

15 August 2005

**To: Company Announcements Office**

**Subject: COLORPAK EXCEEDS FORECASTS BY 6.9%**

Colorpak Limited (CLK) today announced it had, in its first full year as a listed company, exceeded its prospectus profit forecasts by some 6.9%. The company's NPAT for the 12 months to 30 June 2005 was \$3.107 million.

In brief, the results were:

	<b>Actual \$M</b>	<b>Forecast \$M</b>	<b>Variance \$M</b>	<b>Variance %</b>
Revenue from operations	58.258	52.701	5.557	10.5
EBITDA	11.299	10.967	0.332	3.0
NPAT	3.107	2.907	0.200	6.9
Cash flow	7.878	7.294	0.584	8.0

Revenues exceeded Prospectus forecast by \$5.6m due to the acquired Castle Graphics sales contribution (\$3.5m) and a solid 4% base business revenue growth of \$2.0m. Even though EBITDA was 3% ahead of Prospectus forecast, earnings generation from the sales growth was tempered due to lower margins in line with expectations on the Castle Graphics revenues and the payment of management incentives (based on exceeding Prospectus earnings per share forecast). Cash from operations was a healthy \$7.9m, which was up 8% on prospectus forecast.

### Dividend

Directors declared a fully franked final dividend of 1.5 cents per share making a total dividend for the year of 2.5 cents per share, fully franked.

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## **Commentary**

Colorpak's Managing Director, Mr Alex Commins, said the company foundations for a sustainable long-term future had been set with the 2004/05 results. He described the year's highlights as:

- the acquisition of Castle Graphics (NSW) giving Colorpak a broader product range in specialist products such as the printed blister and lidding foils;
- the launch of PharmaKit, an innovative packaging solution for the pharmaceuticals industry, Colorpak's largest market segment;
- investment in a new die-cutter and six-colour twin coater press for its Melbourne plant to meet increased demand;
- investment in die cutting design and production equipment – a process that was previously outsourced; and
- finalisation of plans for a new, greenfield development in Regents Park, NSW.

## **The market**

"The acquisition of a major competitor, Wadepack, by Carter Holt Harvey has made us the third largest player in the specialist folding carton sector, with around 10% market share," said Mr Commins.

"For the fifth consecutive year, Colorpak was rated No. 1 by reputation in the BIS Shrapnel customer satisfaction survey of folding carton suppliers."

## **Key events**

"The acquisition of Sydney based Castle Graphics broadens our product portfolio. Castle Graphics is also focused strongly on the pharmaceutical and healthcare sector and is therefore an excellent fit. It has added a number of products such as printed blister and lidding foils, printed self-adhesive labels, printed sachets and printed flexible packaging to our range," said Mr Commins.

"The launch of PharmaKit is an Australian first. It allows pharmaceuticals manufacturers to source a suite of packaging elements that can be certified and delivered in one total solution. Beforehand, manufacturers had to source various packaging elements from a number of suppliers.

"Now, with PharmaKit they get significant supply chain benefits. Market take-up of the new service has been excellent," he said.

"The investment in new plant and equipment at our Melbourne facility has increased our ability to provide customers with increased flexibility, product innovation, design and delivery," said Mr Commins.

"It also offers us the opportunity to expand our presence in markets such as food and beverages," he said.

## **Debt retirement**

Debt retirement is a firm commitment by the Board and, despite capital expenditure relating to new plant and equipment and the Castle Graphics acquisition, debt was reduced. The Board expects gearing to be 39% by the end of 2006 compared with 46% in the March 2004 prospectus.

## **Outlook**

Mr Commins said the 2005/06 year had commenced well despite a softer Australian economy.

"The new site at the Sydney suburb of Regent's Park will be completed in 2006 and we are quietly confident that it will allow us to increase our penetration of the NSW market.

“With the rapid expansion of our Victorian business, we have decided to develop a finished goods warehouse adjacent to our manufacturing plant in the Melbourne suburb of Braeside. This will increase the efficiencies of our logistics. We shall also be seeking further ‘bolt-on’ acquisitions that will create value for shareholders,” he said.

“Demand is expected to remain strong for the balance of 2005/06 and we therefore believe we should have another good year,” said Mr Commins.

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