Entitlement, you are deemed to have taken up your Entitlement in respect of such whole number of New Shares which is covered in full by your Application Monies.

It is your responsibility to ensure that your BPAY® payment is received by the Share Registry by no later than 5:00pm (Sydney time) on 30 October 2017. You should be aware that your financial institution may implement earlier cut-off times with regard to electronic payment and you should therefore take this into consideration when making payment.

(c) Payment by cheque, bank draft or money order

Your cheque, bank draft or money order must be:

- for an amount equal to \$0.34 multiplied by the number of New Shares that you are applying for;
- in Australian currency drawn on an Australian branch of a financial institution; and
- payable to “Pro-Pac Packaging Limited” and crossed “Not Negotiable”.

If you wish to pay by cheque, bank draft or money order, you must also complete your personalised Entitlement and Acceptance Form in accordance with the instructions set out on that form and return it to the Share Registry accompanied by a cheque, bank draft or money order.

You should ensure that sufficient funds are held in the relevant account(s) to cover the Application Monies. If the amount of your cheque for Application Monies (or the amount for which the cheque clears in time for allocation) is insufficient to pay in full for the number of New Shares you have applied for in your personalised Entitlement and Acceptance Form, you will be taken to have applied for such lower number of whole New Shares as your cleared Application Monies will pay for (and you will be taken to have specified that number of New Shares on your personalised Entitlement and Acceptance Form).

Alternatively, your application will not be accepted.

2.7 Mail delivery

Shareholders who wish to pay via cheque, bank draft or money order should send their completed personalised Entitlement and Acceptance Form together with Application Monies to:

By mail:
Pro-Pac Packaging Limited
Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001

2.8 Effect of Participating in Entitlement Offer

By completing and returning your personalised Entitlement and Acceptance Form or making a payment by BPAY®, or otherwise applying to participate in the Entitlement Offer or exercising an Entitlement, you:

- (a) declare that:
 - (i) if you are an Eligible Shareholder, all details and statements made in the personalised Entitlement and Acceptance Form are complete and accurate;
 - (ii) you are over 18 years of age and have full legal capacity and power to perform all your rights and obligations under the Entitlement Offer; and
 - (iii) you were the registered holder(s) at the Record Date of the Shares indicated on the personalised Entitlement and Acceptance Form as being held by you on the Record Date;
- (b) authorise PPG to correct any errors in your personalised Entitlement and Acceptance Form or other form provided by you;
- (c) acknowledge that:
 - (i) once PPG receives the Entitlement and Acceptance Form with the requisite Application Monies or your payment by BPAY®, you may not withdraw it except as allowed by law;
 - (ii) you have read and understood this Offer Booklet and the personalised Entitlement and Acceptance Form;
 - (iii) the information contained in this Offer Booklet is not investment advice or a recommendation that the New Shares are suitable for you, given your investment objectives, financial situation or particular needs;
 - (iv) this Offer Booklet is not a prospectus, does not contain all of the information that you may require in order to assess an investment in PPG and is given in the context of PPG's past and ongoing continuous and periodic disclosure announcements to ASX;
 - (v) the Investor Presentation contained in section 4 of this Offer Booklet contains a "Key Risks" section and that investments in PPG are subject to risk;
 - (vi) none of PPG, the Underwriter, or their respective related bodies corporate and affiliates and their respective directors, officers, partners, employees, representatives, agents, consultants or advisers, guarantees the performance of PPG, nor do they guarantee the repayment of capital;
- (d) agree to:
 - (i) apply for, and be issued with up to, the number of New Shares that you apply for at the Offer Price of \$0.34 per New Share; and

- (ii) be bound by the terms of this Offer Booklet and the provisions of PPG's constitution;
- (e) authorise PPG to register you as the holder of New Shares and authorise PPG and its officers or agents to do anything on your behalf necessary for the New Shares to be issued to you, including to act on instruction of the Share Registry by using the contact details set out in the personalised Entitlement and Acceptance Form;
- (f) represent and warrant that:
 - (i) the law of any place (other than Australia and New Zealand) does not prohibit you from being given this Offer Booklet or making an application for New Shares; and
 - (ii) you are an Eligible Shareholder.

By completing and returning your Entitlement and Acceptance Form with the requisite Application Monies or making a payment by BPAY® or otherwise applying to participate in the Entitlement Offer, you will also be treated as:

- (a) having represented and warranted that:
 - (i) you are not in the United States and are not applying for New Shares on behalf of, or for the account or benefit of, a person in the United States;
 - (ii) you and each person on whose account you are acting are not engaged in the business of distributing securities;
 - (iii) you and each person on whose account you are acting have not and will not send any materials relating to the Entitlement Offer, including this Offer Booklet and the Entitlement and Acceptance Form, to any person that is in the United States or that is acting for the account or benefit of a person in the United States; and
- (b) acknowledging on your own behalf and on behalf of each person on whose account you are acting that:
 - (i) you are not in the United States and you are not acting for the account or benefit of a person in the United States;
 - (ii) you understand and acknowledge that neither the Entitlements nor the New Shares have been, or will be, registered under the U.S. Securities Act or the securities laws of any state or other jurisdiction in the United States;
 - (iii) you are subscribing for the New Shares outside the United States in an "offshore transaction" (as defined in Rule 902(h) under the U.S. Securities Act) in compliance with reliance on Regulation S under the U.S. Securities Act;
 - (iv) you have not and will not send this Offer Booklet, the Entitlement and Acceptance Form or any other materials relating to the Entitlement Offer to any person in the United States or any other country outside Australia or New Zealand; and
 - (v) if you are acting as a nominee or custodian, each beneficial holder on whose behalf you are submitting the Entitlement and Acceptance Form is resident in Australia or New Zealand and is not in the United States and is not acting for the account or benefit of a person in the United States, and you have not sent this Offer Booklet, the Entitlement and Acceptance Form or any information relating to the Entitlement Offer to any such person.

2.9 Brokerage and stamp duty

No brokerage fee is payable by Eligible Shareholders who accept their Entitlement. No stamp duty should be payable for subscribing for New Shares under the Entitlement Offer provided no person, either alone or with associated or related persons, obtains a 90% or more interest in PPG.

2.10 Withdrawal of the Entitlement Offer

Subject to applicable law, PPG reserves the right to withdraw the Entitlement Offer at any time before the issue of New Shares, in which case PPG will refund any Application Monies already received in accordance with the Corporations Act and will do so without interest being payable to applicants.

2.11 Risks

Eligible Shareholders should be aware that an investment in PPG involves risks. The key risks identified by PPG are set out in the Investor Presentation in section 4 but these are not an exhaustive list of the risks associated with an investment in PPG shares.

2.12 Enquiries

If you have not received or you have lost your personalised Entitlement and Acceptance Form, or have any questions, please contact the PPG Offer Information Line on 02 9290 9600 (within Australia) or +61 2 9290 9600 (outside Australia) at any time between 8:30am and 5:00pm (Sydney time) on Monday to Friday during the Entitlement Offer period. If you have any further questions, you should contact your stockbroker, accountant or other professional adviser.

3 Australian Tax Implications

This section summarises the general Australian taxation implications of the Entitlement Offer for Australian resident Eligible Shareholders who hold their Shares on capital account for Australian income tax purposes.

These comments do not apply to:

- Eligible Shareholders who are not residents of Australia for tax purposes; or
- Eligible Shareholders who carry on a business of life insurance or hold their Shares on revenue account (rather than on capital account) or as trading stock for Australian income tax purposes; or
- an Entitlement issued in respect of Shares previously acquired under an employee share scheme; or
- Eligible Shareholders that are subject to the Taxation of Financial Arrangements provisions in Division 230 of the *Income Tax Assessment Act 1997* (Cth) in respect of their holding of existing Shares, New Shares or Entitlements.

These comments are general in nature. The tax implications of the Entitlement Offer will depend upon each Eligible Shareholder's specific circumstances. Accordingly, all Eligible Shareholders should seek their own independent taxation advice before reaching any conclusions as to the possible taxation consequences of the Entitlement Offer. Neither PPG, nor any of its officers, nor its taxation adviser, nor any other adviser to PPG, accepts any liability or responsibility in respect of any statement concerning the taxation consequences of the Entitlement Offer.

These comments do not address the taxation implications of the Entitlement Offer under the laws of any jurisdiction other than the laws of Australia. These comments are based on Australian law and administrative practice as at the time of issue of the Offer Booklet.

3.1 Income tax consequences of Entitlements

(a) Issue of Entitlements

The issue of an Entitlement should not result in an amount being included in the assessable income of an Eligible Shareholder.

(b) Exercise of Entitlements

The exercise of an Entitlement should not result in an amount being included in the assessable income of an Eligible Shareholder.

(c) Lapse of Entitlements

The lapse of an Entitlement should not result in an amount being included in the assessable income of an Eligible Shareholder.

3.2 Income tax consequences of New Shares

Eligible Shareholders who exercise their Entitlements will acquire New Shares on the date the New Shares are issued.

(a) Taxation of dividends on New Shares

Where dividends on a New Share are paid by PPG, those dividends will constitute assessable income of an Eligible Shareholder.

An Eligible Shareholder that is an individual or complying superannuation entity should include the dividend in their assessable income in the year the dividend is paid, together with any franking credit attached to that dividend. Such an Eligible Shareholder should be entitled to a tax offset equal to the franking credit attached to the dividend subject to satisfying the 'holding period' and 'related payment' rules (refer to comments below). The

tax offset can be applied to reduce the Eligible Shareholder's tax payable. Where the tax offset exceeds the Eligible Shareholder's tax payable, such Eligible Shareholder should be entitled to a refund equal to the excess tax offsets.

An Eligible Shareholder that is a company should include the dividend in their assessable income in the year the dividend is paid, together with any franking credit attached to that dividend. Such an Eligible Shareholder should be entitled to a tax offset equal to the franking credit attached to the dividend subject to satisfying the 'holding period' and 'related payment' rules (refer to comments below). Such an Eligible Shareholder should be entitled to a credit in its own franking account to the extent of the franking credits attached to the dividend received. Where the tax offset exceeds the Eligible Shareholder's tax payable, such an Eligible Shareholder should not be entitled to a refund, but the excess tax offset may be able to be converted into carry forward tax losses in certain circumstances.

An Eligible Shareholder who is a trustee (other than a trustee of a complying superannuation entity) or partnership should include the dividend in the net income of the trust or partnership in the year the dividend is paid, together with any franking credit attached to that dividend. A beneficiary or partner may be entitled to a tax offset in proportion to the respective beneficiary's or partner's share of the net income of the trust or partnership subject to satisfying the 'holding period' and 'related payment' rules (refer to comments below).

Where a dividend paid by PPG is wholly or partly unfranked, the Eligible Shareholder should include the unfranked amount in their assessable income and there will be no tax offset entitlement.

(b) Holding period and related payments rules

In order to be eligible for the benefit of franking credits and tax offsets, an Eligible Shareholder must satisfy both the 'holding period' and 'related payment' rules. This broadly requires that an Eligible Shareholder holds the New Shares 'at risk' for more than 45 days continuously (not including the date of acquisition and disposal).

The holding period commences on the day after the Eligible Shareholder acquires the New Shares and ending on the 45th day after the New Shares become ex-dividend.

Any day on which an Eligible Shareholder has a materially diminished risk of loss or opportunity for gain in respect of the New Shares will not be counted as a day on which the Eligible Shareholder held the shares 'at risk'.

Where these rules are not satisfied, the Eligible Shareholder will not be able to include an amount for the franking credits in their assessable income and will not be entitled to a tax offset.

The holding period rule is subject to certain exceptions, including where the total franking offsets of an individual in a year of income do not exceed A\$5,000.

The related payment rule applies where the Eligible Shareholder has made, or is under an obligation to make, a related payment in relation to a dividend paid by PPG. The related payment rule requires the Eligible Shareholder to have held the New Shares at risk for a period commencing on the 45th day before, and ending on the 45th day after, the day the New Shares become ex-dividend.

(c) Disposal of New Shares

Eligible Shareholders should make a capital gain from the disposal of New Shares where the capital proceeds from the disposal are more than the cost base of the New Shares. Eligible Shareholders should make a capital loss from the disposal of New Shares where the capital proceeds from the disposal are less than the reduced cost base of the New Shares.. The cost base and reduced cost base of the New Shares should initially be equal to the Offer Price paid by the Eligible Shareholder for the New Shares plus certain non-deductible incidental costs incurred in acquiring the New Shares (if any).

If an Eligible Shareholder is an individual, trust or complying superannuation fund and has held their New Shares for 12 months or more (excluding the date of acquisition and disposal) at the time of disposal, the Eligible Shareholder should be entitled to a CGT discount on the disposal of New Shares subject to satisfying other requirements. The applicable CGT discount is 50% for individuals and trustees and 33⅓% for complying superannuation funds. The CGT discount is not available to a company other than a company acting in the capacity of a trustee for an individual or superannuation fund.

If a capital loss arises on the disposal of New Shares, the capital loss can only be utilised to offset capital gains. The capital loss cannot be utilised to offset against other types of ordinary or statutory income. However, if the capital loss cannot be utilised in a particular income year it may be carried forward and utilised to offset capital gains in future income years, provided the applicable loss utilisation tests are satisfied.

(d) **Provision of TFN or ABN**

You are not required to provide your TFN or ABN to PPG.

However, PPG may be required to withhold an amount at the top marginal tax rate plus Medicare levy from the payment of certain distributions to you on your Shares where you have not provided PPG with your Tax File Number (TFN), or in certain circumstances your Australian Business Number (ABN), or you have not notified PPG that you are exempt from providing this information.

(e) **GST**

The taking up of the New Shares may be classified as a "financial supply" for Australian GST purposes. GST will not be payable in respect of amounts paid for the acquisition of the New Shares. Subject to certain requirements, there may be a restriction on the entitlement of GST registered Eligible Shareholders to claim an input tax credit for any GST incurred on costs associated with the acquisition of New Shares.

(f) **Stamp Duty**

No stamp duty should be payable for subscribing for New Shares under the Entitlement Offer provided no person, either alone or with associated or related persons, obtains a 90% or more interest in PPG.

4 ASX Offer Announcements

Announcement of Acquisition (11 September 2017)



Pro-Pac Packaging Limited ABN: 36112971874

11 September 2017

Pro-Pac announces \$177.5 million transformational merger with IPG and fully underwritten \$54.8 million equity raising

Key Highlights

- Pro-Pac has entered into a Share Sale Agreement to merge with Integrated Packaging Group for \$177.5 million (the “Merger”)
- Pro-Pac is poised to become the preeminent flexible and industrial packaging manufacturer and distributor in Australia post the Merger
- The Merger will be funded through a combination of \$60.0 million Pro-Pac shares issued to the Vendors, a \$54.8 million fully underwritten equity raising and \$70.0 million from a new debt facility
- Rupert Harrington to be appointed to the Pro-Pac Board as a Non-Executive Director from completion of the Merger
- Pro-Pac shareholders to approve the issue of shares to the Vendors at an Extraordinary General Meeting to be held in late October

Overview

Pro-Pac Limited (ASX: PPG) is pleased to announce it has entered into a Share Sale Agreement (“SSA”) to acquire the entire issued capital of Integrated Packaging Group Pty Ltd (“IPG”) for \$177.5 million (“Purchase Price”) from Funds managed by Advent Partners Pty Ltd (“Advent”) and IPG senior management (together, the “Vendors”).

IPG is Australia’s largest specialist manufacturer and distributor of flexibles, film, wrap and associated products with #1 or #2 positions in key end markets. IPG operates five world class manufacturing facilities across Australia and New Zealand and has a strong and proven track record of manufacturing high quality products for its diversified blue-chip customer base.

The Merger will be funded by:

- \$54.8m fully underwritten 2 for 3 non-renounceable entitlement offer at \$0.34 per share
- \$60.0m vendor placement of 158.4m shares at \$0.379 per share, being the 30-day Volume Weighted Average Price (“VWAP”) of Pro-Pac shares prior to the announcement of the Merger (premium to entitlement offer price)
- \$70.0m additional debt

Pro-Pac has executed a term sheet with ANZ Bank regarding the provision of debt financing for the transaction.

Building 1, 147-151 Newton Rd Wetherill Park NSW 2164 P.O Box 6484, Wetherill Park NSW 2164

Tel: (02) 8781 0500 **Fax:** (02) 8781 0599 **Web:** www.ppgaust.com.au

Pro-Pac Chairman, Ahmed Fahour, said: *“The acquisition of IPG represents a significant milestone in the realisation of Pro-Pac’s vision to become the preeminent flexible and industrial packaging manufacturer and distributor in Australia. The opportunity to combine two very complementary businesses will deliver significant long-term value to Pro-Pac shareholders.”*

The effective date for the transfer of the IPG shares to Pro-Pac will be 1 September 2017, notwithstanding that completion of the Merger is expected to occur in early November 2017.

Strategic Rationale for the Merger

The Pro-Pac Board believes that there is strong commercial and strategic rationale for the IPG acquisition.

1. Merger of Pro-Pac and IPG to create a leader in the growing flexible manufacturing and distribution segment

- Pro-Pac Pro-forma FY18F revenue of \$472 million^{1,2}, Pro-forma EBITDA of \$37.7 million^{1,2}, and Pro-forma net profit after tax of \$18.4 million^{1,2}
- Expected to be 18% EPS accretive on a Pro-forma FY18F basis^{1,2}
- High free cash flow generation to fund growth initiatives
- Opportunity to lead consolidation of the sector with strong pipeline of bolt-on acquisition opportunities
- Positioned to capitalise on growing flexibles market backed by favourable and resilient consumer trends (e.g. fresh food and food safety) encompassing primary, secondary and tertiary packaging products

2. Extended capability with greater efficiency

- World class manufacturing and proven product innovation capability
- Immediate access to international markets with further opportunities for export expansion
- Combination of Pro-Pac’s distribution and IPG’s manufacturing delivers a highly efficient and seamless packaging system
- Complementary blue-chip customer base with no material crossover
- Significant cost synergies and cross selling opportunities with \$2.0 million identified in the near term

3. Strengthened Board & Management Team

- Rupert Harrington, Executive Chairman of Advent, to join Pro-Pac Board from completion of the Merger
- John Cerini, current CEO of IPG, to lead Pro-Pac Industrial & Flexibles Division from completion of the Merger

4. Enhanced liquidity and profile

- Capital raising has the potential to bring new high quality institutional investors onto the register

¹ Pro-forma earnings excluding the timing impact of gains relating to capital investments

² Inclusive of \$2.0m in near term pre-tax synergies, tax effected at the NPAT line

Pro-Pac CEO, Grant Harrod said: *“The combination of Pro-Pac and IPG provides many exciting opportunities in the growing Australian flexibles packaging market. Pro-Pac’s expanded capacity to manufacture and distribute high quality products will delight our customer base and provide us with a one-stop-shop offering. Pro-Pac will be a world class manufacturer without geographic constraints as we increase our offerings in key areas such as food service and agriculture film.”*

Conditions of the Merger

The implementation of the Merger is conditional on the following events:

- Pro-Pac shareholder approval for the issue of shares to the Vendors;
- PPG completing a fundraising of \$54.8 million under the Entitlement Offer;
- PPG procuring a W&I Policy on terms acceptable to PPG and the Vendors; and
- the conditions under the debt facility being satisfied by PPG.

The Purchase Price is subject to customary adjustments for working capital and net debt.

Pro-Pac may terminate the SSA if there is a material adverse change prior to completion that results in IPG’s consolidated EBITDA for FY18 being 20% less than its forecast. The Vendors may terminate if there is a material adverse change prior to completion that results in either IPG’s or PPG’s consolidated EBITDA for FY18 being 20% less than its forecast.

The SSA contains usual representations and warranties for a transaction of this nature. If completion of the Merger does not occur by 1 December 2017, Pro-Pac has undertaken to pay the Vendors interest on the Purchase Price of 11% per annum.

PPG has obtained the commitment of its major shareholders – Bennamon Pty Limited, which holds 123,792,007 shares (51.2%) and Brandon Penn who holds 24,958,817 shares (10.32%) at the date of this announcement – to vote in favour of the issue of the consideration shares to the Vendors at the upcoming Extraordinary General Meeting, in the absence of a superior proposal.

Capital Raising

Pro-Pac also announces a fully underwritten equity raising of \$54.8 million via a 2 for 3 non-renounceable rights issue at an issue price of \$0.34 per new share (“Entitlement Offer”).

The Entitlement Offer price represents:

- a 10.2% discount to the 30-day VWAP of Pro-Pac shares prior to the announcement of the Merger; and
- a 10.2% discount to the price of shares issued to the Vendors.

Proceeds from the Entitlement Offer will be used to partially fund the cash component of the Purchase Price and transaction costs of approximately \$7.3 million.

Approximately 161.2 million new Pro-Pac shares are expected to be issued under the Entitlement Offer. The new ordinary shares will rank equally with existing ordinary shares and will not be eligible for the FY17 final dividend.

The Entitlement Offer is fully underwritten by Bell Potter Securities Limited.

Pro-Pac major shareholder Bennamon Pty Ltd has committed to taking up its pro-rata entitlement of \$28.1 million.

The Entitlement Offer is not conditional on completion of the Merger. In the event that the Merger does not complete for any reason, Pro-Pac will consider options in relation to the use of funds raised. In the event that the Merger does not complete for any reason, the underwriter is entitled to terminate its obligation to underwrite the Entitlement Offer.

Effect of the Merger and Entitlement Offer on the Capital Structure of Pro-Pac

The Vendors will hold 28.2% of Pro-Pac upon completion of the Merger and Entitlement Offer. The Vendors will also enter into a voluntary escrow arrangement for their entire shareholding. The escrow arrangements are, subject to certain conditions, that the Vendors will be able to sell 50% of their holdings after the release of the Company's FY18 results, and the remaining 50% after the release of the FY19 results.³ Under the SSA, Advent is entitled to nominate a director to the Board of Pro-Pac for as long as it maintains a minimum 10% shareholding in Pro-Pac.

The effect of the Merger and Entitlement Offer on the fully diluted capital structure of Pro-Pac is shown in the following table:

	Prior to Merger + Entitlement Offer		Post completion of Merger + Entitlement Offer	
	#million	%	#million	%
Bennamon Pty Ltd	123.8	51.2%	206.3	36.8%
Advent and IPG management	-	-	158.4	28.2%
Other Pro-Pac shareholders	118.0	48.8%	196.6	35.0%
Total	241.8	100.0%	561.4	100.0%

Board and Management

Pro-Pac also announces the appointment of highly experienced executives to its Board and senior management team. Mr Rupert Harrington will be appointed to the Board as a Non-Executive Director from completion of the Merger. Rupert is currently the Executive Chairman of Advent and has extensive corporate experience, having been a director of over 20 of Advent investees' companies operating in manufacturing, services, health, technology and more.

Mr John Cerini, the CEO of IPG since 2003, will be appointed to lead Pro-Pac's Industrial & Flexible Division from completion of the Merger. Prior to joining IPG, John was a senior executive and Divisional General Manager in the Amcor packaging business for ten years and CEO of Detmold Packaging for five years.

³ The Vendors may deal with up to 100% of their escrowed shares at any time after the FY18 results if the 90 day VWAP of the shares after the announcement of the FY18 results exceeds the issue price of the shares by 40% or more.

Indicative Timetable and Next Steps

An indicative timetable of key dates in relation to the Merger and Entitlement Offer is set out below.

Event	Date/Time (AEST)
Announcement of Merger and underwritten entitlement offer, and trading resumes	Before 10.00am, Monday, 11 September 2017
Lodgment of Notice of Meeting	Tuesday, 26 September 2017
Announcement of Entitlement Offer	Tuesday, 10 October 2017
Ex-entitlement date	Thursday, 12 October 2017
Record Date	Friday, 13 October 2017 (at 7:00pm ADST)
Entitlement Offer opens	Wednesday, 18 October 2017
Extraordinary General Meeting of shareholders to approve the consideration shares	Friday, 27 October 2017
Entitlement Offer closes	Monday, 30 October 2017
Deferred settlement trading	Tuesday, 31 October 2017
Shortfall notice issued to underwriters	Thursday, 2 November 2017
Settlement of Entitlement Offer shares	Friday, 3 November 2017
Issue of consideration shares	Monday, 6 November 2017
Completion of Merger	Monday, 6 November 2017
Commencement of trading of Entitlement Offer shares	Tuesday, 7 November 2017

The timetable is indicative only and Pro-Pac reserves the right to amend the dates at its discretion and without notice, subject to the ASX Listing Rules and Corporations Act.

Enquiries

For further information please contact;

Grant Harrod

CEO - Pro-Pac Packaging Limited

Tel (02) 8781 0500

Mark Saus

CFO - Pro-Pac Packaging Limited

Tel (02) 8781 0500

About Pro-Pac

Pro-Pac Packaging Limited is a diversified manufacturing and distribution company, providing innovative, flexible and rigid packaging solutions for a broad group of blue chip clients. Pro-Pac is headquartered in Sydney with a national footprint including operations in all mainland states. Pro-Pac's securities are listed and quoted on the ASX. For further information on Pro-Pac visit www.ppgaust.com.au.

About IPG

IPG is Australia's largest specialist manufacturer and distributor of flexibles, film, wrap and associated products with #1 or #2 positions in key end markets. IPG operates five world class manufacturing facilities across Australia and New Zealand and has a strong and proven track record of manufacturing high quality products for its diversified blue-chip customer base. For further information on IPG visit www.integratedpackaging.com.au.

Equity Raising Announcement (10 October 2017)



Pro-Pac Packaging Limited ABN: 36112971874

10 October 2017

Commencement of Pro-Pac's fully underwritten \$54.8 million equity raising

Key Highlights

- Commencement of fully underwritten 2 for 3 non-renounceable entitlement offer at \$0.34 per share to raise up to \$54.8 million.
- Proceeds from the entitlement offer will be used to partially fund the cash component of the merger with Integrated Packaging Group Pty Ltd.
- Confirmation of support from Pro-Pac's major shareholder, Benammon Pty Ltd.
- Entitlement offer is fully underwritten by Bell Potter Securities Limited.

Entitlement Offer

On 11 September 2017, Pro-Pac announced that it had entered into a Share Sale Agreement to merge with Integrated Packaging Group Pty Ltd for \$177.5 million (the "**Merger**").

As foreshadowed in Pro-Pac's announcement of the Merger, it is a condition of the Merger that Pro-Pac undertakes a fully underwritten 2 for 3 non-renounceable entitlement offer at \$0.34 per share to raise up to \$54.8 million.

Accordingly, existing Pro-Pac shareholders are being offered the opportunity to acquire fully paid ordinary shares in the capital of Pro-Pac ("**New Shares**") via a non-renounceable entitlement offer on the basis of 2 New Shares for every 3 existing shares held by eligible shareholders registered at 7:00pm (ADST) on Friday, 13 October 2017 ("**Record Date**"), at an issue price of \$0.34 per New Share ("**Offer Price**") to raise up to approximately \$54.8 million before costs ("**Entitlement Offer**").

The Offer Price represents a 10.2% discount to the 30-day VWAP of Pro-Pac shares prior to the announcement on 11 September 2017, or a 14.7% discount to the VWAP following the announcement.

Eligible shareholders will comprise those shareholders with a registered address in Australia and New Zealand at the Record Date.

Approximately 161.2 million New Shares are expected to be issued under the Entitlement Offer, depending on the rounding of fractional entitlements on the Record Date and the number of shares held on that date by ineligible shareholders. The New Shares will rank equally with existing ordinary shares but will not be eligible for the FY17 final dividend.

The Entitlement Offer is fully underwritten by Bell Potter Securities Limited (**Underwriter**).

Pro-Pac major shareholder Benammon Pty Ltd has committed to taking up its pro-rata entitlement of \$28.1 million.

The Entitlement Offer is not conditional on completion of the Merger. If the Merger does not complete for any reason, Pro-Pac will consider options in relation to the use of funds raised.

If the Merger does not complete for any reason, the Underwriter is entitled to terminate its obligation to underwrite the Entitlement Offer.

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Further details about the Entitlement Offer, including the terms of the agreement with the Underwriter are contained in the Investor Presentation, announced to the market on 11 September 2017 and the Entitlement Offer booklet which will be made available to all eligible shareholders in accordance with the indicative timetable set out below.

Indicative Timetable for the Entitlement Offer

An indicative timetable of key dates in relation to the Entitlement Offer is set out below.

Event	Date/Time (AEST)
Announcement of Entitlement Offer Lodgment of Appendix 3B Notice sent to option holders	Before 10.00am, Tuesday, 10 October 2017
Notice sent to shareholders	Wednesday, 11 October 2017
Ex-entitlement date	Thursday, 12 October 2017
Record Date	Friday, 13 October 2017 (at 7:00pm ADST)
Entitlement Offer opens	Wednesday, 18 October 2017
Last day to give notice to extend closing date	Wednesday, 25 October 2017
Entitlement Offer closes	Monday, 30 October 2017
Deferred settlement trading	Tuesday, 31 October 2017
Shortfall notice issued to underwriters and notify ASX of shortfall	Thursday, 2 November 2017
Issue of Entitlement Offer shares	Monday, 6 November 2017
Commencement of trading of Entitlement Offer shares	Tuesday, 7 November 2017

The timetable is indicative only and Pro-Pac reserves the right to amend the dates at its discretion and without notice, subject to the ASX Listing Rules and Corporations Act.

Enquiries

The Entitlement Offer booklet and associated ASX releases will be made available on the ASX Market Announcements Platform in due course.

Copies of the Entitlement Offer booklet and entitlement forms will be mailed to all eligible shareholders in accordance with the timetable set out above, including further instructions on how to take up entitlements.

For further information please contact:

Grant Harrod

CEO - Pro-Pac Packaging Limited

Tel (02) 8781 0500

Mark Saus

CFO - Pro-Pac Packaging Limited

Tel (02) 8781 0500

About Pro-Pac

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About IPG

IPG is Australia's largest specialist manufacturer and distributor of flexibles, film, wrap and associated products with #1 or #2 positions in key end markets. IPG operates five world class manufacturing facilities across Australia and New Zealand and has a strong and proven track record of manufacturing high quality products for its diversified blue-chip customer base. For further information on IPG visit www.integratedpackaging.com.au.

Investor Presentation (11 September 2017)



ACQUISITION OF INTEGRATED PACKAGING GROUP

11 September 2017

Disclaimer

The following disclaimer applies to this investor presentation (**Presentation**) and you are therefore advised to read this disclaimer carefully before reading or making any other use of this Presentation or any information contained in this Presentation. By accepting this Presentation, you represent and warrant that you are entitled to receive this Presentation in accordance with the restrictions, and agree to be bound by the limitations, contained within it.

This Presentation has been prepared by Pro-Pac Packaging (ASX:PPG) in relation to:

- PPG's acquisition of Integrated Packaging Group (**Merger**); and
- a fully underwritten 2 for 3 non-renounceable entitlement offer (**Entitlement Offer**) of new ordinary fully paid shares in PPG (**New Shares**) to be made under section 708AA of the *Corporations Act 2001* (Cth) (**Corporations Act**).

Summary information

This Presentation contains summary information about PPG and its activities which is current only as at the date of this Presentation. The information in this Presentation is of a general nature and does not purport to be complete nor does it contain all the information which a prospective investor may require in evaluating a possible investment in PPG of that would be required in a prospectus or other disclosure document prepared in accordance with the requirements of the Corporations Act. PPG's historical information in this Presentation is, or is based on, information that has been released to the Australian Securities Exchange (**ASX**). This Presentation should be read in conjunction with PPG's other periodic and continuous disclosure information lodged with ASX, which are available at www.asx.com.au. Certain information in this Presentation has been sourced from Integrated Packaging Group, its representatives or associates. While steps have been taken to review that information, no representation or warranty, express or implied, is made as to its fairness, accuracy, correctness, completeness or adequacy. Certain market and industry data used in connection with this Presentation may have been obtained from research, surveys or studies conducted by third parties, including industry or general publications. Neither PPG nor its representative have independently verified any such market or industry data provided by third parties or industry or general publications.

Not an offer

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Future performance

This Presentation contains forward looking statements and comments about future events, including PPG's expectations about the performance of its businesses and the effect of the Entitlement Offer on that business. Forward looking statements can generally be identified by the use of forward looking words such as, "expect", "anticipate", "likely", "intend", "should", "could", "may", "predict", "plan", "propose", "will", "believe", "forecast", "estimate", "target" and other similar expressions. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward looking statements and include statements in this Presentation regarding the conduct and effect of the Entitlement Offer and PPG's outstanding debt. You are cautioned not to place undue reliance on any forward looking statement. While due care and attention has been used in the preparation of forward looking statements, forward looking statements, opinions and estimates provided in this Presentation are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends which are based on interpretations of current market conditions. Forward looking statements including projections, guidance on future earnings and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance and may involve known and unknown risks, uncertainties and other factors, many of which are outside the control of PPG. A number of important factors could cause PPG's actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward looking statements, including the risk factors described in the "Key Risks" section of this Presentation. Actual results, performance or achievements may vary materially from any forward looking statements and the assumptions on which statements are based. PPG disclaims any intent or obligation to update publicly any forward looking statements, whether as a result of new information, future events or results or otherwise. The forward looking statements are based on information available to PPG as at the date of this Presentation. Except as required by law or regulation (including the ASX Listing Rules), PPG undertakes no obligation to provide any additional or updated information whether as a result of new information, future events or results or otherwise.



TRANSACTION OVERVIEW

Transaction Overview

Details

- Pro-Pac Packaging Limited (“**PPG**”) has entered into an agreement to acquire Integrated Packaging Group Limited (“**IPG**”), the leading engineered flexible films packaging producer in Australia for consideration of \$177.5m (“**Merger**”)
 - IPG consideration comprises \$117.5m in cash and \$60m in PPG shares payable to Vendors (Funds managed by Advent Partners Pty Ltd (“Advent Funds”)¹ and IPG senior management)
 - IPG acquisition multiple of 7.6x Pro-forma FY18F EBITDA of \$23.2m^{2,3}

Impact

- Merger is highly complementary and delivers a scalable platform for future growth
 - PPG Pro-forma FY18F Revenue \$472m; Pro-forma EBITDA \$37.7m; and Pro-forma NPAT \$18.4m post-transaction^{2,3}
 - Expected to be 18% EPS accretive on a Pro-forma FY18F basis^{2,3}
 - FY19 and FY20 EBITDA growth underpinned by organic and segment growth; ongoing cost synergies and cross-selling opportunities with bolt-on acquisitions

Funding

- The Transaction will be funded by:
 - \$54.8 million fully underwritten 2 for 3 non-renounceable entitlement offer at \$0.34 per share
 - \$60.0m vendor placement of 158.4m shares at \$0.379 per share (premium to entitlement offer price)
 - \$70.0m additional debt
- Transaction conditional on shareholder approval

¹ APC I Pty Ltd in its capacity as trustee of the Advent V Trust A and APC II Pty Ltd in its capacity as trustee of the Advent V Trust B

² Inclusive of \$2.0m in near term pre-tax synergies, tax effected at the NPAT line

³ IPG Pro-forma earnings excluding the timing impact of gains relating to capital investments

At a Glance

Merger of Pro-Pac and IPG to create a leader in the growing flexible manufacturing and distribution segment

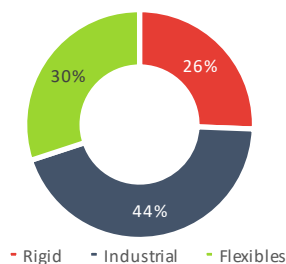


- A diversified distribution company, providing innovative, flexible and rigid packaging solutions for a group of blue chip clients and a broad range of SME
- Services FMCG, industrial and logistics markets, amongst others through the provision of primary and secondary packaging solutions
- Pro-Pac has distribution facilities in Sydney, Melbourne, Brisbane, Adelaide & Adelaide supplemented by 6 manufacturing sites
- Over 24 years operating history

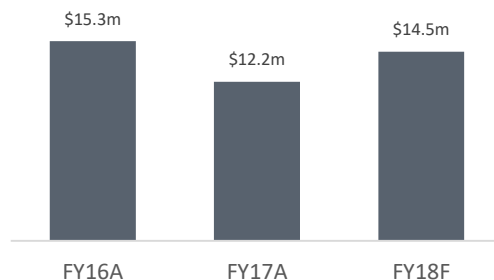


- Australia's largest specialist manufacturer and distributor of flexibles, film, wrap and associated products
- Services both agricultural and industrial markets focusing on Australia's leading FMCG, food, retail customers
- Established in 1982: 34+ years operating experience
- Manufacturing facilities in Melbourne, Sydney and Perth in Australia, and Auckland NZ with growing export capability

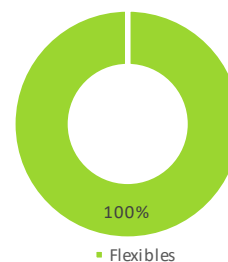
FY18F revenue



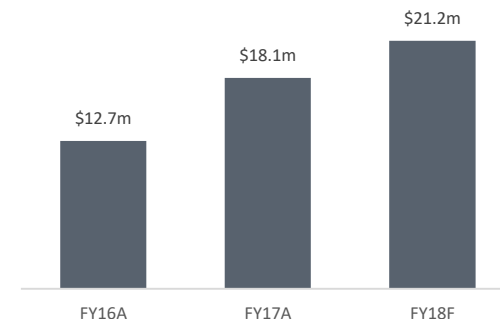
EBITDA¹



FY18F revenue



EBITDA²



¹ PPG FY16 and FY17 underlying EBITDA excluding acquisition and relocation costs

² IPG Pro-forma EBITDA, FY18F adjusted downwards for the timing of capital investments

Merger Rationale

Strong platform for organic growth growth and acquisitions

- World class manufacturing and proven product innovation capability
- Opportunities for geographic expansion
- High free cash flow generation
- Bolt-on acquisitions opportunities

Leadership in flexibles

- Positioned to capitalise on growing flexibles market
- Resilient and favourable consumer trends

Extended capability; greater efficiency

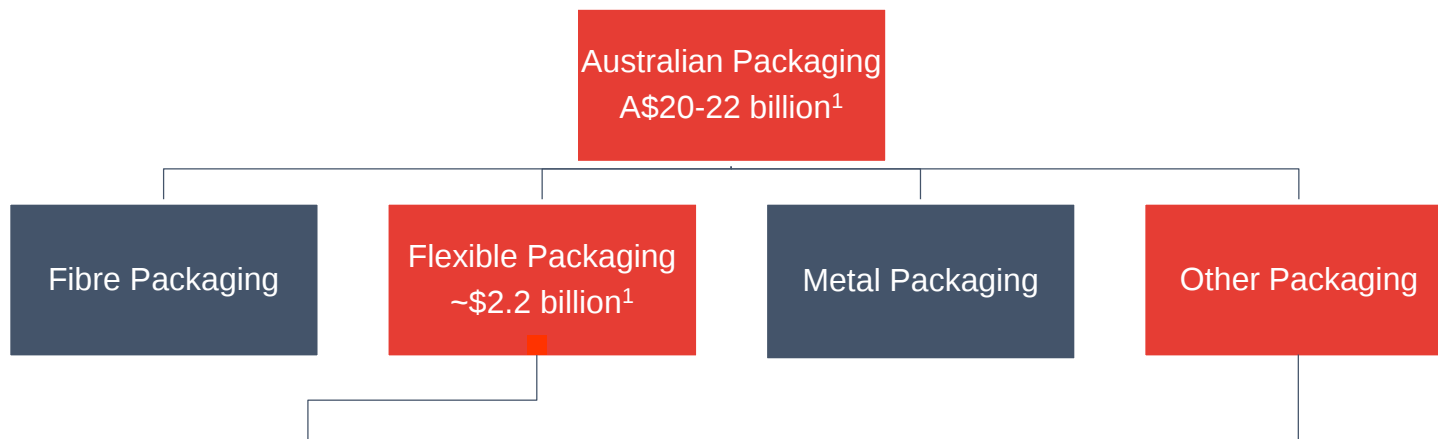
- Combination of PPG's distribution and IPG manufacturing delivers a highly efficient and seamless packaging system
- Complementary blue-chip customer base with no material crossover
- Significant cost synergies and cross selling opportunities identified

Strengthened Board & Management Team

- Rupert Harrington to join PPG Board from completion of the merger
- John Cerini to lead PPG Industrial & Flexibles Division from completion of the merger

Industry Overview

Pro-Pac will be a leading player in the \$2.2 billion Flexible Packaging segment



- **The Combined Group will be a segment leader in primary (trays and films), secondary (shrink wrap) and tertiary (stretch wrap) industrial packaging solutions**
- Demand outlook for flexibles is attractive (~4% long term growth)
 - Trend towards engineered films as substitutes for inferior forms of secondary packaging
 - Productivity benefits for customers
 - Shift towards convenience packaging
 - Technology constraints in existing packaging solutions
 - Advances in product quality

- **The Combined Group will be a leading distributor & manufacturer of other packaging and industrial products**
- Customers value suppliers in this segment for their ability to provide a total solution for all their packaging requirements
- Products in the sector include:
 - Washroom materials
 - Tape & Strapping
 - Cartons & Void fill
 - PPE
 - Packaging machinery (including pallet wrapping)
 - Bottles, jars, containers, caps & fasteners

¹BISWorld and PPG management estimates

Growth in Flexibles

- PPG future growth to largely be driven by flexible market
 - Flexible segment growing faster than GDP and the overall packaging sector
- Flexible packaging industry in Australia estimated to be worth \$2.2bn p.a.
 - Blown film and bags (IPG's market) estimated to be worth \$1.0bn p.a.
 - MAP/PET/PP Trays, soaker pads & liners, film
- Demand expected to grow 47% over next 10 years (CAGR 4%)¹. This is underpinned by:
 - Shift towards convenience packaging
 - Move towards unitisation to reduce product wastage
 - Move towards shrink wrap as a substitute for crates and boxes
- Top 3 players in flexibles account for 65% of industry revenue and target different end-segments
 - Amcor – Focus on FMCG (snack foods, confectionary)
 - Sealed Air – Focus on meat, dairy and other technical segments
 - IPG – Focus on industrial, selected FMCG, logistics, agriculture, horticulture

Examples of packaging product innovation



¹BISWorld and PPG management estimates



PRO-PAC POST TRANSACTION

Pro-Pac Post Transaction

\$37.7m

FY18PF EBITDA¹

Pro-Pac standalone FY18F:
\$14.5m

\$18.4m

FY18PF NPAT¹

Pro-Pac standalone FY18F:
\$6.7m

3.3c

FY18PF Basic EPS¹

Pro-Pac standalone: 2.8c

10.4x

FY18PF P/E Ratio²

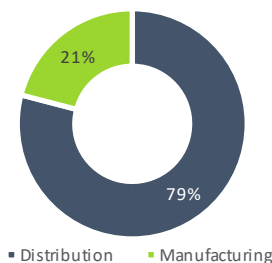
2.0c

FY17 Dividend

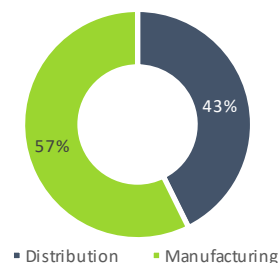
5.9%

Yield²

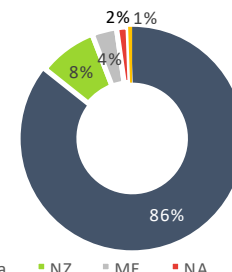
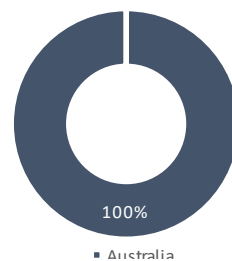
Pro-Pac Standalone
FY18e revenue



New Pro-Pac
FY18e revenue



Distributor and
Innovative
manufacturer



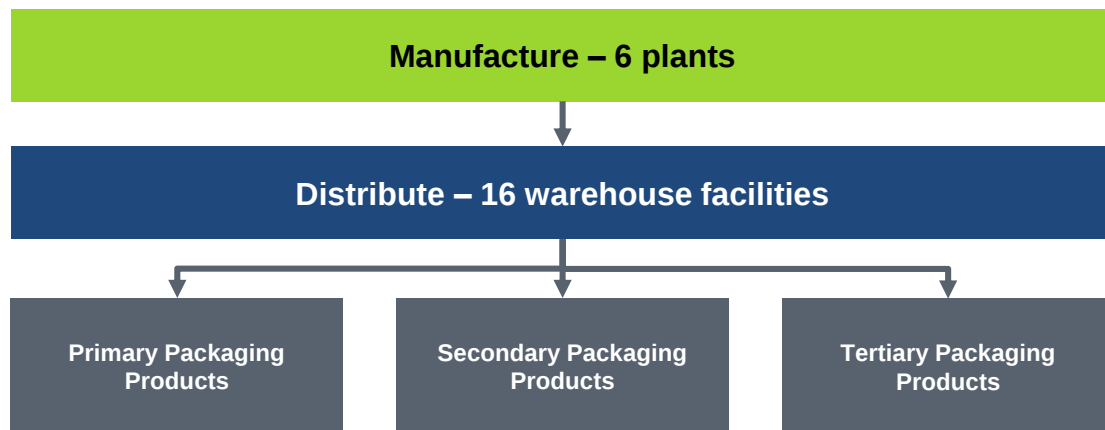
World class
manufacturer
without
geographic
constraints

¹ PF = FY18 pro forma forecast. IPG Pro-forma EBITDA excluding the timing impact of gains relating to capital investments. Inclusive of \$2.0m in near term pre-tax synergies.

² At Entitlement Offer price of \$0.34

A Complete End-to-End Solution

The new Pro-Pac has the ability to manage all of a customers needs



Example: Supply of fresh produce

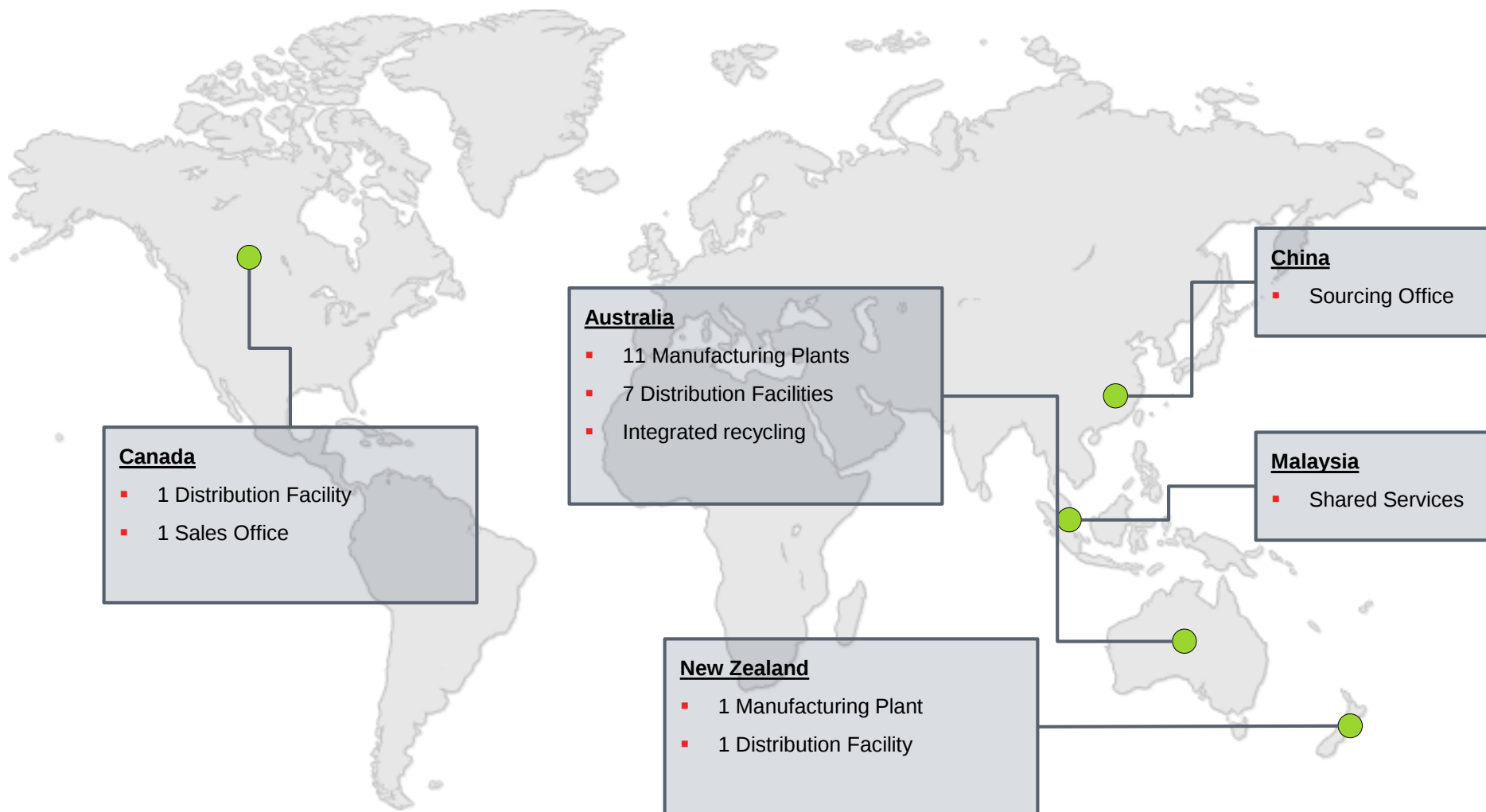


Retailer



Consumer

Manufacturing / Distribution Reach



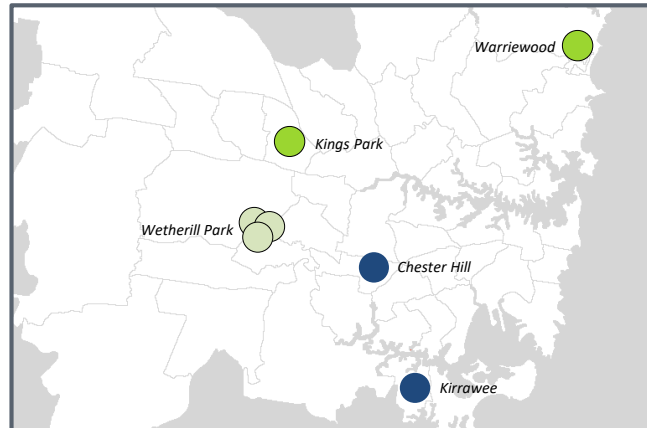
Manufacture & Distribution – Australia

Pro-Pac will have manufacturing and distribution capacity within existing major metro facilities

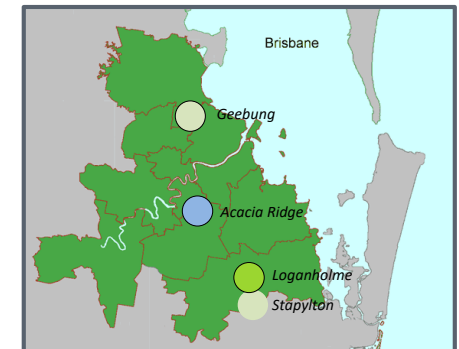
KEY:

- PPG Production facility
- IPG Production facility
- PPG Distribution centre
- IPG Distribution centre

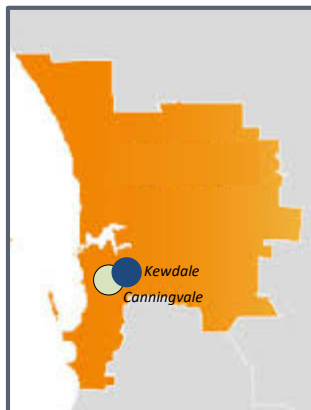
Sydney



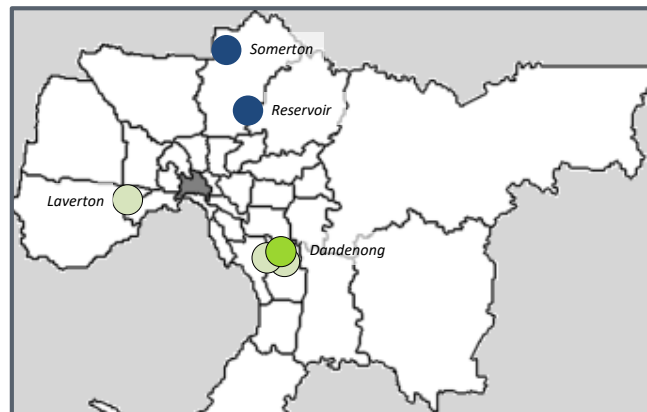
Brisbane



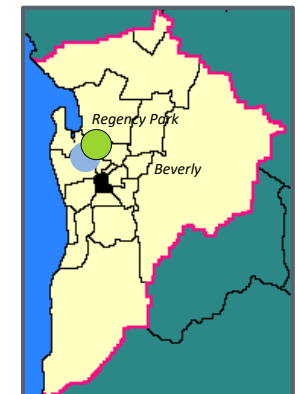
Perth



Melbourne



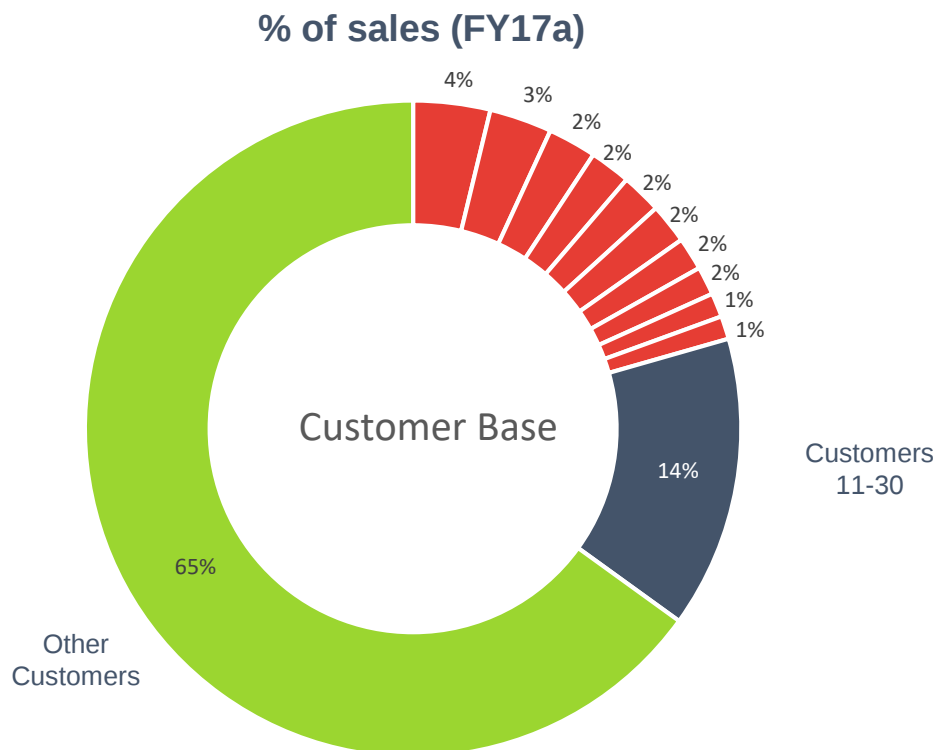
Adelaide



Complementary & Diversified Customer Base

Pro-Pac will have a stable blue chip customer base with no material crossover of existing customers

No single customer contributes more than 4% of sales



Select blue chip customers include:

- **Fast Moving Consumer Goods:** Arnott's, Blackmores, Coca-Cola Amatil, Foster's, Goodman Fielder, Heinz, Kimberly-Clark, Kirin, Nestle, Unilever
- **Retail** – Aldi, Coles, Metcash, Coles
- **Agricultural** – Elders, Fonterra, Inghams, Parmalat, Primo
- **Logistics** – Linfox, Toll
- **Industrial** – Bluescope Steel, Boral, Fletcher Building, Toyota

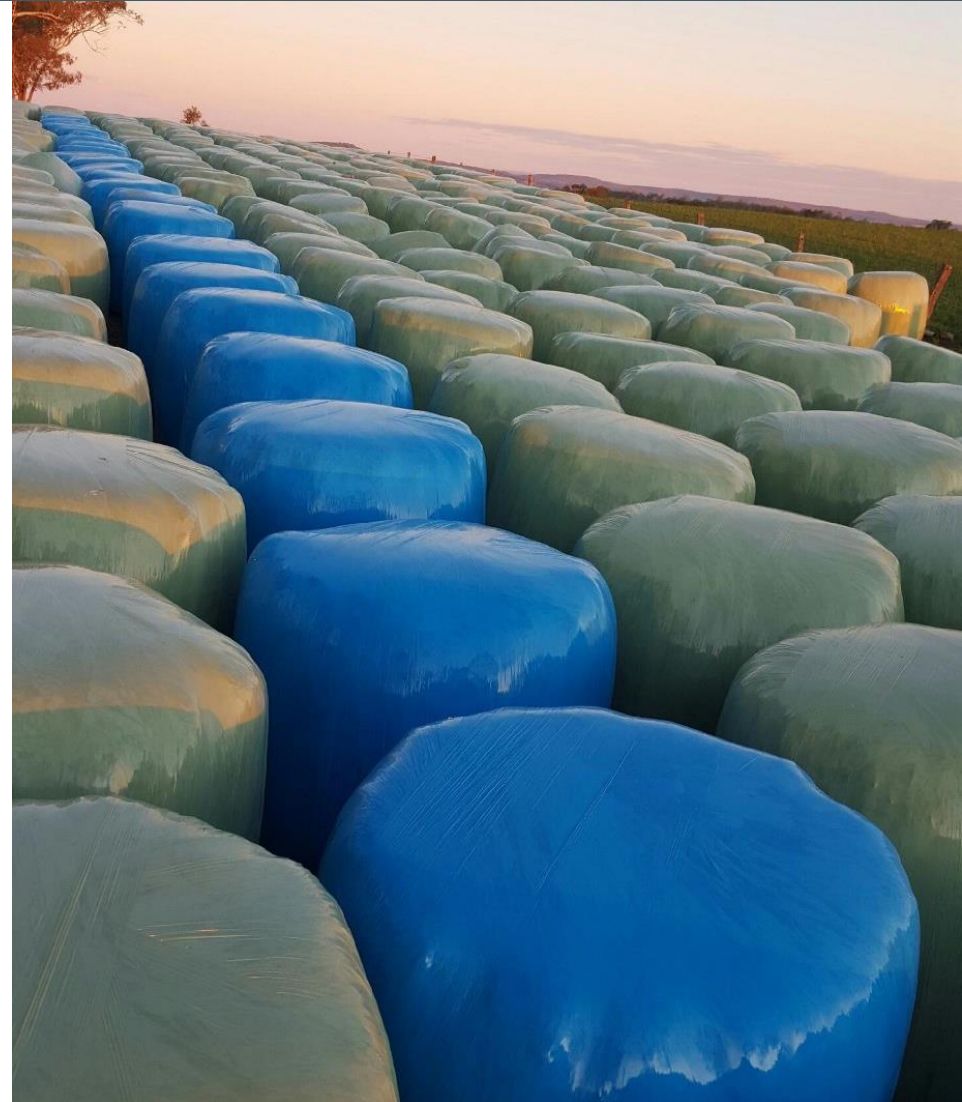
Cost Synergies

PPG has included \$2.0m of cost synergies in its FY18 Pro-forma forecast

- Opportunities to realise scale benefits and optimise logistics and supply chain over time
- Opportunities to leverage scale and best practices from each business across procurement function over time
- Consolidation of head office, manufacturing and distribution over time
- Product rationalisation over time

Acquisition opportunities

- Flexibles and industrial market remains fragmented
- Identified pipeline of bolt-on acquisitions predominantly in flexibles and industrials that have:
 - Products that are complementary to PPG
 - Customer base not currently covered by PPG business
 - Easily attainable manufacturing or distribution efficiencies



Volume growth drivers

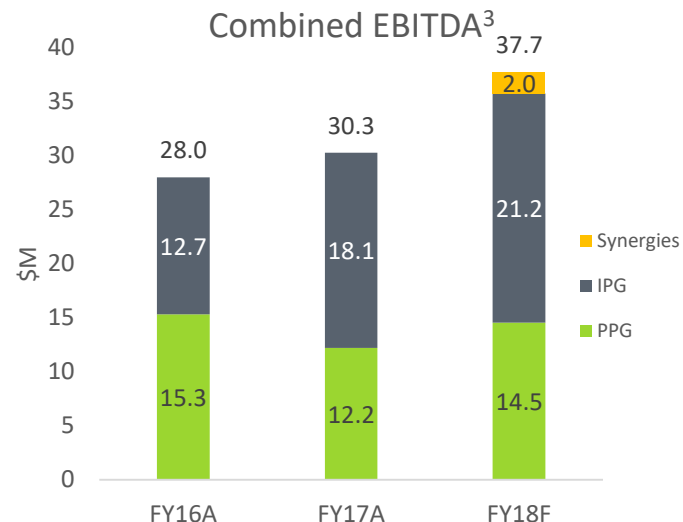
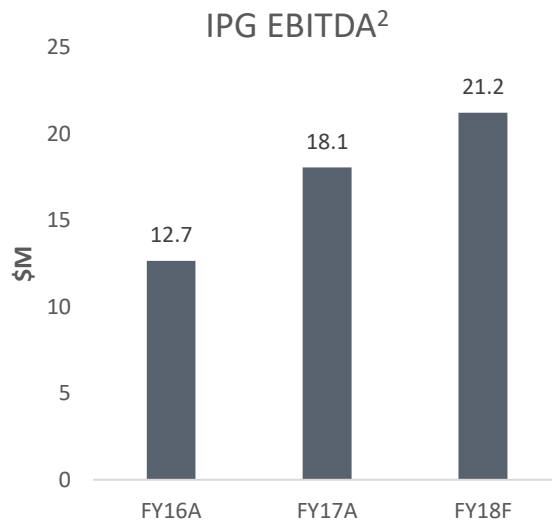
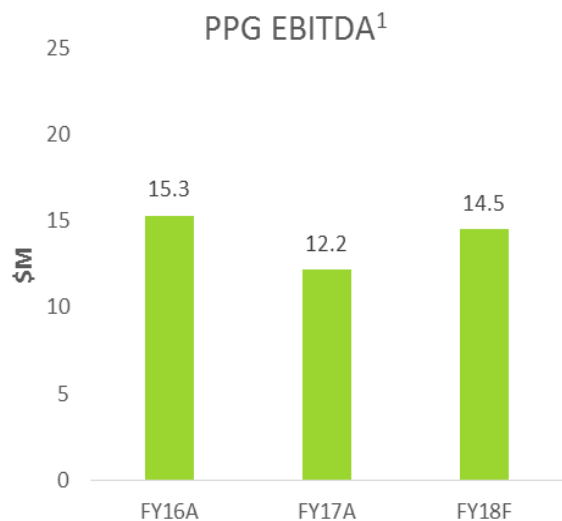
- Favourable trends in the flexible food packaging sector
 - Consumer preference for unitised fresh food in packaging
 - Premium product with increased shelf life for suppliers and retailers
- Provide a broader suite of products to the complementary new customer base through a 'one-stop-shop' offering
- Emerging e-Commerce offering
- Expanded machinery products offering to include beginning and end of line equipment
- Continue track record of product innovation





PRO FORMA FINANCIALS

Financial profile



¹ PPG underlying FY16 and FY17 EBITDA excluding acquisition and relocation costs

² IPG Pro-forma EBITDA, FY18 excluding the timing impact of gains relating to capital investments

³ FY18 Pro-forma EBITDA for the group including \$2.0m of near term pre-tax synergies

Pro forma Profit and Loss

Forecast Pro Forma Profit and Loss for the period ended 30 June 2018

	Pro-Pac standalone	IPG ¹	Pro-forma adjustments ²	Combined Group
EBITDA	\$14.5m	\$21.2m	\$2.0m	\$37.7m
D&A	(\$3.5m)	\$(3.0m)		(\$6.4m)
EBIT	\$11.1m	\$18.2m	\$2.0m	\$31.3m
Net Interest exp.	(\$1.4m)		(\$3.6m)	(\$5.0m)
PBT	\$9.6m			\$26.3m
Tax expense	(\$2.9m)			(\$7.9m)
NPAT	\$6.7m			\$18.4m
Shares on Issue	241.8 m		319.6m	561.4m
Basic EPS	2.8 cents ³			3.3 cents
EPS accretion				18%

- Maintenance capex less than depreciation
- \$2.0m of cost synergies identified and easily achievable
- Interest coverage 6.2x
- 18% EPS accretion
- Highly cash generative business

¹ IPG Pro-forma EBITDA excluding the timing impact of gains relating to capital investments.

² \$2.0m of near term pre-tax synergies, incremental interest on debt drawn for acquisition, and shares issued for vendor placement and entitlement offer.

³ Basic EPS calculated on Pro Pac shares on issue as at 6 September 2017

Pro forma Balance Sheet

As at 30 June 2017 \$m	Pro-Pac standalone ¹	IPG ²	Pro-forma adjustments ³	Combined Group
Cash & equivalents	\$12.3m		\$1.3m	\$13.6m
Trade & other receivables	\$37.7m	\$38.0m		\$75.8m
Inventories	\$35.1m	\$55.9m		\$91.0m
PPE	\$15.2m	\$18.5m		\$33.7m
Intangibles	\$71.3m		\$111.3m	\$182.6m
Other	\$8.4m	\$1.9m		\$10.3m
Total assets	\$179.9m	\$114.4m	\$112.6m	\$406.9m
Trade & other payables	\$31.4m	\$41.4m		\$72.8m
Borrowings	\$29.0m		\$70.0m	\$99.0m
Other	\$5.8m	\$6.8m		\$12.6m
Total Liabilities	\$66.3m	\$48.2m	\$70.0m	\$184.4m
Net assets	\$113.7m	\$66.2m	\$42.6m	\$222.5m
Net Debt	\$16.8m			\$85.5m

- Post transaction on an Pro-forma FY18 basis:
 - Net Debt/PF EBITDA of 2.3x
 - Debt/(Debt+Equity) 30.8%
- Target a ND/EBITDA range of 1.5-2.3x
- New \$107m term debt and working capital facility to finance acquisition

¹ PPG as reported for 30 June 2017

² Extracted from the IPG management accounts for 30 June 2017 to reflect the assets and liabilities to be acquired (on a cash and debt free basis)

³ Following completion the company will undertake a formal purchase price allocation process



TRANSACTION FUNDING AND CAPITAL RAISING

Capital Raising Overview

Offer Structure

- Transaction will be funded by:
 - \$54.8m fully underwritten 2 for 3 non-renounceable entitlement offer
 - Fully underwritten by Bell Potter Securities Limited
 - \$60.0m vendor placement of 158.4m shares at \$0.379 per share (premium to entitlement offer price)
 - \$70.0m new debt

Offer Price

- \$0.34 per share, representing a discount of 10.2% to the 30-day VWAP on 6 September 2017 of \$0.379 per share

Transaction Sources

Sources	A\$ million
Vendor Placement	\$60.0m
Entitlement Offer	\$54.8m
Additional Debt	\$70.0m
Total	\$184.8m

Uses of Funds

Uses	A\$ million
Acquisition with IPG	\$177.5m
Transaction and offer costs	\$6.0m
Additional working capital	\$1.3m
Total	\$184.8m

Ownership Post Transaction

- 2 for 3 Rights Issue to existing shareholders – 161.2m shares
- Major shareholder Bennamon Pty Ltd (Kin Group) has committed to taking up its pro-rata rights of \$28.1m (82.5m shares)
- Advent Funds and IPG management¹ will be issued with \$60m (158.4m shares) on completion of the acquisition
- Escrow arrangements for Advent Funds and IPG management are, subject to certain conditions:
 - release of 50% of holdings at FY18 results; and
 - release of remaining 50% of holdings at FY19 results²

ISSUED SHARE CAPITAL

	Pre Transaction (shares)	New Shares (shares)	Post Transaction (shares)	Post Transaction (%)
Bennamon Pty Ltd	123.8m	82.5m	206.3m	36.8%
Advent and IPG management ¹	0m	158.4m	158.4m	28.2%
Other PPG shareholders	118.0m	78.7m	196.6m	35.0%
Total	241.8m	319.6m	561.4m	100%

¹ APC I Pty Ltd in its capacity as trustee of the Advent V Trust A and APC II Pty Ltd in its capacity as trustee of the Advent V Trust B

² The holders may deal with up to 100% of their escrowed shares at any time after the FY18 results if the 90 day VWAP of the shares after the announcement of the FY18 results exceeds the issue price of the shares by 40% or more

Indicative Timetable

Event	Date/Time (AEST)
Announcement of Merger and underwritten entitlement offer, and trading resumes	Before 10.00am, Monday 11 September 2017
Lodgement of Notice of Meeting	Tuesday, 26 September 2017
Announcement of Entitlement Offer	Tuesday, 10 October 2017
Ex-entitlement date	Thursday, 12 October 2017
Record Date	Friday, 13 October 2017 (at 7:00pm ADST)
Entitlement Offer opens	Wednesday, 18 October 2017
Company Annual General Meeting to approve the consideration shares	Friday, 27 October 2017
Entitlement Offer closes	Monday, 30 October 2017
Deferred settlement trading	Tuesday, 31 October 2017
Shortfall notice issued to underwriters	Thursday, 2 November 2017
Settlement of Entitlement Offer shares	Friday, 3 November 2017
Issue of consideration shares	Monday, 6 November 2017
Completion of Merger	Monday, 6 November 2017
Commencement of trading of Entitlement Offer shares	Tuesday, 7 November 2017



KEY RISKS

General risks

Investment Risk: There are risks associated with any investment in a company listed on the ASX. The value of shares may rise above or below the current share price depending on the financial and operating performance of PPG and external factors over which PPG and the Directors have no control. These external factors include: economic conditions in Australia and overseas which may have a negative impact on equity capital markets; changing investor sentiment in the local and international stock markets; changes in domestic or international fiscal, monetary, regulatory and other government policies and developments and general conditions in the markets in which PPG proposes to operate and which may impact on the future value and pricing of shares. No assurances can be given that the New Shares will trade at or above the Offer Price. None of PPG, its Board or any other person guarantees the market performance of the New Shares.

General Economic Conditions: Adverse changes in economic conditions such as interest rates, exchange rates, inflation, government policy, national and international economic conditions and employment rates amongst others are outside PPG's control and have the potential to have an adverse impact on PPG and its operations.

Liquidity risk: There may be few or many potential buyers or sellers of PPG Shares on the ASX at any time. This may affect the volatility of the market price of PPG's shares. It may also affect the prevailing market price at which shareholders are able to sell their PPG shares.

Taxation: Future changes in taxation law, including changes in interpretation or application of the law by the courts or taxation authorities, may affect taxation treatment of an investment in PPG shares or the holding and disposal of those shares. Further, changes in tax law, or changes in the way tax law is expected to be interpreted, in the various jurisdictions in which PPG operates, may impact the future tax liabilities and performance of PPG. Any changes to the current rates of income tax applying to individuals and trusts will similarly impact on shareholder returns.

Major Shareholder Risk: PPG currently has a substantial shareholder on its share register. There is a risk that this shareholder, future substantial shareholders, or any other large shareholders may sell their shares at a future date. This could cause the price of PPG shares to decline.

Risk of Dividends Not Being Paid: The payment of dividends is announced at the time of release of PPG half year and full year results as determined by the Board from time to time at its discretion, dependent on the profitability and cash flow of PPG's businesses. While PPG has a stated dividend policy, circumstances may arise where PPG is required to reduce or cease paying dividends for a period of time.

Operational risks

Competition risk: PPG operates in highly competitive markets, dealing with large sophisticated clients who regularly competitively review all supplier arrangements. The loss of any customers may negatively impact earnings. Additionally, the risk from increased competition and new alternative packaging products may negatively impact on sales and profitability.

Key input costs: PPG has a number of key input costs including resin, labour and energy. An increase in the prices of any of these inputs may have a negative impact on costs and profitability

Currency risk: An investment in PPG will include indirect exposure to currency fluctuations. The impact of foreign exchange rate fluctuations is mitigated by the purchase of forward foreign exchange contracts, holding suitable levels of inventory and through price adjustments passed on to customers. If PPG's hedging strategies are not successful, PPG may experience financial loss. As an domestic Australian manufacturer,

Loss of key personnel: PPG's performance depends significantly on its key management personnel managing and growing its business and responding to customers' needs. The loss of such personnel or any delay in their replacement may adversely affect PPG's ability to develop and implement its business strategies and ultimately adversely affect PPG's business, operating and financial performance.

Acquisition and Offer risks

Underwriting risk: PPG has entered into an Underwriting Agreement under which the Underwriter has agreed to fully underwrite the Offer, subject to the terms and conditions of the Underwriting Agreement. The Underwriter's obligation to underwrite the Offer is conditional on certain customary matters, including PPG delivering certain certificates, sign-offs and opinions. Further, if certain events occur, some of which are beyond PPG's control, the Underwriter may terminate the Underwriting Agreement, including if:

- the acquisition does not proceed for a number of reasons including if the acquisition does not complete or there is an event of default under the debt facility agreement or the acquisition agreement is terminated, the agreement is amended, varied in any respect, breached, rescinded or terminated;
- there are certain delays in the timetable for the Entitlement Offer, without the Lead Managers' consent;
- there are certain financial or economic disruptions in key market or hostilities commence or escalate in certain key countries;
- there is a change in the board or certain senior management changes;
- an adverse change, or an event that is likely to lead to an adverse change, occurs in the assets, liabilities, financial position or performance, profits, losses or prospects of PPG or the PPG Group from that disclosed to ASX up to, and including, the Announcement Date; or
- a voting intention statement made by a shareholder in relation to voting in favour of the Merger withdrawn or a Major Shareholder (as defined in the Underwriting Agreement) sells or transfers any of the shares they hold or control or acts contrary to their voting intention statement and a condition specified in that voting intention statement is triggered or satisfied.

The ability of the Underwriters to terminate the Underwriting Agreement in respect of some events will depend on whether the event has or is likely to have a material adverse effect on the success, marketing or settlement of the Offer, the value of the securities, or the willingness of investors to subscribe for securities, or where they may give rise to liability for the Underwriters. Termination of the Underwriting Agreement would have an adverse impact on the amount of proceeds raised under the Offer and could affect PPG's ability to pay the purchase price for the IPG acquisition. PPG would need to find alternative funding to meet its contractual obligations under the acquisition agreement to pay the purchase price. Termination of the Underwriting Agreement could materially adversely affect PPG's business, cash flow, financial performance, financial condition and share price. If the Underwriting Agreement is terminated and PPG is unable to source alternate funding, it may be unable to complete the Merger.

The Entitlement Offer is not conditional on completion of the Merger. In the event that the Merger does not complete for any reason, Pro-Pac will consider options in relation to the use of funds raised. In the event that the merger does not complete for any reason, the Underwriter is entitled to terminate its obligation to underwrite the Entitlement Offer.

Index of other ASX announcements made by PPG over the past 12 months

Document Description	Date
Board Changes	06/10/2017
Notice of Extraordinary General Meeting/Proxy Form	26/09/2017
Appendix 4G	25/09/2017
Full Year Statutory Accounts	25/09/2017
Ceasing to be a substantial holder from TAU	13/09/2017
PPG Investor Presentation	11/09/2017
Merger with IPG and Underwritten Equity Raising	11/09/2017
Trading Halt	07/09/2017
Dividend/Distribution - PPG	29/08/2017
Preliminary Final Report	29/08/2017
Earnings Update	30/06/2017
Change of Director's Interest Notice - E Kaplan	28/06/2017
Unlisted options lapse	28/06/2017
Change of Director's Interest Notice E Kaplan	17/05/2017
Change of Director's Interest Notice E Kaplan	12/05/2017
Appointment of Chief Executive Officer	12/04/2017
S&P DJ Indices Announces March Quarterly Rebalance	10/03/2017
Dividend/Distribution - PPG	17/02/2017
Half Yearly Report and Accounts	17/02/2017
Profit Guidance	27/01/2017
Form 484 Cancellation of forfeited shares	30/11/2016
Results of Meeting	28/11/2016
Chairman's and CEO's addresses to shareholders	28/11/2016
Notice of Annual General Meeting/Proxy Form	21/10/2016
Annual Report to shareholders	21/10/2016
Full Year Statutory Accounts	27/09/2016
Appendix 4G	27/09/2016
Form 484 DRP issue	23/09/2016
Appendix 3B DRP	23/09/2016
Update - Dividend/Distribution - PPG	15/09/2016

Media release FY16 Highlights	26/08/2016
Dividend/Distribution - PPG	26/08/2016
Preliminary Final Report	26/08/2016

5 Important Information

5.1 Responsibility for Offer Booklet

This Offer Booklet (including the ASX Offer Announcements and the enclosed personalised Entitlement and Acceptance Form) has been prepared by PPG.

This Offer Booklet is dated 10 October 2017 (other than the ASX Offer Announcements, which were published on the ASX website on 11 September 2017 and 10 October 2017).

No party other than PPG has authorised or caused the issue of this Offer Booklet, or takes any responsibility for, or makes, any statements, representations or undertakings in this Offer Booklet.

No person is authorised to give any information, or to make any representation, in connection with the Entitlement Offer that is not contained in this Offer Booklet. Any information or representation that is not in this Offer Booklet may not be relied on as having been authorised by PPG, or its related bodies corporate in connection with the Entitlement Offer.

5.2 Additional announcements

There may be additional announcements made by PPG after the date of this Offer Booklet and throughout the period that the Entitlement Offer is open that may be relevant to your consideration of whether to take up or do nothing in respect of your Entitlement. Therefore, it is prudent that you check whether any further announcements have been made by PPG (by visiting the ASX website at www.asx.com.au) before submitting your application to take up your Entitlement.

5.3 Status of Offer Booklet

The Entitlement Offer is being made pursuant to provisions of the Corporations Act which allow rights issues to be offered without a prospectus.

Neither this Offer Booklet nor the Entitlement and Acceptance Form are required to be lodged or registered with ASIC. This Offer Booklet is not a prospectus under the Corporations Act and no prospectus for the Entitlement Offer will be prepared. These documents do not contain, or purport to contain, all of the information that a prospective investor may require in evaluating an investment in PPG. They do not contain all the information which would be required to be disclosed in a prospectus.

As a result, it is important for Eligible Shareholders to carefully read and understand the information on PPG and the Entitlement Offer made publicly available, prior to accepting all or part of their Entitlement. In particular, please refer to this Offer Booklet, the Investor Presentation and other announcements made available at www.asx.com.au.

This Offer Booklet does not contain financial product advice and has been prepared without taking into account your investment objectives, financial circumstances or particular needs. PPG is not licensed to provide financial product advice in respect of the New Shares. Before deciding whether to apply for New Shares, you should consider whether they are a suitable investment for you in light of your own investment objectives and financial circumstances and having regard to the merits or risks involved. If, after reading the Offer Booklet, you have any questions about the Entitlement Offer, you should contact your stockbroker, accountant or other independent professional adviser.

5.4 Offer Booklet availability

Eligible Shareholders in Australia and New Zealand can obtain a copy of this Offer Booklet during the period of the Entitlement Offer by accessing the ASX website or accessing the PPG Entitlement Offer website at <http://www.ppgaust.com.au/investor-relations/dividends-and-capital>. Persons who access the electronic version of this Offer Booklet should ensure that they download and read the entire Offer Booklet. The electronic version of this Offer Booklet on the ASX website and the PPG Entitlement Offer website will not include a personalised Entitlement and Acceptance Form.

A replacement personalised Entitlement and Acceptance Form can be requested by calling the PPG Offer Information Line on 02 9290 9600 (within Australia) or +61 2 9290 9600 (outside

Australia) at any time between 8:30am and 5:00pm (Sydney time) on Monday to Friday during the Entitlement Offer period.

This Offer Booklet (including the accompanying personalised Entitlement and Acceptance Form) may not be distributed or released to, or relied upon by, persons in the United States or that are acting for the account or benefit of a person in the United States.

5.5 **Risks**

The Investor Presentation included in section 4 of this Offer Booklet details important factors and risks that could affect the financial and operating performance of PPG. You should refer to the "Key Risks" section in the Investor Presentation. You should consider these factors in light of your personal circumstances, including financial and taxation issues, before making a decision in relation to your Entitlement.

5.6 **No Cooling Off**

Cooling off rights do not apply to an investment in New Shares. You cannot withdraw your application once it has been made.

5.7 **Privacy Statement**

If you complete an application for New Shares, you will be providing personal information to PPG (directly or through the Share Registry). PPG collects, holds and will use that information to assess your application, service your needs as a Shareholder and to facilitate distribution payments and corporate communications to you as a Shareholder.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Share Registry.

You can access, correct and update the personal information that is held about you. If you wish to do so please contact the Share Registry at the relevant contact numbers set out in the Corporate Directory of this Offer Booklet.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (Cth) (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if the information required on the Entitlement and Acceptance Form is not provided, PPG may not be able to accept or process your application.

5.8 **Governing Law**

This Offer Booklet, the Entitlement Offer and the contracts formed on acceptance of the Entitlement Offers pursuant to the personalised Entitlement and Acceptance Forms are governed by the laws applicable in New South Wales, Australia. Each applicant for New Shares submits to the non-exclusive jurisdiction of the courts of New South Wales, Australia.

5.9 **Foreign Jurisdictions**

This Offer Booklet has been prepared to comply with the requirements of the securities laws of Australia.

The Entitlements and New Shares being offered under the Entitlement Offer are being offered to shareholders with registered addresses in New Zealand in reliance on the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016. This Offer Booklet is not a product disclosure statement under the *Financial Markets Conduct Act 2013* (FMCA) or other similar offering or disclosure document under New Zealand law and has not been registered, filed with, or approved by any New Zealand regulatory authority or under or in accordance with the FMCA or any other relevant law in New Zealand. It does not contain all the information that a product disclosure document, under New Zealand law, is required to contain.

This Offer Booklet does not constitute an offer in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer. No action has been taken to register or qualify the Entitlement Offer, the Entitlements or the New Shares or otherwise permit the public offering of the New Shares in any jurisdiction other than Australia and New Zealand.

This Offer Booklet, and any accompanying ASX announcements and the Entitlement and Acceptance Form, do not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States. Neither this Offer Booklet nor the Entitlement and Acceptance Form may be distributed or released in the United States. Neither the Entitlements nor the New Shares offered in the Entitlement Offer have been, or will be, registered under the U.S. Securities Act or the securities laws of any state or other jurisdiction of the United States. Accordingly, the Entitlements may not be taken up by, and the New Shares may not be offered or sold to, persons in the United States or persons who are acting for the account or benefit of a person in the United States.

The New Shares to be offered and sold in the Entitlement Offer may only be offered and sold outside the United States in “offshore transactions” (as defined in Rule 902(h) under the U.S. Securities Act) in compliance with Regulation S under the U.S. Securities Act.

Any non-compliance with these restrictions may contravene applicable securities laws.

See the “International Offering Jurisdictions” section of the Investor Presentation for more information.

5.10 Underwriting

The Entitlement Offer is fully underwritten by the Underwriter pursuant to an underwriting agreement dated 8 September 2017 between the Underwriter and PPG (**Underwriting Agreement**).

As is customary with these types of arrangements:

- (a) PPG has agreed, subject to certain carve-outs, to indemnify the Underwriter, its affiliated and related bodies corporate, and each of their directors, officers, employees, agents and advisers against any losses they may suffer or incur in connection with the Entitlement Offer;
- (b) PPG and the Underwriter have given certain representations, warranties and undertakings in connection with (amongst other things), the Entitlement Offer, the Underwriting Agreement or any acts or omissions of the indemnified parties in relation to the Underwriting Agreement;
- (c) the Underwriter may (in certain circumstances, having regard to the materiality of the relevant event) terminate the Underwriting Agreement and be released from its obligations under it on the occurrence of certain events, including but not limited to where:
 - (i) PPG chooses not to proceed with the Entitlement Offer or withdraws the notice of meeting pursuant to which shareholder approval for the Acquisition is being sought;
 - (ii) a statement contained in the Entitlement Offer documents is misleading or deceptive, or is likely to mislead or deceive, or does not comply with the Corporations Act, ASX Listing Rules or any other applicable laws;
 - (iii) PPG ceases to be admitted to the official list of ASX;
 - (iv) trading of PPG's Shares on ASX is suspended without the prior approval of the Underwriter, or the Shares cease to be official quoted by ASX;
 - (v) the S&P/ASX200 Index closes at a level that is 85% or less of the level of that index as at the close of trading on 6 September 2017 and remains below that level either at the close of trading on ASX for 3 consecutive business days or at the close of trading on ASX on the business day immediately prior to settlement of the Entitlement Offer;

- (vi) a voting intention statement made by a shareholder is withdrawn or resiled from or found to be void or unenforceable or a condition on which the voting intention statement is given is satisfied or triggered by the shareholder;
 - (vii) the Acquisition Agreement is terminated or amended in a material respect without the consent of the Underwriter or a condition precedent in the Acquisition Agreement becomes incapable of being satisfied within the relevant period; or
 - (viii) PPG's debt facility is terminated or amended in a material respect without the consent of the Underwriter or a condition precedent to PPG's debt facility becomes incapable of being satisfied within the relevant period; and
- (d) the Underwriter will be paid up to 3.5% of the total proceeds of the Entitlement Offer (excluding GST) in the form of fees for providing services and will be reimbursed for certain expenses.

Please refer to the Investor Presentation for further information about the Underwriting Agreement.

5.11 **Disclaimer of Representations**

Except as required by law, and only to the extent so required, none of PPG, or any other person, warrants or guarantees the future performance of PPG or any return on any investment made pursuant to this Offer Booklet.

No entity (other than PPG) referred to in the Corporate Directory in section 7 of this Offer Booklet, nor any of their respective related bodies corporate, nor any of their respective directors, officers, partners, employees, representatives or agents, have authorised or caused the issue of this Offer Booklet and they do not take any responsibility for this Offer Booklet or any action taken by you on the basis of such information contained in this Offer Booklet. None of those persons has made or purports to make any statement in this Offer Booklet and there is no statement in this Offer Booklet which is based on any statement by any of them. To the maximum extent permitted by law, each of those persons exclude and disclaim all liability for any expenses, losses, damages or costs incurred by you as a result of your participation in the Entitlement Offer and the information contained in this Offer Booklet being inaccurate or incomplete in any way for any reason, whether by negligence or otherwise.

6 Glossary

ABN means Australian Business Number.

Acquisition means the acquisition of 100% of IPG by PPG.

Acquisition Agreement means the share sale agreement between PPG, IPG and the vendors of IPG dated 8 September 2017.

Allotment Date means the date on which New Shares are issued under the Entitlement Offer.

Application Monies means the amount specified in the personalised Entitlement and Acceptance Form, being the consideration for New Shares under the Entitlement Offer.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited ACN 008 624 691 or, where the context requires, the financial market operated by it on which Shares are quoted.

ASX Offer Announcements means the ASX announcements reproduced in section 4 of the Offer Booklet, being the announcement to ASX on 10 October 2017 of the launch of the Entitlement Offer, the Investor Presentation dated 11 September 2017 and the announcement to ASX on 11 September 2017 of the Acquisition.

CGT means capital gains tax.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the directors of PPG.

Eligible Shareholders has the meaning given in section 1.2 of the Offer Booklet.

Entitlement means the number of New Shares for which an Eligible Shareholder is entitled to subscribe under the Entitlement Offer, being 2 New Shares for every 3 existing Shares held at the Record Date.

Entitlement and Acceptance Form means the personalised form accompanying this Offer Booklet to be used to make an application in accordance with the instructions set out on that form.

Entitlement Offer means the fully underwritten pro rata non-renounceable entitlement offer of up to 161.2 million New Shares to Eligible Shareholders at the ratio of 2 New Shares for every 3 existing Shares held at the Record Date at an Offer Price of \$0.34 per New Share.

GST means goods and services tax.

Ineligible Shareholders has the meaning given in section 1.6 of this Offer Booklet.

Investor Presentation means the PPG Investor Presentation released to ASX on 11 September 2017 and included in section 4 of this Offer Booklet.

IPG means Integrated Packaging Group Pty Limited ACN 132 697 664 and its subsidiaries.

Listing Rules means the official listing rules of the ASX.

New Shares means the fully paid ordinary shares in PPG offered under the Entitlement Offer (as applicable).

Offer Booklet means this Offer Booklet in relation to the Entitlement Offer, including the ASX Offer Announcements reproduced in section 4 and the personalised Entitlement and Acceptance Form accompanying the Offer Booklet.

Offer Price means \$0.34 being the price payable per New Share under the Entitlement Offer.

PPG means Pro-Pac Packaging Limited ACN 112 971 874.

Record Date means 7:00pm (Sydney time) on 13 October 2017.

Share means a fully paid ordinary share in PPG.

Share Registry means Boardroom Pty Limited ACN 003 209 836.

Shareholder means a holder of a Share.

TFN means tax file number.

Underwriter means Bell Potter Securities Limited.

Underwriting Agreement means the underwriting agreement between PPG and the Underwriter dated 8 September 2017 pursuant to which the Underwriter has agreed to underwrite the Entitlement Offer.

U.S. Securities Act means the *United States Securities Act 1933* (as amended).

7 Corporate directory

Pro-Pac Packaging Limited (ABN 36 112 971 874)

147 -151 Newton Road,
Wetherill Park NSW 2164

www.ppgaust.com.au

PPG Offer Information Line

02 9290 9600 (within Australia)

+61 2 9290 9600 (outside Australia)

Open between 8:30am and 5:00pm (Sydney time) Monday to Friday

Share Registry – Boardroom Pty Limited (ABN 14 003 209 836)

Grosvenor Place
Level 12, 225 George Street
Sydney NSW 2000

www.investorserve.com.au

Underwriter – Bell Potter Securities Limited (ABN 25 006 390 772)

Level 29, 101 Collins Street
Melbourne VIC 3000

Australian legal adviser – Thomson Geer (ABN 21 442 367 363)

Level 25, 1 O'Connell Street
Sydney NSW 2000